

GAO

Report to the Ranking Minority Member,
Subcommittee on Oversight of
Government Management and the
District of Columbia, Committee on
Governmental Affairs, U.S. Senate

November 1995

DEPARTMENT OF LABOR

Senior Community Service Employment Program Delivery Could Be Improved Through Legislative and Administrative Actions





United States
General Accounting Office
Washington, D.C. 20548

Health, Education, and
Human Services Division

B-257708

November 2, 1995

The Honorable Carl Levin
Ranking Minority Member
Subcommittee on Oversight of
Government Management and the
District of Columbia
Committee on Governmental Affairs
United States Senate

Dear Mr. Levin:

Each year, the Department of Labor's Senior Community Service Employment Program (SCSEP) provides grants to finance part-time, minimum-wage community service jobs for about 100,000 economically disadvantaged older Americans. The program is authorized by title V of the Older Americans Act (OAA), and it received an appropriation of \$396 million for fiscal year 1995. Labor awards the bulk of the SCSEP grant funds to 10 nonprofit national sponsors and the remainder to the state governments that administer the program for the Department.

Earlier, you expressed concern to us about Labor's process for awarding noncompetitive grants. Our first report to you on the subject covered Labor's 134 smaller grants,¹ and this, our final planned report on the subject, covers the larger SCSEP program. Our objectives for this report were to examine

- Labor's process for making SCSEP grant awards;
- the extent to which Labor's allocation of SCSEP funds equitably distributes the subsidized job positions; and
- other administrative issues, including administrative expenses, for the program.

To develop this information, we reviewed grant documents, the relevant OAA provisions, Labor's regulations and procedures,² states' reports documenting the distribution of positions within states, and Labor's internal documents reporting the distribution of funds and positions to

¹Department of Labor: Noncompetitive, Discretionary Grants (GAO/HEHS-94-9, Feb. 22, 1994).

²From 1980 to June 1995, Labor operated the SCSEP program under a series of draft revisions to the 1976 regulations. On May 17, 1995, Labor published revised final regulations in the Federal Register, which became effective on June 30, 1995.

states³ and national sponsors. During our review, we also interviewed officials of Labor, 28 state offices responsible for SCSEP activities, and each of the 10 national sponsors. To examine the appropriateness of expenses allocated to specific budget categories, we relied on budget data in the grant applications. We did so because Labor staff use these data in their award and approval process and because actual cost data were not available. We did not independently verify the data reported to us. We conducted our review between April 1994 and April 1995 in accordance with generally accepted government auditing standards. For further details on the scope and methodology of our work, see appendix I.

In an earlier report on training programs, we identified SCSEP as 1 of 163 federal programs and funding sources constituting the federal effort to support employment training assistance.⁴ The 104th Congress is considering proposals to consolidate and transfer to block grants many of these programs, including SCSEP. Although this report does not address such proposals, its information on SCSEP may be useful to those considering them.

Results in Brief

The OAA⁵ requires Labor to award grants to national sponsors sufficient to maintain their 1978 level of activities and in so doing to give preference to organizations of proven ability. This requirement to maintain the 1978 level of activity is commonly known as the “hold harmless” provision.⁶ Of the \$410.5 million appropriation for program year 1994, \$234.5 million was distributed under this provision. In applying this provision, Labor uses 1978 state-by-state position allocation patterns. The remaining funds are distributed in accordance with current age and per capita income data to state governments and national sponsors.

Labor’s use of 1978 allocation patterns on a state-by-state rather than nationwide basis greatly limits its ability to achieve equitable distribution among the states on the basis of actual need. This results in overserved

³In this report, we use the term “states” to refer also to the governments of the District of Columbia, Puerto Rico, and the U.S. Territories. These governments also participate in the SCSEP program.

⁴Multiple Employment Training Programs: Major Overhaul Needed to Reduce Costs, Streamline the Bureaucracy, and Improve Results (GAO/T-HEHS-95-53, Jan. 19, 1995).

⁵42 U.S.C. 3056d(a).

⁶The statute provides that the Secretary of Labor must first reserve from annual appropriations “such sums as may be necessary” for grants with public or nonprofit private organizations “to maintain the level of activities carried on under such grants or contracts at least at the level of such activities” in fiscal year 1978. 42 U.S.C. 3056d(a)(1)(A). In 1978, the program had five national sponsors. Over the years, the number of national sponsors has increased to 10.

and underserved states. Our analysis shows that had the hold harmless funding for program year 1994 been distributed on the basis of up-to-date age and income data, 25 states would have gained or lost at least \$500,000. Further, within states, Labor has permitted a continuing pattern of overserved and underserved areas.

Appropriations statutes also affect equitable distribution. If title V funding exceeds the 1978 funding level in subsequent years, another provision of the OAA⁷ requires that the excess be split—55 percent for states and 45 percent for the national sponsors. However, the “55/45” provision has never been implemented. Every year since 1978, appropriations statutes have overridden the 55/45 provision. These statutes have required that no more than 22 percent of the SCSEP appropriation be allocated to the state governments.⁸ At least 78 percent must be allocated to the national sponsors.

Under Labor’s regulations, expenditures that we believe to be administrative in nature may be charged to another cost category—“other enrollee costs”—thereby allowing the statutory 15-percent limit on administrative expenses to be exceeded.⁹ In program year 1994, this resulted in national sponsors’ budgeted administrative costs exceeding the 15-percent limit by over \$20 million. As a result, grant funds that could have been spent to finance additional program positions have therefore been improperly allocated.

Background

SCSEP evolved from Operation Mainstream, which trained and employed chronically unemployed adults under the Economic Opportunity Act of 1964. In 1965, Operation Mainstream provided funding to the Green Thumb organization, at the time a nonprofit affiliate of the National Farmers Union, to conduct a pilot training and employment program for economically disadvantaged older workers in several rural areas. Green Thumb was thus the first of the 10 nonprofit national sponsors that today administer most of the SCSEP funds.

During the next 13 years (1965-1978), legislative and administrative actions instituted most of the basic aspects of today’s SCSEP: responsibility for the program was moved to the Department of Labor; the program was made

⁷42 U.S.C. 3056d(a)(1)(B).

⁸For example, Public Law 103-333.

⁹42 U.S.C. 3056(c)(3).

part of the OAA and given the goal of providing subsidized employment in community service organizations to economically disadvantaged older Americans; all grantees were asked to attempt to place at least 10 percent of their program enrollees in unsubsidized jobs (the goal has been 20 percent since 1985); and 8 of the eventual 10 national sponsors, as well as most state governments, were made grantees for the program.¹⁰

Of the current 10 national sponsors, 5 were added because of OAA amendments and other congressional guidance to Labor, which directed that Labor add sponsors oriented toward certain ethnic groups with high concentrations of the elderly poor. Such direction explains Labor's funding, as national sponsors, two African American organizations (1978) and three other organizations: one representing Hispanic Americans (1978); one, American Indians (1989); and one, Asian Americans (1989). The legislation, however, requires all sponsors to provide all SCSEP applicants an equal opportunity to participate in the program regardless of race or nationality.

Statutory Provisions on Allocating Funds

The OAA contains several provisions for Labor's allocation of SCSEP funds. The hold harmless provision¹¹ requires the Secretary of Labor to reserve for the national sponsors a funding amount sufficient to maintain the 1978 activity level. Any balance of the appropriation over the hold harmless amount is to be distributed to the sponsors and state governments mainly on an "equitable distribution" basis—that is, in accordance with the state-by-state distribution of persons 55 years old or older, adjusted for per capita income.¹² A minor limitation on such a distribution is the requirement for a minimum allocation for each state, a provision designed to protect the smaller states.¹³

Another provision requires that the portion of any appropriation that exceeds the 1978 funding level in subsequent years will be split—55 percent for states and 45 percent for the national sponsors.¹⁴ However, the "55/45" provision—designed to provide state governments

¹⁰Labor offers all states the opportunity to administer SCSEP grant funds. In program year 1994, five states (Alabama, Arizona, Florida, Montana, and South Dakota) declined, and their SCSEP funds were administered by one or more of the national sponsors.

¹¹42 U.S.C. 3056d(a)(1)(A).

¹²42 U.S.C. 3056d(a)(3).

¹³42 U.S.C. 3056d(a)(3)-(4).

¹⁴42 U.S.C. 3056d(a)(1)(B).

more parity with the national sponsors—has never been implemented. Every year since 1978, appropriations acts have overridden the 55/45 provision. These statutes have required that no more than 22 percent of the SCSEP appropriation be allocated to the state governments.¹⁵ At least 78 percent must be allocated to the national sponsors.

A third provision that also still applies is the requirement for an equitable distribution of funds among areas within each state.¹⁶

SCSEP in Program Year 1994

The SCSEP appropriation for the 1994 program year¹⁷ (\$410.5 million) accounted for about 28 percent of all OAA funds. All but two of the OAA programs are administered by the Department of Health and Human Services.¹⁸ Labor administers SCSEP through its Employment and Training Administration (ETA). Like other OAA programs, SCSEP's authorization expired at the end of fiscal year 1995. The Congress is reviewing proposals for reauthorization.

To receive a SCSEP grant, a national sponsor or state government must agree to provide a match, in cash or in kind, equal to at least 10 percent of the grant award. Many state governments make their match in the form of cash contributions. The national sponsors, on the other hand, normally provide in-kind matches in the form of donated office space, staff time, equipment, and the like. The in-kind matches for most national sponsors come not from the sponsors' own resources but from those of the community service host agencies, where the SCSEP enrollees actually work. These host agencies typically are local libraries, nutrition centers, parks, and similar public service entities.

National sponsors and state governments use the SCSEP grants to finance SCSEP part-time jobs in host agencies. The cost of such a job, or enrollee position—which generally must include at least 20 hours of work a week—is the amount determined sufficient to fund (1) an enrollee's minimum wages, benefits, training, and incidental expenses for up to 1,300

¹⁵Public Law 103-333.

¹⁶42 U.S.C. 3056d(c).

¹⁷The SCSEP program year runs from July 1 to June 30. For example, the period from July 1994 through June 1995 was the 1994 program year. Funds for the 1994 program year came from the Department of Labor Appropriations Act for fiscal year 1994. Labor did not obligate the SCSEP amounts in that appropriation until July 1994.

¹⁸Under title IV of the OAA, the U.S. Department of Agriculture administers a program that provides surplus commodities for nutrition services.

hours a year in the program and (2) the associated administrative expenses. This cost amount, termed the “unit cost” by Labor, is adjusted periodically by Labor in consultation with the Office of Management and Budget (OMB). The unit cost is currently \$6,061. Labor divides each year’s SCSEP appropriation by the unit cost amount to determine how many positions are available.

Program enrollees, who must be 55 or older and earn no more than 125 percent of the federal poverty level, are paid the federal or local minimum wage—whichever is higher. For the 1994 program year, funding permitted the establishment of about 65,000 positions nationwide. An enrollee may leave a program position for such reasons as illness or acceptance of an unsubsidized job. Thus, during the 1994 program year, about 100,000 enrollees occupied the 65,000 positions; about three-quarters of these enrollees were women.

Often, in the administration of SCSEP grants, entities other than the national sponsors and state governments participate as intermediaries between the sponsors and the host agencies. Some of these entities are municipalities; many are Area Agencies on Aging, organizations the state designates to plan and provide services to the elderly. These intermediaries sometimes enter into agreements with states and national sponsors as subgrantees to find specific host agencies for program enrollees.

The 10 National Sponsors

Of the 1994 program year appropriation, Labor allocated the national sponsors \$320.2 million (78 percent) and the states and territories \$90.3 million (22 percent). The 10 national sponsors that received grant awards were, as in previous years, the following:

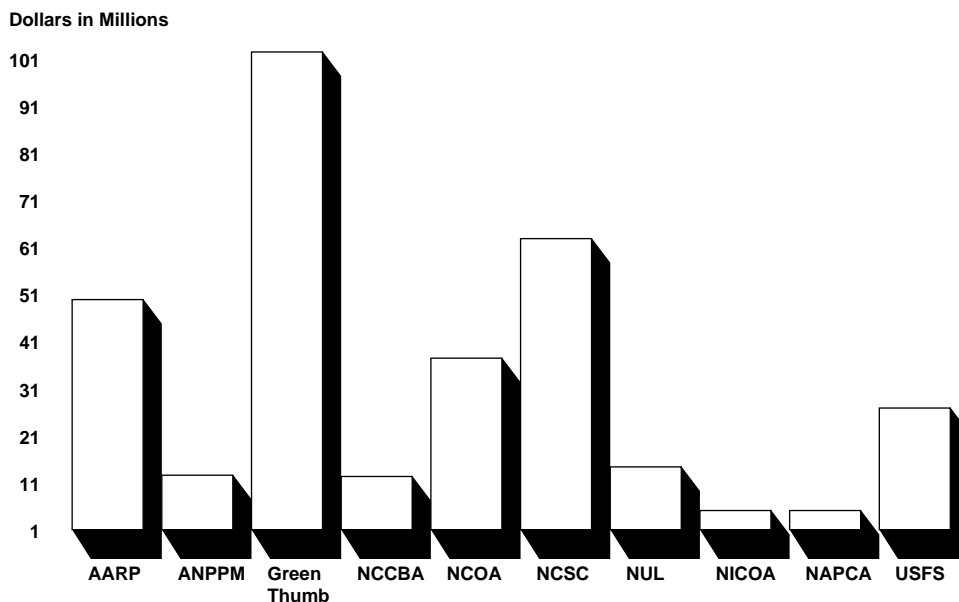
- American Association of Retired Persons (AARP),
- Asociacion Nacional Pro Personas Mayores (ANPPM),
- Green Thumb,
- National Asian Pacific Center on Aging (NAPCA),
- National Caucus and Center on Black Aged (NCCBA),
- National Council on Aging (NCOA),
- National Council of Senior Citizens (NCSC),
- National Indian Council on Aging (NICOA),
- National Urban League (NUL), and
- U.S. Forest Service (USFS).

National sponsors operate locally through (1) subgrant agreements with local organizations, such as agencies on aging or community groups, and (2) local affiliates. Appendix II provides a short profile of the SCSEP activities of each national sponsor.

Whenever the SCSEP program has a new appropriation level, Labor conducts with the national sponsors a meeting known as the “melon cutting.” At these meetings, Labor makes known its allocations to each of the national sponsors and presides over discussions in which national sponsors often trade enrollee positions in various areas. Sometimes, a representative from the National Association of State Units on Aging (NASUA) is invited to express states’ concerns, but the states have no formal control over the distribution of positions.

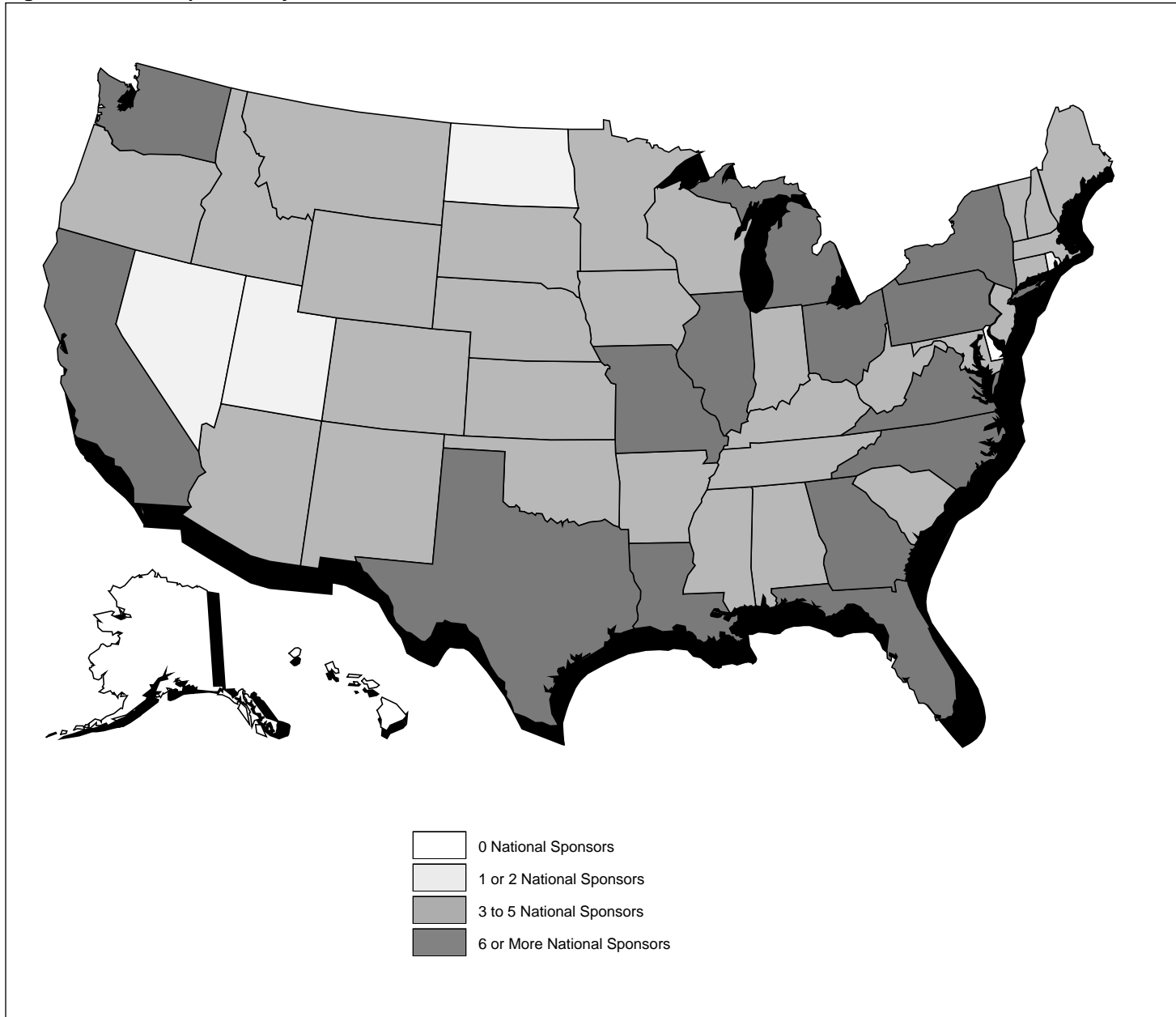
As seen in figure 1, program year 1994 grant amounts to the national sponsors varied widely: the \$102.5 million Green Thumb grant was the largest, and the \$5.1 million grants each to the NICOA and NAPCA were the smallest. This variation partially reflects the differences in time that these organizations have participated in the program.

Figure 1: Program Year 1994 SCSEP Grants to National Sponsors and States



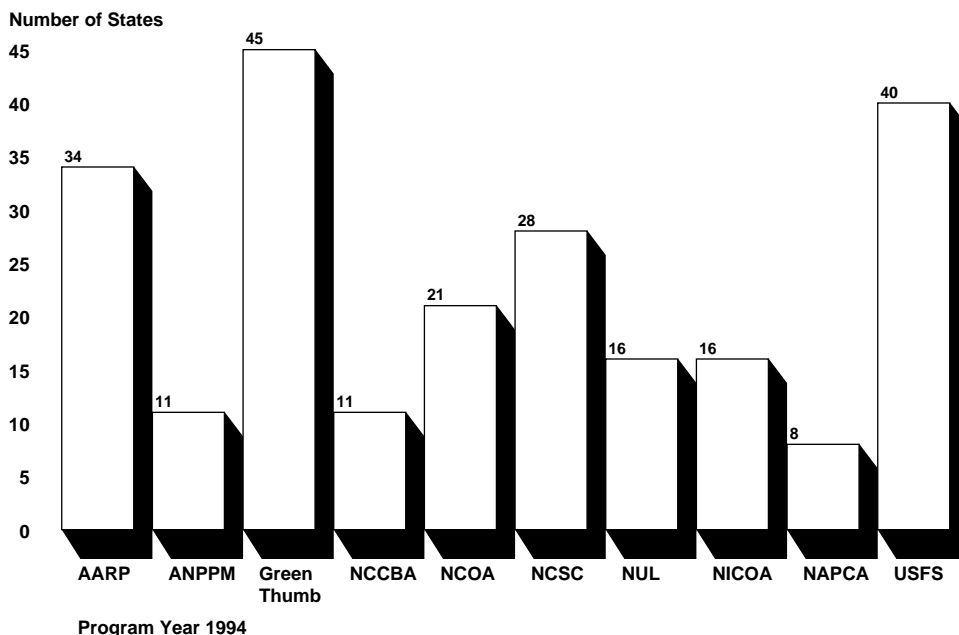
With the exception of Alaska, Delaware, and Hawaii—which operate their own SCSEP programs and have no national sponsors—each state has at least two national sponsors. Fourteen states have six or more national sponsors. The District of Columbia and Puerto Rico also have SCSEP programs and national sponsors, but none of the U.S. Territories has. (See fig. 2.)

Figure 2: National Sponsors by State



As seen in figure 3, four of the sponsors operate in over half of the states; five of the sponsors operate in 16 or fewer states.

Figure 3: Number of States in Which Each National Sponsor Operates



Labor Awards Grants Only to Existing Grantees

Labor’s regulations allow SCSEP funds to be provided to eligible organizations through grants, contracts, or other agreements pursuant to the purposes of title V of the OAA. Department officials have chosen to fund the program through noncompetitive grants. The regulations specify that grants are the “appropriate instrument when the Department does not need to exercise considerable direction and control over the project.”¹⁹

Labor provides annual grant applications only to national organizations that currently sponsor SCSEP. Labor’s action is consistent with the statute and with expressions of intent by the Senate Appropriations Committee. Labor officials rely on annual Appropriations Committee report language such as the following from a recent Senate Appropriations report that seems to indicate support for the current sponsors: “It is the intent of the Committee that the current sponsors continue to build upon their past accomplishments.”²⁰ In addition, the OAA, although it permits awards to other entities, creates a specific preference for awards to “national organizations and agencies of proven ability in providing employment services . . .”

¹⁹29 C.F.R. 89.12.

²⁰Senate Report 103-143, p. 16 (1993).

Labor's procedures require that noncompetitive grants over \$25,000 be included in an annual procurement plan that is forwarded for approval by the responsible Assistant Secretary to the Procurement Review Board (PRB). The PRB, whose members include designees of the Chief Financial Officer and the Solicitor, as well as the Director of the Division of Procurement and Grant Policy, is "to serve as a senior level clearinghouse to review proposed noncompetitive and major acquisitions." The PRB advises whether competition is appropriate for each acquisition and whether long-term relationships with the same organizations are consistent with Labor policies. However, Labor exempts title V awards and does not involve the PRB in reviewing the program's annual grant renewal decisions. Labor officials did not adequately explain the reason for this exemption.

Inequities in Funding Patterns

The hold harmless provision of the OAA's title V, in effect, severely limits Labor's ability to allocate funds among states in a way that ensures equitable distribution, that is, in accordance with the state-by-state distribution of persons 55 years old and older, adjusted to give greater weight to economically disadvantaged areas and persons. The result is a pattern of too many SCSEP positions in some states and too few in other states relative to their eligible populations. In addition, within states, Labor's administrative inaction has permitted a continuing pattern of overserved and underserved counties.

Equitable Distribution Among States Not Fully Achieved

In applying the OAA's hold harmless provision, Labor officials establish a reserve amount from each year's SCSEP appropriation, delineated by state subtotals, to finance the 1978 level of national sponsor positions in each state. So, if the national sponsors together administered 100 positions in a certain state in 1978, they would receive thereafter, from a Labor set-aside of appropriated funds, enough funds to finance at least 100 positions in that state, assuming that the appropriation level is high enough to finance the 1978 total number of positions.

Because the 1978 distribution of SCSEP positions did not, and still does not, correspond to the size of each state's economically disadvantaged elderly population, the hold harmless provision in effect prevents a fully equitable distribution. For the 1994 program year, for example, \$234.5 million of the total appropriation of \$410 million was subject to the hold harmless

provision and distributed accordingly.²¹ Had the \$234.5 million been distributed in accordance with current age and per capita income data, every state would have received a different allocation and, in many cases, the increase or decrease would have been substantial. A total of 25 states would have gained or lost at least \$500,000 each; in 13 of those states, the amount would have been over \$1 million. Florida would have gained the most, \$4.2 million, and New York would have lost the most, \$3.9 million.²² (See app. III.)

Options for Overcoming the Problem

The hold harmless provision could be modified in two ways. The relevant provision states that the Secretary of Labor will reserve for the sponsors' grants or contracts sums necessary to maintain at least their 1978 level of activities "under such grants or contracts." Labor interprets this provision to require a state-by-state distribution of positions based on the sponsors' 1978 activities. One option is to amend the hold harmless provision to specifically authorize Labor to base the distribution on the national sponsors' 1978 total positions nationwide, rather than on the levels in each state. If the hold harmless provision were so amended, Labor would still be required to provide sufficient grants to the national sponsors to finance their 1978 number of total positions. But it would not necessarily be bound to the 1978 number of sponsor positions in any state. With the amendment, Labor could distribute all of the SCSEP dollars in accordance with the pattern of need, as measured by each state's 55 and older population size and per capita income.

Another approach would be to repeal the entire hold harmless provision. This would remove the authorizing legislation's protection of the national sponsors' historic base of positions²³ and permit Labor officials to allocate funds according to need. Such a change could significantly shift funding from the national sponsors to the states.

Equitable Distribution Within States Not Fully Achieved

In some states, SCSEP positions may not be distributed among areas according to the equitable distribution provision of the OAA's title V.²⁴ Though the national sponsors administer about 80 percent of the enrollee

²¹This is the amount that Labor determined was needed from the appropriation to fund 38,687 positions nationwide—the 1978 number of positions. Labor derived the \$234.5 million by multiplying the 38,687 positions by the unit cost of each position for 1994—\$6,061.

²²These results are based on our simulation using Labor's program year 1994 data that also incorporated the OAA provision guaranteeing a .5-percent SCSEP appropriation minimum to the states and a .25-percent minimum to certain other areas, such as Guam and the Virgin Islands.

²³Absent the hold harmless protection, the national sponsors would still receive most of the grant monies as long as annual appropriations acts continued to contain provisions stipulating that 78 percent of the funds shall go to the national sponsors. See footnote 8.

²⁴42 U.S.C. 3056d(c).

positions, both states and national sponsors are responsible for equitably distributing enrollee positions. Deficiencies in equitable distribution, however, are evident in many cases when comparing a county-by-county pattern of SCSEP positions in a state with the county-by-county pattern of state residents who are eligible for participation as SCSEP enrollees.

For such a comparison, we reviewed the states' equitable distribution reports for 1989 and 1994. For example, in California, Illinois, and New York, we found that most counties had either too many or too few positions compared with the number that the distribution of eligible people would indicate. In California, for example, for program year 1994, 51 of the 59 counties had too many or too few positions. In some cases, the excess or shortfall was five positions or fewer, but, in several cases, the amount was greater. Fourteen of the counties had excesses or shortfalls of at least 15 positions. Orange County had a shortfall of 70 positions. Humboldt and San Francisco Counties each had an excess of 32 positions.

State government and national sponsor officials offer several explanations for the sponsors' not always distributing their SCSEP positions within a state strictly according to the equitable distribution guidance. First, the national sponsors are sometimes restricted geographically. In New York state, USFS, for example, does not enter such underserved areas as Brooklyn and the Bronx because they are urban communities and the Forest Service restricts its activities to national forests. Second, national sponsors with an ethnic focus are reluctant to serve areas that do not have significant numbers of their constituent ethnic group. Third, certain national sponsors, to save on administrative costs, may prefer to concentrate SCSEP positions in fewer locations, increasing the ratio of program enrollees to administrators. Fourth, certain national sponsors may be reluctant to shift positions from an overserved area where they have had long working relationships with subgrantees. In the case of the states, some have distributed their positions through existing administrative structures, without sufficiently considering the distribution of eligible people. Also, some states may have tried to achieve an equitable distribution among political jurisdictions rather than among eligible populations. Finally, some states have not adequately staffed their SCSEP program efforts or were not sufficiently active in coordinating distribution activities with national sponsors.

Duplication of Services in Overserved Areas

In most states, the state government as well as several national sponsors operate SCSEP programs. Thirty-six states have four or more sponsors; while 14 states have six or more. In our talks with officials in 28 state

governments, several expressed concern about duplicative national sponsor programs in certain areas, some of which also overlapped state government SCSEP programs.

For example, in a northeastern state where eight national sponsors had been operating, a ninth sponsor was allowed to begin a SCSEP project in an area that, according to state officials, was already overserved. In addition, the state officials said, some national sponsors in the area were already using television spots to attract people to the program. In a southern state, state officials could not dissuade two national sponsors from operating in a city's downtown area already served by the state's SCSEP office.

Program Participants May Be Denied Most Appropriate Training

National—and some state—sponsors defend their remaining in overserved locations, citing many reasons for being in the communities where they are. However, Labor officials acknowledge that one consequence of several grantees operating in the same area is that program enrollees in proximity may receive different wages and benefits depending on the policies of the grantee organization.

In a mid-Atlantic state, for example, the state unit on aging administers its own SCSEP positions as well as those of a national sponsor. The program that the enrollee is placed in—whether state or nationally sponsored and, consequently, the benefits package the enrollee receives—can depend on the time of day the enrollee applied for the program. For example, a morning applicant might be placed in the state program with a benefits package including federal holidays, sick leave, and annual leave benefits; the afternoon applicant might be placed in a national sponsor's program with a different benefits package.

Labor endorses an unwritten agreement among national sponsors that is intended to prevent enrollees from different sponsors from working at the same local host agency. The agreement is to help avoid situations in which host agencies or sponsors must explain why enrollees performing the same job tasks are compensated with different benefits and, perhaps, even wages. The drawback of this agreement, however, is that an applicant may be denied access to a particular host agency that could provide the best job and training experience for that person.

Reallocation of National Sponsor Positions Not Required by Labor

Labor requires states and the national sponsors to ensure efficient and effective coordination of programs under this title. One goal of this coordination is to promote an equitable distribution of in-state funds. National sponsors are required to notify relevant state government

officials of their plans to establish projects; state officials are to review and comment on such plans; and Labor is to review proposed project relocations and the distribution of projects within states. As part of its overview authority, Labor also has required states to compile annual distribution reports showing which of their counties are overserved or underserved, according to the size of their eligible populations. Most importantly, Labor is to make—limited by the OAA’s hold harmless and minimum funding provisions of title V—an equitable distribution of funds among and within states.²⁵

It appears that Labor has taken few actions to more equitably distribute national sponsor activities within the states. The 1994 problems of underserved and overserved counties in California, Illinois, and New York were essentially the same ones that those states experienced 5 years earlier, in 1989. Labor officials acknowledge that they stop short of forcing the national sponsors to reallocate their positions, preferring instead to encourage sponsors to shift positions to underserved areas when enrollees vacate positions in overserved areas. State officials repeatedly pointed out that they lack the authority, under law or Labor regulation, to require the national sponsors to reallocate their positions to underserved counties.

Options for Overcoming the Problem

Labor could do more to encourage more equitably distributed national sponsor activities within a state. In extreme cases, Labor could increase national sponsors’ funding levels, rewarding sponsors willing to establish positions in underserved areas. Such encouragement would not contradict the hold harmless provision, which only applies among the states rather than within a state. Indeed, such encouragement could increase the effectiveness of the national sponsor role in the program.

Another option for more equitably distributing SCSEP positions within the states is to increase the percentage of funds dedicated to state governments from each year’s appropriation from the current 22 percent to a higher percentage. If the Congress were to stop enacting the 22-percent limit on state funding, the OAA provision requiring that state governments receive 55 percent of all funding above the 1978 hold harmless amount would take effect.²⁶

At our request, Labor ran a simulated allocation of the program year 1994 funding formula without the “78/22” cap in place. Under that simulation, the funds available to the states for program year 1994 would have

²⁵42 U.S.C. 3056d(a)(3) and 3056d(c).

²⁶42 U.S.C. 3056d(a)(1)(B).

increased from \$90 million to about \$155 million. National sponsor funding would have decreased from \$320 million to \$255 million (see app. IV). With their statewide administrative structures and additional funds, state governments might have more flexibility in serving their eligible populations or a greater incentive than the national sponsors to administer positions in underserved areas.

In the three states where the state government administers 100 percent of the SCSEP grant money, comparatively few counties are underserved or overserved. For program year 1994, each of Delaware's three counties had an equitable distribution of positions; each of Hawaii's five counties had an equitable number of positions; and Alaska's six geographic areas used for the program had close to equitable numbers. For example, one area of Alaska had 46 positions instead of the equitable number of 43; another had 34 instead of 36. These three states, however, are not typical in their geographic and population features.

Increasing the states' share of the SCSEP funds would most likely not result in a dramatically different profile of enrollees by ethnicity or sex. In the state programs, on average, the percentages of enrollees by ethnicity and sex were about the same as those in the national sponsor programs for the reporting period ending in June 1994. For example, in the state programs, 22 percent of the enrollees were black and 23 percent were male; the comparable percentages in the national sponsor programs were 24 percent black and 29 percent male.

Sponsors Shifted Administrative Expenses

Congressional hearings earlier in the program's history questioned national sponsors' spending on their administration.²⁷ In our review, we found that, in program year 1994, eight of the national sponsors shifted some administrative costs to another cost category, and therefore the true administrative costs exceeded the 15-percent statutory limit. This problem appears to be less widespread in the state-administered SCSEP programs.

Each of the national sponsors has its own approach to administration. Some of the sponsors perform all of the administrative functions of the program directly. Others subcontract or delegate aspects of administration to other organizations or state agencies. In addition, all of the sponsors fund at least a portion of national headquarters operations from SCSEP grant funds. In 1994, to support about 850 full-time administrative

²⁷Hearings before the Special Committee on Aging, U.S. Senate, October 29, 1981.

positions, national sponsors budgeted about \$6 million for travel and more than \$9 million for rental and other office expenses.²⁸

The 1976 SCSEP regulations permit sponsors to spend their SCSEP grant funds in three categories: administration, enrollee wages and benefits, and other enrollee costs. The OAA has established a 13.5-percent limit for administrative expenses.²⁹ This limit may increase to 15 percent with a waiver from the Secretary of Labor.³⁰

These 1976 regulations, still in effect in program year 1994, note that the first category, administration costs, includes, but is not limited to,

“ . . . salaries, wages and fringe benefits for project administrators; costs of consumable office supplies used by project staff; costs incurred in the development, preparation, presentation, management and evaluation of the project; the costs of establishing and maintaining accounting and management information systems; costs incurred in the establishment and maintenance of advisory councils; travel of project administrators; rent, utilities, custodial services and indirect costs allowable to the project; training of staff and technical assistance to subproject sponsor staff; costs of equipment and material for use by staff; and audit services.”³¹

The second category includes enrollee wages and benefits. The third category, other enrollee costs, under the 1976 regulations, includes but is not limited to,

“enrollee physical examinations; transportation; enrollee training; special job or personal counseling for enrollees; and incidental expenses necessary for enrollee participation, such as work shoes, safety eyeglasses, uniforms, tools, and similar items.”³²

Sponsors' Budgets Exceeded the Administrative Limit by Over \$20 Million

Using application documents that grantees submitted for Labor's approval—updated with some actual expense data not initially available for the period under review—we examined national sponsors' budget documents for program year 1994 to see (1) how costs were apportioned among the categories and (2) whether administrative cost limits were

²⁸This number does not include the approximately 300 USFS staff used on a part-time basis in support of the SCSEP program.

²⁹42 U.S.C. 3056(c)(3).

³⁰In the 1994 program year, five national sponsors and six states received such waivers.

³¹29 C.F.R. 89.42.

³²29 C.F.R. 89.42.

being adhered to. We also discussed administrative cost matters with Labor staff and national sponsor officials. The results showed that eight of the sponsors³³ had budgeted administrative expenses in excess of the limit by over \$20 million, by classifying some administrative expenses as other enrollee costs and not including them under administrative expenses.

The following case illustrates this practice: One national sponsor's budget documents showed about \$14 million for administrative expenses, placing the organization under the 13.5-percent limit. However, our examination identified other amounts, classified in the documents as other enrollee costs, that should have been treated as administrative costs. The sponsor classified as other enrollee costs, rather than as administrative costs, all salaries and benefits paid to its own field staff, including area supervisors, managers of field operations, and program development specialists (\$5.9 million), and field staff's travel (\$1.8 million). If combined with the \$14 million in acknowledged administrative costs, these expenses would raise total administrative costs for this grantee to more than 20 percent of the grant amount.

We similarly recomputed the administrative costs for the other sponsors who understated these expenses (by classifying some as other enrollee costs). We found that the administrative percentages of the eight national sponsors that exceeded the 15-percent administrative expense limit ranged from 16.8 to 23 percent. Appendix V details the administrative expenses of each national sponsor for the 1994 program year.

We also reviewed the other enrollee costs average percentages for the state governments in the SCSEP program and compared them with the national sponsors. For the state governments, the average, as a percentage of total grant amount, was about 6 percent in the 1994 program year; for the national sponsors, the comparable figure was about 8 percent. However, 23 state governments recorded other enrollee costs ranging from 7.0 to 13.2 percent.

Labor's SCSEP officials could better identify such administrative expense problems if Labor required that grantees provide better documentation of their administrative expenses, particularly those in the category of other enrollee costs. Because of grantees' limited or vague reporting, Labor officials cannot adequately explain the other enrollee cost entries in the grantees' application materials.

³³The two that stayed within the limit were USFS and NCSC.

For example, one grantee provided grant documentation that included an item shown as “other” in the category of other enrollee costs. This item, totaling \$1,084,049, was delineated as \$55,799 for the sponsor and \$1,028,250 for a subgrantee, with no further information provided. At our request, Labor asked the sponsor for further documentation of this item. This documentation indicated that the sponsor and subgrantee expenses included costs that Labor could question for not being classified as administration, including \$51,170 for postage, \$132,874 for telephone service, and \$522,494 for rent.

Use of Draft Regulations Permitted Expense Shifting

From 1985 through the first half of 1995, the sponsors relied on grant provisions that incorporated proposed regulations instead of the 1976 regulations. These proposed regulations, published in July 1985, and never finalized, expanded the definition of other enrollee costs to permit several categories of costs that the 1976 regulations did not permit. These included expenses for orientation of host agencies, development of appropriate community service employment assignments, and “the costs associated with providing those functions, services, and benefits not categorized as administration or enrollee wages and fringe benefits.”³⁴ Labor officials acknowledge that Labor operated the SCSEP program without formally amending the 1976 regulations.

After the 1987 amendments to the OAA included the 1976 regulations’ 15-percent administrative expense limit as part of the law, Labor’s decision—to use as criteria the 1985 draft regulations—permitted sponsors to improperly characterize administrative expenses as other enrollee costs.

Indirect Costs in SCSEP Grants

Labor’s regulations permit sponsors to include in their administrative costs “. . . indirect costs allowable to the project.” A sponsor may use SCSEP grant money to pay for some of its general operating expenses provided that the sponsor can demonstrate that a part of those expenses indirectly supports SCSEP activities. Although our review concentrated on administrative issues other than indirect costs, Labor’s Office of Inspector General (OIG) has identified a continuing problem of improper indirect cost charges in the program.

³⁴50 Fed. Reg. 29615.

Labor Negotiates Indirect Cost Rates With Sponsors

Under the policy of OMB Circular A-122, Labor's Office of Cost Determination periodically negotiates indirect cost rates with the national sponsors. Each sponsor's rate is the percentage of defined general operating costs—termed the “base”—that may be charged against its SCSEP grant as a SCSEP-related administrative expense. The categories of general operating expenses that may be included in the base are defined in each sponsor's grant agreement with Labor. These categories vary somewhat among sponsors, but they typically include such expenses as executive salaries, payroll, accounting, personnel, depreciation, telephone, travel, and supply expenses.

For example, one sponsor's grant agreement with Labor specified that a rate of 35.21 percent may be applied against the sponsor's base, defined as “Total direct costs excluding capital expenditures . . . membership fund costs, flow-through funds and program participant costs.” This means that 35.21 percent of the sponsor's base expenses may be funded with SCSEP money, as long as that amount does not exceed the overall limit on the use of SCSEP grant money for administrative expenses.

As shown in table 1, for the 1994 program year, the eight national sponsors that charge indirect costs have approved rates that ranged from 4.95 to 108.1 percent.³⁵ However, exact comparisons of the rates may not be meaningful because these rates are applied to the sponsors' different bases.

³⁵NICOA does not have an approved indirect cost rate. USFS does not charge indirect costs.

Table 1: National Sponsor Indirect Cost Rates

| | Percent | Dollars |
|--|---------|------------------------|
| American Association of Retired Persons | 15.80 | \$0 ^a |
| Asociacion Nacional Pro Personal Mayores | 35.21 | 491,011 |
| Green Thumb | 4.95 | 4,772,285 ^b |
| National Asian Pacific Center on Aging | 55.41 | 178,755 |
| National Caucus and Center on Black Aged | 48.80 | 427,652 |
| National Council on Aging | 57.00 | 727,328 |
| National Council of Senior Citizens | 108.00 | 2,570,481 ^c |
| National Urban League | 66.40 | 147,097 ^d |

^aAARP states that it does not claim indirect costs unless its actual administrative costs in support of the program are less than the administrative cost limit.

^bGreen Thumb's rate is applied to the entire amount of the grant as a base. This includes all funds for enrollee wages and fringe benefits that are normally not included in typical direct cost bases.

^cSponsor may claim a rate in excess of 100 percent. No maximum ceiling on reimbursements of indirect costs exists.

^dNUL is allowed an indirect cost rate of 66.4 percent but charges 35 percent on the basis of its agreement with Labor.

Problems With Indirect Costs

SCSEP grantees have sometimes used the grant funds to pay for questionable indirect costs. One national sponsor charged to the grant more than \$21,000 in indirect costs “. . . to promote employee morale and productivity including birthday, holiday and other cards, flowers, and expenses related to the company picnic and other employee morale events.” This was in addition to approximately \$32,000 budgeted from direct costs for “. . . the purchase of refrigerators, microwaves, toaster ovens, and other appliances reasonably necessary to promote a positive work environment, and the purchase of bottled water for employees to promote health . . .” OMB guidance allows reasonable expenditures for such items, and we found no record of Labor's objection to these expenditures.

Sometimes, the use of SCSEP dollars for indirect costs involves considerably larger sums. On more than one occasion, Labor's OIG questioned the propriety of a national sponsor's use of SCSEP funds to pay for some of its operating expenses. One OIG report stated that the sponsor “. . . improperly charged to its indirect cost pool salaries and fringe benefits of employees of those divisions and offices responsible for [the national sponsor's] own activities, such as fundraising and membership,

and other non-Federal [sic] projects.”³⁶ The questioned costs for program years 1988 to 1990 totaled over \$700,000.

The OIG stated, and program officials acknowledged, that if the amounts were upheld as improper, the national sponsor had no way of paying the money back. Yet for 3 years, while the dispute advanced through an administrative appeals process, Labor continued to award the sponsor SCSEP grants, with only a small modification to the sponsor’s indirect cost rate. A Labor official explained that the Department wanted to continue the funding while the matter was being adjudicated.

However, the national sponsor and Labor decided to settle the matter before final adjudication: they agreed, early in 1995, that the sponsor would pay \$400,000 (in full settlement of the \$700,000 of disallowed costs) to Labor, without interest, over a 4-year period. The \$400,000 is to be repaid from the sponsor’s nonfederal income in fixed quarterly installments: four payments of \$12,500 in year 1, \$18,750 in year 2, \$31,250 in year 3, and \$37,500 in year 4. At no time during the dispute did Labor’s program officials impose a cutback in total administrative spending, even a small one. Audits for additional program years are in process.

Labor’s Measure of Unsubsidized Placements

Along with SCSEP’s goals of providing training and subsidized jobs, Labor has set for each sponsor a goal of placing at least 20 percent of the enrollees in unsubsidized jobs each program year. During our review, we noted that Labor had not clearly stated in any of its regulations the meaning of an unsubsidized placement. This made it virtually impossible for Labor to know how successful the sponsors are in achieving that objective.

Without such a definition, the sponsors may interpret unsubsidized placement in many ways. One sponsor has defined it as one in which a program enrollee spends a specified minimum time and then moves into a paying, non-SCSEP job and holds it for a specified minimum time. Other sponsors have had no time requirements for post-SCSEP job retention or for program participation for claiming an unsubsidized placement.

Labor officials agreed that determining SCSEP job placement success was a problem and initiated efforts to produce a useful definition. As we were concluding our review, Labor issued a directive defining unsubsidized placement for SCSEP purposes.

³⁶Audit Report No. 18-91-018-07-735, issued July 19, 1991.

Conclusions

States' populations of those 55 years of age and older have changed since 1978. The statutory hold harmless provision locks in 1978 funding levels that do not correspond to each state's eligible 55 and older population, adjusted by income; this limits Labor's ability to equitably distribute SCSEP positions among the states. Consequently, some states in the SCSEP program are overserved and some are underserved.

Labor could more equitably distribute SCSEP funds among states if the OAA's title V hold harmless provision were amended or eliminated. Amending it to permit Labor to hold harmless only the sponsors' 1978 nationwide total number of positions, rather than the 1978 funding level in each state, would enable Labor to (1) depart from the 1978 state-by-state pattern and (2) allot the funds so as to correct the problem of overserved and underserved states. Repealing the hold harmless provision, although an option, could significantly change the program's character if it resulted in major shifts of funding allocations from national sponsors to state governments.

Similarly, within states, the distribution of SCSEP funds leaves some counties overserved and some underserved. National sponsors are required by law to notify state governments and Labor of their plans for SCSEP positions in each state, but only Labor has the authority to effect a different pattern of positions among a state's counties. Labor could adjust national sponsors' funding levels to reward those willing to establish positions in underserved counties.

Another step that might improve the distribution of funds within states would be legislative action to increase the percentage of positions funded by grants to state governments from the current 22 percent imposed by appropriations restrictions. The distribution patterns in the three states solely responsible for SCSEP activities were comparatively equitable. If these appropriations limitations did not exist, the share, over the hold harmless amount, going to the state governments would increase to 55 percent under the 55/45 provision of the authorizing legislation.

The SCSEP program also has administrative expense problems. In the 1994 program year, we estimate that the national sponsors' budgeted administrative expenses collectively exceeded by over \$20 million the limit set by the OAA. This occurred because Labor's 1985 draft regulations rather than the 1976 regulations guided the national sponsors' cost allocations. Under the 1985 draft regulations, expenditures that we believe to be administrative expenses may be charged to other enrollee costs. Labor

failed to require specific and useful reporting by grantees of their other enrollee costs. Therefore, sometimes, Labor could not readily identify what kinds of expenses were included in that category.

The 1995 SCSEP regulations, which took effect in July 1995, allow a broad interpretation of other enrollee costs. Unless modified, these new regulations will permit the continuing allocation of administrative expenses. These funds could otherwise be spent to finance additional program positions.

Labor's use of a modified noncompetitive process for making SCSEP grants essentially results in continuing to offer grant applications only to organizations already in the program. However, in SCSEP's case, Labor does not follow its normal procedure for noncompetitive grants, in which the PRB reviews grant decisions. If followed, PRB reviews can advise whether competition is appropriate for each acquisition and whether long-term relationships with the same grantees are consistent with Labor's policies. Labor officials did not adequately explain the program's exemption from this review, and we see no justification for it.

Matters for Congressional Consideration

If the Congress wishes to ensure equitable distribution of SCSEP funds among states, it should consider amending or eliminating the title's hold harmless provision. Such an amendment would authorize Labor to hold harmless only the 1978 nationwide level of national sponsor positions. The Department would not be required to hold harmless the 1978 state-by-state levels. If the hold harmless provision were eliminated, (1) the national sponsors could experience reduced funding levels and (2) Labor could distribute the funds on the basis of the most current demographic data available.

If the Congress wishes to better meet the OAA's title V goal of equitably distributing SCSEP funds within states, it should consider increasing the portion of SCSEP grant funds allocated to state governments from the current 22 percent. One way to do that would be to forgo appropriations act language limiting the state governments to 22 percent of the annual appropriation.

Recommendations to the Secretary of Labor

We recommend that the Secretary better meet the OAA's title V goal of equitably distributing SCSEP funds within states. To do this, the Secretary should (1) require greater cooperation among national sponsors and states

in equitable distribution matters and (2) adjust, as necessary, sponsors' funding levels to reward sponsors that are willing to establish positions in underserved counties.

In addition, we recommend that the Secretary revise the 1995 regulations to adopt the definition of administrative costs set out in the 1976 regulations.

We also recommend that the Secretary enforce the statutory limit on administrative expenses and be prepared to reduce the funds available for administration of any grantee exceeding the legal limit by improperly categorizing costs or incurring improper indirect costs.

Finally, we recommend that the Secretary no longer permit title V grants to be exempt from Labor's normal review process and subject these grants to the same review as other noncompetitive grants.

Agency Comments and Our Evaluation

We provided copies of our draft report, for comment, to the Department of Labor and, through Labor, to the national sponsors. We met with Labor officials several times to discuss their concerns as well as those of the national sponsors. Where appropriate, we revised the report to include information provided by, and through, Labor. Labor's comments and our detailed responses appear in appendix VI.

Labor generally agreed with our recommendations that it (1) apply its normal noncompetitive review process to SCSEP grants and (2) require national sponsor grantees to cooperate more with states in the equitable distribution process. Specifically, Labor agreed to (1) have PRB review of SCSEP grant awards and (2) prepare procedures to enhance the role of states in the annual equitable distribution meetings. Labor also agreed to implement a process to ensure that it is apprised of disagreements on equitable distribution.

Although Labor officials agreed to examine the matter more closely, they disagreed with our estimate that for the 1994 program year budget funds of over \$20 million in administrative expenses were improperly allocated to the category of other enrollee costs. Citing recent audits of national sponsor organizations that did not disclose noncompliance, Labor and several of the national sponsors questioned our (1) use of budget data from grant applications and (2) criticism of criteria used for determining what costs should be allowed in the category of other enrollee costs.

First, budget data submitted by the national sponsors were the only data available for the period we examined. More importantly, however, decisions by Labor officials on the appropriateness of expenses to be charged for the SCSEP program are made on budget data rather than actual expenses. Thus, our use of budget numbers that Labor uses seems appropriate.

Second, with regard to Labor's questioning of our criticism of the cost criteria used, during the period covered by our review, only the 1976 regulations had been formally promulgated. Because of Labor's written comments about other enrollee costs, we discussed the issue with officials of Labor's OIG and its contract auditors. Labor's OIG staff told us that they measure grantee performance against the grant agreement. Since ETA's program staff had incorporated the 1985 draft regulations into the grant agreements, the OIG staff had reviewed the grantees' performance against those criteria and had not focused on this issue. However, OIG contract auditor staff agreed that administrative costs appear to have been shifted to the category of other enrollee costs after the 1985 draft regulations became part of the grant agreements. Those discussions and Labor's position led us to recommend that the Secretary of Labor review the SCSEP regulations implemented in July 1995.

Copies of this report are being sent to the Secretary of Labor and interested congressional committees. We will make copies available to others on request. Please call me on (202) 512-7014 if you have any questions concerning the report. Other major contributors are listed in appendix VII.

Sincerely yours,



Linda G. Morra
Director, Education
and Employment Issues

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Abbreviations

| | |
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| AARP | American Association of Retired Persons |
| ANPPM | Asociación Nacional Pro Personas Mayores |
| ETA | Employment and Training Administration |
| FICA | Federal Insurance Contributions Act |
| NAPCA | National Asian Pacific Center on Aging |
| NASUA | National Association of State Units on Aging |
| NCCBA | National Caucus and Center on Black Aged |
| NCOA | National Council on Aging |
| NCSC | National Council of Senior Citizens |
| NICOA | National Indian Council on Aging |
| NUL | National Urban League |
| OAA | Older Americans Act |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| PRB | Procurement Review Board |
| SCSEP | Senior Community Service Employment Program |
| USFS | U.S. Forest Service |

Scope and Methodology

To identify Senior Community Service Employment Program (SCSEP) grants for program years 1993-94, we reviewed grant applications, the Older Americans Act (OAA), and Labor's regulations that relate to grant awards and to title V. We also reviewed prior studies, audits, and reports on SCSEP, including those by Labor's Office of Inspector General (OIG). We interviewed officials in the Employment and Training Administration's (ETA) divisions of Older Workers Programs and Acquisition and Assistance (the "Grant Office") and in Labor's Office of Cost Determination and Office of Procurement. We also interviewed the OIG staff currently involved in program audits and several contract auditors engaged in audits of the SCSEP national sponsors.

To learn about Labor's oversight, coordination among sponsors, subsidized placements, and the effects of administrative practices on program goals, we interviewed officials from

- the 10 national sponsor organizations;
- 28 of the state units that administer or have the opportunity to administer SCSEP;
- other organizations with an interest in SCSEP, including, the National Association of State Units on Aging (NASUA), the National Association of Area Agencies on Aging, and the U.S. Administration on Aging; and
- several organizations operating as subgrantees for national sponsors and state agencies.

To learn about equitable distribution requirements and Labor's implementation of the OAA's hold harmless provision, we interviewed staff from ETA's Office of the Comptroller and reviewed the data used in the funding allocation process. We also reviewed states' equitable distribution reports for 1989 and 1994 to check compliance with and progress over time in meeting the OAA's equitable distribution provision.

To trace the evolution of SCSEP, we reviewed several legislative histories, from the program's beginning as a pilot project to its present status. We also interviewed former congressional staff who had interests in SCSEP authorization, appropriations, and oversight.

To select states for review, we tried to obtain a balanced perspective in geography, size, and degree of direct involvement with SCSEP. Our selection was not random.

In discussing administrative and other enrollee costs for states or the national sponsors, unless otherwise noted, we used amounts budgeted in the grants rather than costs actually incurred. Labor acts on the budget information in the sponsors' grant application packages during its approval process. Although we reviewed audits by Labor's OIG and others, we did not personally audit the grantees or examine specific sponsor expenditures.

Limitations

We did not try to assess (1) the outcomes of training offered by national sponsors, states, or U.S. Territories; (2) the 502 (e)(1) section of the OAA allowing Labor to use small amounts of SCSEP funds to conduct experimental projects that involve placing enrollees in private business concerns; or (3) the relative performance in administering SCSEP of individual states and territories or individual national sponsors.

We did not attempt to independently verify the accuracy of the data provided to us. We conducted our review between April 1994 and April 1995 in accordance with generally accepted government auditing standards.

National Sponsor Profiles

Senior Community Service Employment Program (SCSEP) national sponsor projects operate locally under two general approaches: (1) by subgrant agreements with local organizations, such as agencies on aging or community groups, and (2) through local affiliates of the national sponsor. National sponsor decisions on where they will administer their enrollee positions—based on how they choose to operate and the constraints that they operate under—alter the distribution of program resources within states.

A profile of each national sponsor along with grant information for program year 1993 (the most recent complete year for which performance data were available) follows. (The number of staff shown as funded by the grant is based on grant application materials. The number of staff funded through the indirect cost portion of the grant may not be readily identifiable.)

American Association of Retired Persons (AARP)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$48,806,554

Enrollee slots administered: 8,131

Enrollees served: 13,923

End of program year profile: male—29.6 percent, female—70.4 percent

Services to general community: 69.9 percent

Services to elderly community: 30.1 percent

Organizational Characteristics

Year first provided funds: 1969

Administration: 10 area supervisors responsible for state projects run by AARP staff and enrollees in administrative positions

Number of grant-funded employees: 144

Number of enrollees used in SCSEP administration: 502 (7 percent)

States operating in: 34 (33 and Puerto Rico)

State slots administered: Florida (342), North Dakota (15)

Slots granted to states: none

Benefits to enrollees: Federal Insurance Contributions Act (FICA), workers' compensation, sick leave

Definition of unsubsidized placement: Placement of a person who intends to stay for 30 days or more in an unsubsidized position

Asociacion Nacional Pro Personas Mayores (ANPPM)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$11,403,935

Enrollee slots administered: 1,834

Enrollees served: 2,528

End of program year profile: male—33.7 percent, female—66.3 percent

Services to general community: 76.9 percent

Services to elderly community: 23.1 percent

Organizational Characteristics

Year first provided funds: 1978

Administration: 13 regional offices, one subgrantee operates SCSEP as Project Ayuda

Number of grant-funded employees: 38 (estimate)

States operating in: 10 (9 states and District of Columbia) (Puerto Rico added in program year 1994)

Number of enrollees used in SCSEP administration: 45 (2.6 percent)

State slots administered: Florida (23)

Slots granted to states: none

Benefits to enrollees: FICA, workers' compensation, sick leave, vacation, paid holidays, and Liberty Mutual Insurance

Definition of unsubsidized placement: Placement must have occurred in the same fiscal year that a person was a SCSEP enrollee. Person must stay on the job long enough to receive "a couple of paychecks." Follow-up is at 60 days.

Green Thumb

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$102,163,953

Enrollee slots administered: 16,855

Enrollees served: 27,235

End of program year profile: male—26.7 percent, female—73.3 percent

Services to general community: 78.4 percent

Services to elderly community: 21.6 percent

Organizational Characteristics

Year first provided funds: 1965

Administration: 30 SCSEP state offices serving one or more states coordinate Green Thumb employees and enrollees used in administration

Number of grant-funded employees: 417

States operating in: 45 (44 and Puerto Rico)

Number of enrollees in used in SCSEP administration: 439
(2.6 percent)

State slots administered: Montana, South Dakota, Ohio, Florida

Slots granted to states: none

Benefits to enrollees: FICA, workers' compensation, personal leave (up to 50 hours maximum), bereavement leave (up to 3 days), sick leave, jury duty benefits, plus other fringe benefits in accordance with Green Thumb policy

Definition of unsubsidized placement: Enrollee must have received job orientation, assessment, and counseling. Placement must be expected to last at least 90 days, must last at least 30 days. Job must have been procured within 90 days of leaving enrollee status and pay a wage equal to or greater than what they received as an enrollee.

National Pacific Asian Resources Center (NAPCA)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$2,097,953

Enrollee slots administered: 346

Enrollees served: 463

End of program year profile: male—62.1 percent, female—37.9 percent

Services to general community: 77.4 percent

Services to elderly community: 22.6 percent

Organizational Characteristics

Year first provided funds: 1989

Administration: Los Angeles and Seattle projects supervised by headquarters staff, two subprojects

Number of grant-funded employees: 14

States operating in: three (increases to eight in program year 1994)

Number of enrollees in SCSEP administration: 26 (7.6 percent)

State slots administered: none

Slots granted to states: none

Benefits to enrollees: FICA, workers' compensation, up to 13 holidays, 4 hours per month sick leave, 1 personal day, 3 days bereavement leave, 10 days jury duty

Definition of unsubsidized placement: Must go directly to the job from enrollee status. No minimum time on the job is required.

National Council and Caucus on Black Aged (NCCBA)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$11,186,559

Enrollee slots administered: 1,923

Enrollees served: 2,805

End of program year profile: male—24.8 percent, female—75.2 percent

Services to general community: 65.5 percent

Services to elderly community: 34.5 percent

Organizational Characteristics

Year first provided funds: 1978

Administration: NCCBA staff operate state projects—no subcontracts

Number of grant-funded employees: 43

States operating in: 11 (10 states and District of Columbia)

Number of enrollees used in SCSEP administration: 68 (3.7 percent)

State slots administered: Florida

Slots granted to states: none

Benefits to enrollees: FICA, workers' compensation, sick leave, annual leave, 11 paid holidays

Definition of unsubsidized placement: Enrollee must have come from program directly with jobs preferred to last at least 30 continuous days. Job must have minimum hourly rate at least equal to \$4.25. Follow up at 30, 60, and 90 days. No minimum time as an enrollee required.

National Council on the Aging (NCOA)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$38,373,967

Enrollee slots administered: 6,425

Enrollees served: 10,298

End of program year profile: male—23.7 percent, female—76.3 percent

Services to general community: 63.4 percent

Services to the elderly community: 36.6 percent

Organizational Characteristics

Year first provided funds: 1968

Administration: 3 regional offices, 63 subsponsor agencies, direct management of Los Angeles project

Number of grant-funded employees: 77

States operating in: 21

Number of enrollees used in SCSEP administration: 188 (2.9 percent)

State slots administered: (Arizona, New Jersey, Florida)

Slots granted to states: (Arizona, New Jersey, Virginia)

Benefits to enrollees: FICA, workers' compensation, unemployment insurance (where required), as well as benefits consistent with host agency environment

Definition of unsubsidized placement: Any job not federally funded or volunteer. No time limits in effect.

National Council of Senior Citizens (NCSC)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$62,084,256

Enrollee slots administered: 10,245

Enrollees served: 15,276

End of program year profile: male—24.0 percent, female—76.0 percent

Services to general community: 62.5 percent

Services to elderly community: 37.5 percent

Organizational Characteristics

Year first provided funds: 1968

Administration: All projects subcontracted to municipal, charitable, local, or state organizations. NCSC staff involved in training and subproject supervision.

Number of grant-funded employees: 65

States operating in: 28 (27 and the District of Columbia)

Number of enrollees used in SCSEP administration: 275 (2.7 percent)

State slots administered: Alabama, Florida

Slots granted to states: Maryland, District of Columbia

Benefits to enrollees: FICA, workers' compensation, 8 paid holidays, optional small hospital policy, 2 hours per pay period of leave

Definition of unsubsidized placement: A job with pay equal to or better than that of the enrollee position. No time requirements exist on how long the placement must last or on how long the enrollee must have been out of the program.

National Indian Council on Aging (NICOA)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$2,062,027

Enrollee slots administered: 340

Enrollees served: 512

End of program year profile: male—30.9 percent, female—69.1 percent

Services to general community: 51.9 percent

Services to elderly community: 48.1 percent

Organizational
Characteristics

Year first provided funds: 1989

Administration: State coordinators in three states, one subproject

Number of grant-funded employees: 10

States operating in: six (increased to 16 in program year 1994)

Number of enrollees used in SCSEP administration: one (0.3 percent)

State slots administered: none

Slots granted to states: none

Benefits to enrollees: FICA, workers' compensation, paid holidays consistent with worksite policy, sick and annual leave up to 20 hours per grant year

Definition of unsubsidized placement: No specific time criteria for departure or duration

National Urban
League (NUL)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$13,689,730

Enrollee slots administered: 2,260

Enrollees served: 3,470

End of program year profile: male—27.1 percent, female—72.9 percent

Services to general community: 68.7 percent

Services to elderly community: 31.3 percent

Organizational
Characteristics

Year first provided funds: 1978

Administration: subcontracts with 23 NUL affiliates in urban areas

Number of grant-funded employees: 76

States operating in: 16

Number of enrollees used in SCSEP administration: 100 (4.5 percent)

State slots administered: Florida

Slots granted to states: none

Benefits to enrollees: FICA, workers' compensation, and unemployment compensation where applicable (New York and Michigan)

Definition of unsubsidized placement: Placement in a position not funded by another government grant found within 30 days after leaving enrollee status; must have been an enrollee at least a week and must remain on the job at least 30 days.

U.S. Forest Service (USFS)

Program Year 1993 Data

SCSEP federal grant for program year 1993: \$25,736,918

Enrollee slots administered: 4,323

Enrollees served: 5,691

End of program year profile: male—59.0 percent, female—41.0 percent

Services to general community: 99.9 percent

Services to elderly community: 0.1 percent

Organizational Characteristics

Year first provided funds: 1972

Administration: 225 projects at various USFS locations within the eight Forest Service regions, nine regional experimental stations, and headquarters; two subcontracts

Number of grant-funded employees: 287 (4 full time, 283 part time)

States operating in: 40 (38 states, the District of Columbia, and Puerto Rico)

Number of enrollees used in SCSEP administration: 1 (0 percent)

State slots administered: Florida

Slots granted to states: New Hampshire, Vermont

Benefits to enrollees: FICA, workers' compensation, one hour of paid leave for every 20 hours worked, up to \$35 allowance for annual physical exam

Definition of unsubsidized placement: USFS has no required minimum for placement duration or separation from the program.

Program Year 1994 State Allocations Compared With Simulated State Allocations Without Hold Harmless Provision

| State | Program year 1994 by state | Simulated program year 1994 | Difference |
|----------------------|---------------------------------------|--|-------------------|
| Alabama | \$7,483,894 | \$7,841,642 | \$357,748 |
| Alaska | 1,782,400 | 2,050,682 | 268,282 |
| Arizona | 5,184,445 | 6,846,749 | 1,662,304 |
| Arkansas | 7,130,399 | 5,137,267 | -1,993,132 |
| California | 34,116,026 | 36,635,152 | 2,519,126 |
| Colorado | 4,011,890 | 4,281,800 | 269,910 |
| Connecticut | 4,430,345 | 3,773,509 | -656,836 |
| Delaware | 1,782,400 | 2,050,682 | 268,262 |
| District of Columbia | 2,291,524 | 2,050,682 | -240,842 |
| Florida | 24,123,354 | 28,285,755 | 4,162,401 |
| Georgia | 8,895,159 | 9,464,973 | 569,814 |
| Hawaii | 1,782,400 | 2,050,682 | 268,282 |
| Idaho | 1,921,803 | 2,050,682 | 128,879 |
| Illinois | 15,892,863 | 15,805,235 | -87,628 |
| Indiana | 10,542,397 | 9,518,356 | -1,024,041 |
| Iowa | 5,243,313 | 5,344,361 | 101,048 |
| Kansas | 4,173,410 | 4,192,029 | 18,619 |
| Kentucky | 7,516,140 | 6,842,574 | -673,566 |
| Louisiana | 6,865,985 | 7,305,237 | 439,252 |
| Maine | 2,463,484 | 2,211,421 | -252,063 |
| Maryland | 5,485,015 | 5,625,343 | 140,328 |
| Massachusetts | 8,965,346 | 7,663,875 | -1,301,471 |
| Michigan | 13,571,672 | 14,321,447 | 749,775 |
| Minnesota | 9,344,688 | 6,470,690 | -2,873,998 |
| Mississippi | 5,035,305 | 5,212,635 | 177,330 |
| Missouri | 9,912,701 | 9,081,677 | -831,024 |
| Montana | 2,467,293 | 2,050,682 | -416,611 |
| Nebraska | 3,089,931 | 2,781,873 | -308,058 |
| Nevada | 1,921,803 | 2,050,682 | 128,879 |
| New Hampshire | 1,849,071 | 2,050,682 | 201,611 |
| New Jersey | 11,238,803 | 8,937,395 | -2,301,408 |
| New Mexico | 2,222,551 | 2,695,530 | 472,979 |
| New York | 26,826,145 | 22,913,434 | -3,912,711 |
| North Carolina | 10,546,849 | 11,677,280 | 1,130,431 |
| North Dakota | 2,382,439 | 2,050,682 | -331,757 |
| Ohio | 18,063,819 | 18,790,357 | 726,538 |

(continued)

**Appendix III
 Program Year 1994 State Allocations
 Compared With Simulated State Allocations
 Without Hold Harmless Provision**

| State | Program year 1994 by state | Simulated program year 1994 | Difference |
|----------------|---------------------------------------|--|-------------------|
| Oklahoma | 6,403,028 | 6,169,013 | -234,015 |
| Oregon | 5,801,089 | 5,104,446 | -696,643 |
| Pennsylvania | 22,048,545 | 21,397,401 | -651,144 |
| Puerto Rico | 5,644,846 | 7,510,552 | 1,865,706 |
| Rhode Island | 2,133,938 | 2,050,682 | -83,256 |
| South Carolina | 5,453,038 | 6,285,795 | 832,757 |
| South Dakota | 2,721,855 | 2,050,682 | -671,173 |
| Tennessee | 8,284,106 | 8,916,286 | 632,180 |
| Texas | 22,215,326 | 24,570,981 | 2,355,655 |
| Utah | 2,579,076 | 2,424,458 | -154,618 |
| Vermont | 2,194,548 | 2,050,682 | -143,866 |
| Virginia | 8,547,897 | 8,245,188 | -302,709 |
| Washington | 5,945,604 | 6,756,045 | 810,441 |
| West Virginia | 4,498,913 | 4,088,906 | -410,007 |
| Wisconsin | 10,180,156 | 8,249,502 | -1,930,654 |
| Wyoming | 1,921,803 | 2,050,682 | 128,879 |

Note: Simulation based on demographic and income data available at time of allocations. Simulation does not show funding levels that would be allocated for program activities in the U.S. Territories.

Simulation of Program Year 1994 State Allocations Without 78/22 Limit

The amounts of the SCSEP grants have been affected by appropriations language that distributes the grant funds between the national sponsors and states in a way that differs from the language in the OAA. For program year 1994, the national sponsors received about \$320 million (78 percent of the funds), and the states received about \$90 million (22 percent of the funds).

At our request, Labor ran a simulated allocation of the program year 1994 funding formula without the 78/22 appropriations language limit in place. Under that simulation, the funds in excess of the 1978 appropriation would have been split 55 percent for the states and 45 percent for the national sponsors. Of the \$410.3 million appropriated for program year 1994, funds for the state sponsors would have increased by \$65 million to about \$155 million; national sponsor funding would have decreased by that amount to \$255 million.

The first three columns of the simulation (see table IV.1) represent simulated program year 1994 funding for the state sponsors. Column 1 shows each state's 1978 funding level; column 2 shows the additional funds, in excess of the 1978 level, that would have been distributed to states on the basis of the "55-45" split; and column 3 is the sum of these first two columns. The national total for the state sponsors, including territorial allocations, is more than \$155 million.

The next three columns represent simulated funding for the national sponsors. Column 4 shows the amount of national sponsor funding in each state in 1978; column 5 shows the additional funds, in excess of the 1978 level, that would have been distributed to the national sponsors on the basis of the 55-45 split; and column 6 is the sum of columns 4 and 5. The national total for the national sponsors is about \$255 million.

Columns 7 to 9 combine the state sponsor and national sponsor funding. Column 7 is the sum of columns 1 and 4. Nationally, column 7 totals about \$201 million, the amount of the 1978 allocation for the program. Column 8 is the sum of columns 2 and 5. Nationally, column 8 totals over \$209 million and represents the funds for program year 1994 that exceed of the 1978 appropriation. Column 9 is the total of columns 7 and 8; nationally, column 9 totals the \$410.3 million appropriation for program year 1994.

Appendix IV
Simulation of Program Year 1994 State
Allocations Without 78/22 Limit

Table IV.1: Department of Labor
Simulation of Program Year 1994 State
Allocations Without 78/22 Provision

| State | 1978 state sponsors | 55%/45% state sponsors | Total state sponsors |
|----------------------|--------------------------------|-----------------------------------|---------------------------------|
| Alabama | \$717,000 | \$2,145,756 | \$2,862,756 |
| Alaska | 813,000 | 1,047,250 | 1,860,250 |
| Arizona | 395,000 | 1,873,517 | 2,268,517 |
| Arkansas | 491,000 | 1,405,743 | 1,896,743 |
| California | 2,930,000 | 10,024,701 | 12,954,701 |
| Colorado | 344,000 | 1,171,655 | 1,515,655 |
| Connecticut | 447,000 | 1,032,568 | 1,479,568 |
| Delaware | 813,000 | 1,047,250 | 1,860,250 |
| District of Columbia | 185,000 | 562,661 | 747,661 |
| Florida | 1,973,000 | 7,740,004 | 9,713,004 |
| Georgia | 797,000 | 2,589,958 | 3,386,958 |
| Hawaii | 813,000 | 1,047,250 | 1,860,250 |
| Idaho | 185,000 | 562,661 | 747,661 |
| Illinois | 1,541,000 | 4,324,883 | 5,865,883 |
| Indiana | 849,000 | 2,604,566 | 3,453,566 |
| Iowa | 538,000 | 1,462,410 | 2,000,410 |
| Kansas | 410,000 | 1,147,090 | 1,557,090 |
| Kentucky | 653,000 | 1,872,375 | 2,525,375 |
| Louisiana | 639,000 | 1,998,977 | 2,637,977 |
| Maine | 220,000 | 605,124 | 825,124 |
| Maryland | 542,000 | 1,539,297 | 2,081,297 |
| Massachusetts | 995,000 | 2,097,113 | 3,092,113 |
| Michigan | 1,250,000 | 3,918,865 | 5,168,865 |
| Minnesota | 667,000 | 1,770,614 | 2,437,614 |
| Mississippi | 489,000 | 1,426,365 | 1,915,365 |
| Missouri | 925,000 | 2,485,075 | 3,410,075 |
| Montana | 185,000 | 562,661 | 747,661 |
| Nebraska | 289,000 | 761,221 | 1,050,221 |
| Nevada | 185,000 | 562,661 | 747,661 |
| New Hampshire | 185,000 | 562,661 | 747,661 |
| New Jersey | 1,062,000 | 2,445,594 | 3,507,594 |
| New Mexico | 185,000 | 737,594 | 922,594 |
| New York | 2,869,000 | 6,269,943 | 9,138,943 |
| North Carolina | 945,000 | 3,195,325 | 4,140,325 |
| North Dakota | 185,000 | 562,661 | 747,661 |
| Ohio | 1,689,000 | 5,141,720 | 6,830,720 |
| Oklahoma | 548,000 | 1,688,065 | 2,236,065 |

**Appendix IV
Simulation of Program Year 1994 State
Allocations Without 78/22 Limit**

| 1978 national sponsors | 55%/45% national sponsors | Total national sponsors | 1978 total | 55%/45% total | Grand total |
|-------------------------------|----------------------------------|--------------------------------|-------------------|----------------------|--------------------|
| \$2,872,000 | \$1,848,020 | \$4,720,020 | \$3,589,000 | \$3,993,776 | \$7,582,776 |
| 0 | 0 | 0 | 813,000 | 1,047,250 | 1,860,250 |
| 1,568,000 | 1,613,556 | 3,181,556 | 1,963,000 | 3,487,073 | 5,450,073 |
| 3,458,000 | 1,210,688 | 4,668,688 | 3,949,000 | 2,616,431 | 6,565,431 |
| 12,841,000 | 8,633,712 | 21,474,712 | 15,771,000 | 18,658,413 | 34,429,413 |
| 1,518,000 | 1,009,080 | 2,527,080 | 1,862,000 | 2,180,735 | 4,042,735 |
| 1,961,000 | 889,293 | 2,850,293 | 2,408,000 | 1,921,861 | 4,329,861 |
| 0 | 0 | 0 | 813,000 | 1,047,250 | 1,860,250 |
| 989,000 | 484,589 | 1,473,589 | 1,174,000 | 1,047,250 | 2,221,250 |
| 8,362,000 | 6,666,031 | 15,028,031 | 10,335,000 | 14,406,035 | 24,741,035 |
| 3,374,000 | 2,230,586 | 5,604,586 | 4,171,000 | 4,820,544 | 8,991,544 |
| 0 | 0 | 0 | 813,000 | 1,047,250 | 1,860,250 |
| 724,000 | 484,589 | 1,208,589 | 909,000 | 1,047,250 | 1,956,250 |
| 6,354,000 | 3,724,780 | 10,078,780 | 7,895,000 | 8,049,663 | 15,944,663 |
| 4,523,000 | 2,243,166 | 6,766,166 | 5,372,000 | 4,847,732 | 10,219,732 |
| 2,054,000 | 1,259,492 | 3,313,492 | 2,592,000 | 2,721,902 | 5,313,902 |
| 1,656,000 | 987,925 | 2,643,925 | 2,068,000 | 2,135,015 | 4,201,015 |
| 3,205,000 | 1,612,572 | 4,817,572 | 3,858,000 | 3,484,947 | 7,342,947 |
| 2,599,000 | 1,721,606 | 4,320,606 | 3,238,000 | 3,720,583 | 6,958,583 |
| 1,058,000 | 521,160 | 1,579,160 | 1,278,000 | 1,126,284 | 2,404,284 |
| 2,139,000 | 1,325,710 | 3,464,710 | 2,681,000 | 2,865,007 | 5,546,007 |
| 3,953,000 | 1,806,126 | 5,759,126 | 4,948,000 | 3,903,239 | 8,851,239 |
| 5,177,000 | 3,375,099 | 8,582,099 | 6,427,000 | 7,293,954 | 13,720,964 |
| 4,614,000 | 1,524,931 | 6,138,931 | 5,281,000 | 3,295,545 | 8,576,545 |
| 1,948,000 | 1,228,448 | 3,176,448 | 2,437,000 | 2,654,813 | 5,091,813 |
| 4,202,000 | 2,140,256 | 6,342,256 | 5,127,000 | 4,625,331 | 9,752,331 |
| 1,114,000 | 484,589 | 1,598,589 | 1,299,000 | 1,047,250 | 2,346,250 |
| 1,324,000 | 655,597 | 1,979,597 | 1,613,000 | 1,416,818 | 3,029,818 |
| 724,000 | 484,589 | 1,208,589 | 909,000 | 1,047,250 | 1,956,250 |
| 672,000 | 484,589 | 1,156,589 | 857,000 | 1,047,250 | 1,904,250 |
| 5,178,000 | 2,106,253 | 7,284,253 | 6,240,000 | 4,551,847 | 10,791,847 |
| 741,000 | 635,248 | 1,376,248 | 926,000 | 1,372,842 | 2,298,842 |
| 11,849,000 | 5,399,950 | 17,248,950 | 14,718,000 | 11,669,893 | 26,387,893 |
| 3,862,000 | 2,751,955 | 8,613,955 | 4,807,000 | 5,947,280 | 10,754,280 |
| 1,054,000 | 484,589 | 1,538,589 | 1,239,000 | 1,047,250 | 2,286,250 |
| 6,975,000 | 4,428,276 | 11,403,276 | 8,664,000 | 9,569,996 | 18,233,996 |
| 2,625,000 | 1,453,835 | 4,078,835 | 3,173,000 | 3,141,900 | 6,314,900 |

(continued)

Appendix IV
Simulation of Program Year 1994 State
Allocations Without 78/22 Limit

| State | 1978 state sponsors | 55%/45% state sponsors | Total state sponsors |
|-------------------|--------------------------------|-----------------------------------|---------------------------------|
| Oregon | 415,000 | 1,396,761 | 1,811,761 |
| Pennsylvania | 2,192,000 | 5,855,101 | 8,047,101 |
| Puerto Rico | 449,000 | 2,055,158 | 2,504,158 |
| Rhode Island | 185,000 | 562,661 | 747,661 |
| South Carolina | 473,000 | 1,720,020 | 2,193,020 |
| South Dakota | 185,000 | 562,661 | 747,661 |
| Tennessee | 806,000 | 2,439,518 | 3,245,518 |
| Texas | 1,886,000 | 6,723,508 | 8,609,508 |
| Utah | 185,000 | 663,419 | 848,419 |
| Vermont | 185,000 | 562,661 | 747,661 |
| Virginia | 731,000 | 2,256,181 | 2,987,181 |
| Washington | 534,000 | 1,848,698 | 2,382,698 |
| West Virginia | 383,000 | 1,118,872 | 1,501,872 |
| Wisconsin | 809,000 | 2,257,361 | 3,066,361 |
| Wyoming | 185,000 | 562,661 | 747,661 |
| American Samoa | 407,000 | 523,625 | 930,625 |
| Guam | 407,000 | 523,625 | 930,625 |
| Northern Marianas | 203,500 | 523,625 | 727,125 |
| Palau | 203,500 | 523,625 | 727,125 |
| Virgin Islands | 407,000 | 523,625 | 930,625 |
| U.S. Total | \$40,179,000 | \$115,197,500 | \$155,376,500 |

**Appendix IV
Simulation of Program Year 1994 State
Allocations Without 78/22 Limit**

| 1978 national sponsors | 55%/45% national sponsors | Total national sponsors | 1978 total | 55%/45% total | Grand total |
|-------------------------------|----------------------------------|--------------------------------|----------------------|----------------------|----------------------|
| 2,534,000 | 1,202,952 | 3,736,952 | 2,949,000 | 2,599,713 | 5,548,713 |
| 8,970,000 | 5,042,671 | 14,012,671 | 11,162,000 | 10,897,772 | 22,059,772 |
| 1,688,000 | 1,769,992 | 3,457,992 | 2,137,000 | 3,825,150 | 5,962,150 |
| 876,000 | 484,589 | 1,360,589 | 1,061,000 | 1,047,250 | 2,108,250 |
| 1,921,000 | 1,481,357 | 3,402,357 | 2,394,000 | 3,201,377 | 5,595,377 |
| 1,293,000 | 484,589 | 1,777,589 | 1,478,000 | 1,047,250 | 2,525,250 |
| 3,105,000 | 2,101,278 | 5,206,278 | 3,911,000 | 4,541,096 | 8,452,096 |
| 8,144,000 | 5,790,580 | 13,934,580 | 10,030,000 | 12,514,088 | 22,544,088 |
| 1,080,000 | 571,366 | 1,651,366 | 1,265,000 | 1,234,785 | 2,499,785 |
| 919,000 | 484,589 | 1,403,589 | 1,104,000 | 1,047,250 | 2,151,250 |
| 3,502,000 | 1,943,122 | 5,445,122 | 4,233,000 | 4,199,303 | 8,432,303 |
| 2,122,000 | 1,592,180 | 3,714,180 | 2,658,000 | 3,440,878 | 6,096,878 |
| 1,921,000 | 963,622 | 2,884,622 | 2,304,000 | 2,082,494 | 4,386,494 |
| 4,655,000 | 1,944,139 | 6,599,139 | 5,464,000 | 4,201,500 | 9,665,500 |
| 724,000 | 484,589 | 1,208,589 | 908,000 | 1,047,250 | 1,956,250 |
| 0 | 0 | 0 | 407,000 | 523,625 | 930,625 |
| 0 | 0 | 0 | 407,000 | 523,625 | 930,625 |
| 0 | 0 | 0 | 203,500 | 523,625 | 727,125 |
| 0 | 0 | 0 | 203,500 | 523,625 | 727,125 |
| 0 | 0 | 0 | 407,000 | 523,625 | 930,625 |
| \$160,721,000 | \$94,252,500 | \$254,973,500 | \$200,900,000 | \$209,450,000 | \$410,350,000 |

National Sponsors' Administrative Costs Placed in the Category of Other Enrollee Costs

For program year 1994, most of the national sponsors allocated administrative costs to the category of other enrollee costs rather than the administrative category, which has an Older Americans Act (OAA) limit of 15 percent. Officials at Labor and some of the national sponsor organizations justified this practice because the costs included support of enrollee training or assessment activities or the costs of providing these services, expenditures allowed under the 1985 proposed SCSEP regulations. However, because the 1985 proposed regulations were never published in final form, they never superseded the 1976 legally promulgated regulations.

Labor, while defending the 1985 draft definition of other enrollee costs, could not specifically explain how many of these allowed costs for program year 1994 related directly to the enrollees—nor did most of the documents provided by the national sponsors in response to Labor's request to provide explanatory data. Some grantees provided the results of internal surveys of staff activity taken in 1985 or earlier to support their budget allocations. Others provided only their stated reliance upon Labor's 1985 proposed regulation language as the basis for their including such administrative costs as other enrollee costs. When actual costs for program year 1994 were provided, we reviewed them and, where appropriate, included them in the tables.

Tables V.2 to V.11 delineate grant costs for administration and other enrollee costs (1) from the individual national sponsor grant agreements and (2) as we identified them. Our delineation identifies costs allocated to other enrollee costs that, in our judgment, were administrative costs. All costs that could be attributed directly to enrollee training, special job-related or personal counseling, incidentals, or other direct support were excluded from the following tables.

A combined total of (1) administrative costs from the grant agreement and (2) additional administrative costs identified by GAO from the other enrollee costs category is also shown for each grantee organization. A combined percentage for administration is computed as well. When actual cost data were provided by the grantees, those costs are shown in an "actual costs" column. In these instances, actual costs were added to the acknowledged administrative costs from the grant to derive totals and percentages. In cases where no actual cost data were provided, the actual cost column is blank.

**Appendix V
National Sponsors' Administrative Costs
Placed in the Category of Other Enrollee
Costs**

Using the budget data from the grant applications and, where available, actual cost data provided by the grantees, we found that administrative costs for most of the sponsors were higher than the 15-percent limit in the OAA. For program year 1994, the administrative costs labeled as other enrollee costs exceeded \$18 million. (Using budget data alone, the total exceeded \$20 million.) Table V.1 summarizes the additional administrative costs for all the national sponsors.

Table V.1: Additional Administrative Costs in SCSEP Grants

| National sponsor | Additional administrative cost (budget) | Additional administrative cost (with actual) | Percent of grant for all administration (with actual) |
|---|--|---|--|
| American Association of Retired Persons (AARP) | \$4,473,499 | \$4,097,080 | 23.2 |
| Association Nacional Pro Personas Mayores (ANPPM) | 935,969 | 935,969 | 22.4 |
| Green Thumb | 8,133,633 | 7,095,487 | 20.4 |
| National Asian Pacific Center on Aging (NAPCA) | 343,903 | 343,903 | 16.8 |
| National Caucus and Center on Black Aged (NCCBA) | 740,058 | 673,141 | 19.8 |
| National Council on Aging (NCOA) | 3,645,028 | 3,645,028 | 23.2 |
| National Council of Senior Citizens (NCSC) | 625,000 | 375,000 | 13.2 |
| National Urban League (NUL) | 1,275,685 | 1,263,685 | 22.4 |
| National Indian Council on Aging (NICOA) | 375,891 | 309,752 | 21.1 |
| U.S. Forest Service (USFS) | 0 | 0 | 10.0 |
| Total | \$20,548,666 | \$18,739,045 | |

**Appendix V
National Sponsors' Administrative Costs
Placed in the Category of Other Enrollee
Costs**

**Table V.2: GAO Delineation of AARP
Administrative Costs Included in the
Category of Other Enrollee Costs**

| AARP: SCSEP federal grant for program year 1994 (\$49,894,391) | | | |
|--|-----------------|------------------|--------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$7,481,421 | 14.99 | |
| Other enrollee cost | 4,686,249 | 9.39 | |
| GAO-identified administrative costs | | | |
| Personnel | 2,649,745 | | \$2,562,901 |
| Fringe benefits | 1,091,790 | | 889,977 |
| Travel | 140,000 | | 161,102 |
| Rent | 406,250 | | 335,798 |
| Telephone | 185,714 | | 147,302 |
| Subtotal (A) | 4,473,499 | | 4,097,080 |
| AARP-identified administration (B) | 7,481,421 | | |
| GAO total of administration (A) + (B) | \$11,954,920 | 23.2 | \$11,578,501 |

**Table V.3: GAO Delineation of ANPPM
Administrative Costs Included in the
Category of Other Enrollee Costs**

| ANPPM: SCSEP federal grant for program year 1994 (\$12,570,219) | | | |
|---|-----------------|------------------|--------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$1,885,533 | 15 (with waiver) | |
| Other enrollee cost | 1,068,469 | 8.5 | |
| GAO-identified administrative costs | | | |
| Personnel | 530,000 | | |
| Fringe benefits | 180,000 | | |
| Travel | 50,000 | | |
| Rent | 105,000 | | |
| Telephone | 42,969 | | |
| Postage | 28,000 | | |
| Subtotal (A) | 935,969 | | |
| ANPPM-identified administration (B) | 1,885,533 | | |
| GAO total of administration (A) + (B) | \$2,821,502 | 22.4 | |

**Appendix V
National Sponsors' Administrative Costs
Placed in the Category of Other Enrollee
Costs**

Table V.4: GAO Delineation of Green Thumb Administrative Costs Included in the Category of Other Enrollee Costs

| Green Thumb: SCSEP federal grant for program year 1994 (\$102,509,745) | | | |
|--|-----------------|------------------|--------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$13,838,815 | 13.5 | |
| Other enrollee cost | 8,200,780 | 8.0 | |
| GAO-identified administrative costs | | | |
| Personnel | 4,564,516 | | \$4,326,906 |
| Fringe benefits | 1,504,977 | | 1,548,085 |
| Travel | 1,700,086 | | 1,183,935 |
| Insurance | 364,054 | | 22,860 |
| Miscellaneous | | | 13,701 |
| Subtotal (A) | 8,133,633 | | 7,095,487 |
| Green Thumb-identified administration (B) | 13,838,815 | | |
| GAO total of administration (A) + (B) | \$21,972,448 | 20.4 | \$20,934,302 |

Table V.5: GAO Delineation of NAPCA Administrative Costs Included in the Category of Other Enrollee Costs

| NAPCA: SCSEP federal grant for program year 1994 (\$5,067,315) | | | |
|--|-----------------|------------------|--------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$509,839 | 10.06 | |
| Other enrollee cost | 423,825 | 8.36 | |
| GAO-identified administrative costs | | | |
| Personnel | 49,655 | | |
| Fringe benefits | 14,967 | | |
| Contractual | 279,281 | | |
| Subtotal (A) | 343,903 | | |
| NAPCA-identified administration (B) | 509,839 | | |
| GAO total of administration (A) + (B) | \$853,742 | 16.8 | |

**Appendix V
National Sponsors' Administrative Costs
Placed in the Category of Other Enrollee
Costs**

**Table V.6: GAO Delineation of NCCBA
Administrative Costs Included in the
Category of Other Enrollee Costs**

| NCCBA: SCSEP federal grant for program year 1994 (\$12,298,332) | | | |
|---|-----------------|------------------|----------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$1,768,904 | 14.38 | |
| Other enrollee cost | 867,785 | 7.06 | |
| GAO-identified administrative costs | | | |
| Personnel | 444,320 | | \$396,152 |
| Fringe benefits | 172,892 | | 154,143 (est.) |
| Travel | 72,100 | | ^a |
| Equipment/supplies | 10,646 | | ^a |
| Telephone | 25,000 | | ^a |
| Contractual | 15,100 | | ^a |
| Subtotal (A) | 740,058 | | 673,141 |
| NCCBA-identified administration (B) | 1,768,904 | | |
| GAO total of administration (A) + (B) | \$2,508,962 | 19.8 | \$2,442,045 |

^aNo actual costs provided for these categories.

**Appendix V
National Sponsors' Administrative Costs
Placed in the Category of Other Enrollee
Costs**

**Table V.7: GAO Delineation of NCOA
Administrative Costs Included in the
Category of Other Enrollee Costs**

| NCOA: SCSEP federal grant for program year 1994 (\$37,442,704) | | | |
|--|-----------------|------------------|--------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$5,054,765 | 13.5 | |
| Other enrollee cost | 3,931,484 | 10.5 | |
| GAO-identified administrative costs | | | |
| Personnel | 1,992,691 | | |
| Fringe benefits | 494,793 | | |
| Travel | 153,757 | | |
| Equipment | 47,200 | | |
| Supplies | 158,995 | | |
| Miscellaneous | 55,065 | | |
| Postage | 51,170 | | |
| Advertising | 35,989 | | |
| Rent | 522,494 | | |
| Telephone | 132,874 | | |
| Subtotal (A) | 3,645,028 | | |
| NCOA-identified administration (B) | 5,054,765 | | |
| GAO total of administration (A) + (B) | \$8,699,793 | 23.2 | |

Appendix V
National Sponsors' Administrative Costs
Placed in the Category of Other Enrollee
Costs

Table V.8: GAO Delineation of NCSC Administrative Costs Included in the Category of Other Enrollee Costs

| NCSC: SCSEP federal grant for program year 1994 (\$62,845,065) | | | |
|--|-----------------|------------------|--|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$7,893,273 | 12.6 | |
| Other enrollee cost | 1,432,000 | 2.3 | |
| GAO-identified administrative costs | | | |
| Annual conference | | | \$235,000 reclassified as administration |
| | 235,000 | | |
| Project training | | | 140,000 reclassified as administration |
| | 140,000 | | |
| Contingency for local project administration | 250,000 | | |
| Subtotal (A) | 625,000 | | 375,000 |
| NCSC-identified administration (B) | 7,893,273 | | |
| GAO total of administration (A) + (B) | \$8,518,273 | 13.2 | \$8,268,273 |

Table V.9: GAO Delineation of NICOA Administrative Costs Included in the Category of Other Enrollee Costs

| NICOA: SCSEP federal grant for program year 1994 (\$5,066,911) | | | |
|--|-----------------|------------------|--------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$760,036 | 15.0 | |
| Other enrollee cost | 386,891 | 7.6 | |
| GAO-identified administrative costs | | | |
| Personnel | 159,780 | | \$115,127 |
| Fringe benefits | 35,639 | | 22,960 |
| Travel | 25,000 | | 17,125 |
| Meeting expenses | 144,291 | | 144,291 |
| Other | 11,181 | | 10,249 |
| Subtotal (A) | 375,891 | | 309,762 |
| NICOA-identified administration (B) | 760,036 | | |
| GAO total of administration (A) + (B) | \$1,135,927 | 21.1 | \$1,069,788 |

Appendix V
National Sponsors' Administrative Costs
Placed in the Category of Other Enrollee
Costs

Table V.10: GAO Delineation of NUL Administrative Costs Included in the Category of Other Enrollee Costs

| NUL: SCSEP federal grant for program year 1994 (\$14,341,274) | | | |
|---|-----------------|------------------|--------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$1,948,759 | 13.59 | |
| Other enrollee cost | 1,316,535 | 9.18 | |
| GAO-identified administrative costs | | | |
| Personnel | 831,864 | | |
| Fringe benefits | 205,914 | | |
| Travel | 6,730 | | |
| Equipment | 52,000 | | \$40,000 |
| Rent | 130,077 | | |
| Telephone | 35,100 | | |
| Postage | 14,000 | | |
| Subtotal (A) | 1,275,685 | | 1,263,685 |
| NUL-identified administration (B) | 1,948,765 | | |
| GAO total of administration (A) + (B) | \$3,224,450 | 22.4 | \$3,212,444 |

Table V.11: GAO Delineation of USFS Administrative Costs Included in the Category of Other Enrollee Costs

| USFS: SCSEP federal grant for program year 1994 (\$26,844,903) | | | |
|--|-----------------|------------------|--------------|
| | Budgeted amount | Percent of grant | Actual costs |
| Grant budget | | | |
| Administration | \$2,684,418 | 10.0 | |
| Other enrollee cost | 1,238,996 | 4.6 | |
| GAO-identified administrative costs | | | |
| None | | | |
| Subtotal (A) | 0 | | |
| USFS-identified administration (B) | 2,684,418 | | |
| GAO total of administration (A) + (B) | \$2,684,418 | 10.0 | |

Comments From the Department of Labor and Our Evaluation

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20310



JUL 31 1995

Ms. Linda G. Morra
Director, Education and Employment Issues
Human Resource Division
U.S. General Accounting Office
Washington, DC 20548

Dear Ms. Morra:

The Department of Labor is pleased to have the opportunity to respond to the several recommendations contained in the draft report, "Senior Community Service Employment Program: Significant Changes Needed," which you provided for comment.

Unfortunately, the title of the draft report is in contrast with the findings, and may lead the reader to believe there are major problems in the operation of the program. The program is operating well, and continues to be an important part of the lives of thousands of low income older Americans. Moreover, it has consistently met its legislative objectives. Since the last review of the Senior Community Service Employment Program (SCSEP) in 1984 by the General Accounting Office (GAO), over 1,000,000 older workers have been served, over 1,000,000,000 hours of community service have been provided to both the elderly and general communities including important intergenerational services, and over 160,000 persons have been placed in jobs saving taxpayers thousands of dollars. The Department believes that the results achieved are a major reason for the continuation and enhancement of the program by Congress and it is critical to acknowledge this success when discussing various aspects of the program. The SCSEP is a model program which delivers needed services to communities and older workers while not increasing bureaucracy at Federal and State levels. It accomplishes this by utilizing the network of national and local non-governmental aging organizations. The strength of the SCSEP is in its straightforward design which requires only minimum government intervention.

With regard to the three recommendations, the Department is in basic agreement with two of the three items contained in the draft report. Specifically, the Department agrees that it is healthy to re-examine its procurement process on a regular basis; therefore, the Department will reinstate a review of the SCSEP procurement. In response to the findings on equitable distribution, the Department will prepare procedures which will enhance the role for the States in the conduct of the annual equitable distribution meetings and will implement a process to ensure that disagreements on equitable distribution are communicated to the Department.

See comment 1.


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Although the Department disagrees with GAO's finding regarding "Other Enrollee Costs," we agree to examine this concern further to ensure that there is no misunderstanding on the part of our grantee partners about how they are to charge for staff and related costs associated with such staff functions as recruitment, assessment, development of appropriate community service assignments, and unsubsidized placements. The Department would like to point out that three recent audits of national sponsors (the National Urban League, the Asociacion Nacional Pro Personas Mayores, and the Green Thumb) did not disclose non-compliance in this area. While we share your concerns that the sponsors should be properly charging their grants, we believe GAO's use of budget projections rather than actual expenditures for determining proper cost allocation may have contributed to GAO's misunderstanding of the SCSEP program costs. This may have led to an inaccurate finding and the resulting recommendation.

Enclosed you will find comments on various concerns raised throughout the report which provide additional information not contained in the report. This will enable the reader to better understand the issues involved. Thank you for permitting the Department to respond to the draft report.

Sincerely,



Timothy M. Barnicle

Enclosure

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Enclosure

**GAO DRAFT REPORT - "Senior Community Service Employment
Program: Significant Changes Needed"**

Department of Labor Comments

1. Page 5, Results in Brief - Continued Funding of National Council on Aging (NCOA). The report implies that the Department did something wrong in continuing to maintain this sponsor's annual grant. However, under the administrative process the Federal government is required to follow, a grantee is presumed innocent until the grantee has exhausted all administrative options to which it is entitled. This is what occurred in the case in point. The audits in question covered previous years for which no corrective action could be taken by the Department on the question of current year funding levels until the administrative procedures had concluded. One of the positive consequences of the audits and the negotiated settlement of the audits is the elimination of this problem. NCOA recently hired a new chief executive officer and a new chief financial officer. In addition, there was a 100 percent replacement of the principal financial staff. More importantly, the taxpayer gained by a settlement being reached rather than forcing the grantee to go out of business.

Pages 34 and 35 also addressed the continued funding of NCOA at existing or increased levels. Furthermore, it was suggested that a cutback would have been appropriate. There is no basis under current law and regulations for taking such action as proposed in the report. Thus, it is misleading to state that the Department "wanted" to continue the funding of NCOA at the prior levels. The Department has no choice under the administrative process that must be followed to assure that the Department's actions are within the law. Therefore, as a practical matter, the choice to fund or not fund was not a viable option as long as Congress directed the Department to provide funding to the sponsor.

2. Page 8-9, In Kind Matching. One could infer from the statement on the bottom of this page that national sponsors are not contributing their fair share by making in kind non-Federal contributions as compared to some States which provide all or a portion of the match in cash. It is important to note that this practice is customary among the national sponsors since non-profit organizations cannot generate taxes as the States can. The authority for this practice is found in OMB Circulars.

3. Page 10, Percentage of Women in Program. The percentage is closer to $\frac{3}{4}$ ths rather than $\frac{2}{3}$ rds - 71 percent.

4. Page 11 - 12, Variation of Grant Amounts. One could infer from the statement that the wide variations among the amounts received by the national sponsors would suggest a problem. It may assist the reader to understand the statement in view of the historical evolution of the program. The largest grantee

Now on p. 21.
See comment 2.

Now on p. 21.

Now on p. 5.
See comment 3.

Now on p. 6.
See comment 4.

Now on p. 7.
See comment 5.

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began enrolling individuals over 30 years ago under pilot programs whereas the smaller national sponsors have been with the program only four years.

5. Page 15, Exemption from Procurement Review Board (PRB) Process. A statement was made that the Department could not explain the reason for the exception. In January 1986, the Department altered its Manual Series, Chapter 800, of the section dealing with the PRB to exempt from review "contracts, grants, or cooperative agreements with public agencies, or with public or private nonprofit organizations referenced to receive funds under Section 506, Title V of the Older Americans Act of 1965, as amended" due to a judgement on the sensitivity of the procurement and time constraints on the Board members' time. The PRB reviews only those acquisitions which are most sensitive. While the PRB exempted these grants, they are still subject to applicable laws. The PRB exemption was continued in the most recent reissuance, dated October 21, 1991. The PRB review is an internal Departmental process which has been administratively established and is not a requirement of any law.

6. Pages 15, 19-20, and 23, Equitable Distribution (ED). The Department agrees with the report that the statutory hold harmless provision severely limits its ability to allocate funds among the States in an equitable manner. That is why the Department further agrees with GAO's review of the SCSEP in 1979 that "resources under SCSEP are not sufficient to realistically achieve an equitable distribution of positions throughout a State. In program year 1979, funds were available to support about 47,500 SCSEP positions; however, over 5 million individuals met SCSEP eligibility requirements." Currently, funds are available to support about 65,000 positions; however over 9,089,999 individuals meet the eligibility requirements.

That report further indicated that "although the grantees' distribution of SCSEP positions has left many geographical areas unserved by the program, their efforts to enhance administrative economy have merit when considered in relation to limited program resources and the significance of the program's administrative requirements." Substantial progress has been made over the years in spite of that relevant consideration.

Page 15. The report asserts that the Department's inaction permitted a pattern of overserved and underserved counties. To the contrary, the Department instituted a measured policy designed to encourage SCSEP sponsors to work out their problems at the local level. They were urged to use reasoned negotiation rather than uniform Federal mandates that may not address local circumstances and may be perceived as arbitrary. Moreover, the report does not acknowledge the fact that the 1990 census data for SCSEP purposes only became available in 1992. In some cases, this rendered the distributions based on the 1980 census obsolete. Furthermore, this statement is in conflict with the acknowledgement made on page 22 which references a portion of the Department's process for addressing equitable distribution. Over the

Now on p. 11.
See comment 6.

Now on p. 11.
See comment 7.

Now on p. 15.

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years, incremental improvements have been forthcoming, especially when new funding was provided that permitted the Department to require that the positions be placed in areas where inequitable distributions existed. Furthermore, a pilot effort was undertaken with the leadership of the national sponsors to conduct equitable distribution meetings in several States which were aimed at encouraging improvements. These efforts have resulted in more harmonious relationships and better equitable distribution within those States.

Now on p. 13.

Pages 19-20. The report refers to a series of perceptions on why the distribution of positions is not completely parallel to the equitable distribution division. However, no supporting facts are provided. We agree that there is one contention that has a factual basis pertaining to the U.S. Forest Service. It is important to point out that the Congressional leadership directed the Department in the past to meet the joint needs of both the national forests and the older workers under SCSEP. As long as this Congressional intent exists, it will prevent a completely uniform distribution of positions. The U.S. Forest Service (USFS) has been very accommodating in attempting to resolve the perplexing problem of equitable distribution, but they are limited to those areas over which they have authority.

It is important to note that the distribution of positions is a joint process between States and national sponsors. How the States distribute their positions to area agencies on aging or other subgrantees impacts equally on ED. Both States and national sponsors must be held accountable for the distribution of the positions since both play a role in decisions on where to locate them. A decision by a national sponsor not to go into a particular county extends equally to a State sponsor or an area agency on aging which may have a senior center located in a particular county, but not in another county. A complex interdependence exists that requires further exploration than is evident in the report. States and national sponsors are fully aware of this interdependent relationship and, for the most part, are working very closely to overcome any differences in the distribution of slots.

Now on p. 15.

Page 23. The report suggests that the Department has not taken action on ED to bring about better distribution of national sponsors' activities. Please see above statements in this regard. Also, the Department acknowledges that the grantees have consistently been instructed not to take actions which would adversely impact on existing enrollees solely for the purpose of achieving a non-required mathematical equity.

Now on p. 12.
See comment 8.

7. Page 18, Hold Harmless. The report suggests that Congress should amend or repeal the provision related to the 1978 hold harmless in order to ensure equity with the present older worker population. It is important to note that if Congress should decide to take this action, it would have an adverse impact on many current enrollees. It would place many enrollees "on-the-street" without alternatives. Congress would

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need to have the full facts on the consequences of such an action so they do not act without providing for an adequate transition.

8. Page 20, Duplication of Services. The report suggests that duplication exists in certain areas. Congress deliberately created what is suggested as duplication of services when they added States as sponsors in 1978. Up to that time, the national sponsors were the only sponsors in existence. While organizations delivering the service in an area may see this as duplication, this often stimulates competition as different sponsors strive to improve. This ultimately benefits the customer who receives the service. This competition removes the monopoly that would exist otherwise. Because sponsors emphasize different activities, and target their services at different groups, it is not likely that they serve the same people. For instance, Bernadillo County, NM is served in the City of Albuquerque and its suburbs by the American Association of Retired Persons. In the rural part of the County, on a pueblo, the National Indian Council on Aging provides positions to non-English speaking Indians who provide services on the reservations. Simultaneously, the USFS enrollees work on the Forest Service's facilities and lands and the State may provide positions to the area agencies on aging. In this example, there is no duplication of services although there is more than one sponsor in the county.

9. Page 22, Denial of Access. The report refers to a potential situation which relates to an unwritten agreement on limiting host agencies' results in denial of access by enrollee. In reality, the Department knows of no individual who has been permanently caught in the situation described. If it should occur, it is possible to enroll the individual in another sponsor's project or to make an individual arrangement as has been done in the past for varying reasons.

10. Page 24, Removal of 78/22% Cap. The report suggests that States may have a greater incentive to administer positions in underserved areas. All sponsors work under the same administrative constraints. There is only a limited amount of administrative dollars to carry out the SCSEP. There is no basis for suggesting that the removal of the 78/22 split between the national organizations and State sponsors will provide a greater incentive to administer positions in underserved areas. Although the report cited examples of the States without national sponsors which had achieved near equity, a number of States with national sponsors have also achieved near equity.

11. Page 26 and 30, Administrative Costs. The report suggests that the Department permitted the national sponsors to exceed the OAA administrative cost limit. Furthermore, it indicates that the Department cannot explain the Other Enrollee Cost (OEC) entries in the grant application materials.

Now on p. 13.
See comment 9.

Now on p. 14.
See comment 10.

Now on pp. 15-16.
See comment 11.

Now on pp. 17-19.
See comment 12.

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As stated in the cover letter, the Department is in basic disagreement with GAO regarding the interpretation as to what constitutes administrative costs. We believe that a factual review of specific actual expenditures will result in a consistent interpretation and we would invite appropriate GAO staff to meet with the Department's staff to discuss this concern. The use of separate cost categories for administration and enrollee support is a long-standing practice that has been incorporated into legislation and regulations for employment and training programs, including the SCSEP. For example, this practice is consistent with the 1985 draft SCSEP regulation that was incorporated into the grants and is a part of the May 1995 final regulation. The SCSEP regulation makes reference to this at § 641.404(c) which permits charging certain specific direct and indirect costs to the OEC cost categories. While the report acknowledges the basic principles involved in this practice, there seems to be a misunderstanding regarding which types of services are properly chargeable to the OEC category. The Department requests the opportunity to explain its regulation and the practice of its grantees in order to clarify any misunderstandings GAO may have regarding this issue.

Regarding OEC, the Department has not only permitted, but encouraged, grantees to move forward in the areas of unsubsidized placement. The 1992 amendments to the Older Americans Act further directed the Department and the grantees to perform enrollee assessments. These functions are intended to benefit enrollees directly by improving their employment potential and providing them with opportunities to improve their lives. Charging the cost of such functions to OEC rather than "Administration" is appropriate. It is not accurate to report this as noncompliance with proper cost allocations.

Furthermore, the Department notes that the report considered only budgeted costs. However, the actual expenditures provide a clearer picture of costs incurred during the operation of their programs. Therefore, it is actual costs, not budgeted expenditures, that concern the Department. Consequently, for program year 1993, 81.3 percent of the money went directly to Enrollee Wages and Fringe Benefits versus 12.4 percent to administration and 6.2 percent to Other Enrollee Costs. Based on these outcomes, it is unlikely that there is any danger of an exception to the administrative cap being exceeded. The same difference between planned expenditures and actual costs will likely occur again, but that is not relevant. Experience has shown that, in the aggregate, no program limitation has been or is likely to be violated when the actual costs are considered.

12. Page 31, Indirect Costs. The report implies that there is a problem in this area, but in reality few problems exist. The Department's Office of the Inspector General has been conducting a series of audits of national sponsors and it is our understanding that only one of the organizations examined thus far had a problem in this area. As noted earlier, that problem has been addressed.

Now on p. 25.
See comment 13.

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Now on pp. 21-22.
See comment 14.

Now on p. 22.
See comment 15.

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13. Page 33, Indirect Costs. The report states that Department permitted use of indirect costs in the amount of \$57,000 to promote morale and implied that the costs were inappropriate. First, certain costs for employee morale are permissible charges under any Federal government grant as established in OMB Circulars A-87 or A-122, as appropriate. Second, the actual expenditures were \$21,347 and not \$57,000 as suggested in the report. Moreover, these expenditures were used predominately to recognize employees' achievement. Specifically, these funds were used to recognize individuals who made outstanding efforts in the achievement of program goals.

14. Page 35, Unsubsidized Placements. The report states that the Department cannot determine if national sponsors are achieving the placement objective because of the lack of a placement definition. The requirement for placement applies equally to State and national sponsors. Nevertheless, this requirement is a goal and not a grant issue per se. More importantly, the goal has served its purpose to overcome "ageism" perceptions about whether older workers can be placed in the private and public sectors, become taxpayers and thus, allow additional persons to be served. It is noted that the emphasis on only national sponsors raises a question of why, again, a one-sided point of view is being highlighted.

The following are GAO's comments on the Department of Labor's letter dated July 31, 1995.

GAO Comments

1. Concerning the appropriateness of the draft report title, SCSEP: Significant Changes Needed, the purpose of our review was not to question the need for the program or its results. We were asked to examine SCSEP's administration; therefore, we have changed the title to Department of Labor: Senior Community Service Employment Program Delivery Could Be Improved Through Legislative and Administrative Actions to reflect that focus. More specifically, we found systemic flaws that may deny eligible people an opportunity to participate in the program and a cost allocation approach that allowed the improper budgeting and expenditure of millions of dollars, permitting national sponsors to exceed the statutory 15-percent limit on administrative costs.
2. SCSEP is a grant program for which applicants apply annually. Labor has the authority to decrease or deny altogether the funding amount sought if it has concerns about an applicant's future performance. Therefore, Labor had a choice in funding the national sponsor in question. For this national sponsor, Labor had sufficient reason, on the basis of its Office of Inspector General (OIG) reports, to (1) be concerned about future performance and (2) consider a change to that grantee's funding.
3. The statement, which we have rewritten to avoid the inference mentioned, seeks to explain program funding by identifying contributors and the differences between cash and in-kind contributions.
4. The report has been changed to include Labor's updated data that reflect the proper proportion of women in the SCSEP program.
5. Although funding amounts are related to the time sponsors have participated in SCSEP, the wide variation in sponsors' funding has been cited as a problem by several national sponsors as well as several states. Some of the smaller, ethnically targeted national sponsors have tried to serve targeted groups, these sponsors said, but have been thwarted by a reluctance on the part of some large national sponsors to leave areas they served. According to some state officials, the significant disparity between the funding they received and that received by some national sponsors left the states in a relatively powerless position in disputes over equitable distribution.

6. Noncompetitive grant awards that total several hundred million dollars a year are sufficiently sensitive to warrant the Procurement Review Board's review. Further, constraints on the Board members' time is not justification for weakening internal control measures. An independent review of grant award decisions, although administratively established and not explicitly required by law, is an important internal control.

7. In objecting to our views on the inadequacy of attempts to achieve equitable distribution of enrollee positions, Labor raised several issues. Concerning the issue of responsibility by states, we have revised the report to ensure that it clearly points out the responsibility that states, as well as national sponsors, have in achieving equitable distribution of enrollee positions. Concerning the issue of administrative efficiency related to the goal of equitable distribution, Labor cited our 1979 report, The Distribution of Senior Community Service Employment Positions (GAO/HRD-80-13, Nov. 8, 1979). Labor quoted that report on the approach taken by sponsors—and particularly national sponsors—to achieve equitable distribution. The report noted that, relative to the administrative limits required of the program, the national sponsors' efforts to become cost effective did have merit. But the relationship between national sponsors' and Labor's efforts to achieve equitable distribution is more fully detailed in a later report, Information on the Senior Community Service Employment Program and the Proposed Transfer to the Department of Health and Human Services (GAO/HRD-84-42, Mar. 12, 1984).

This 1984 report (p. 22) noted the following: "A Labor official stated that the distribution of enrollee positions within the states may not be equitable since some national sponsors established large clusters of enrollee positions early in the development of SCSEP, and these have been carried forward." According to the 1984 report, Labor, in February 1979, asked for SCSEP sponsors in each state to (1) discuss and agree upon a rationale for distributing SCSEP funds, (2) identify areas that showed inequitable distribution, (3) establish plans for eliminating inequities without displacing current enrollees, and (4) send these plans to Labor. Labor officials said they did not receive many plans. In 1981, following up on that request, Labor asked national sponsors and state agencies, as a group effort, to report on the progress made toward achieving equitable distribution. Labor said that it received reports from approximately 90 percent of the states.

As also noted in our 1984 report, Labor officials established a panel of representatives—from Labor, national sponsors, and state agencies—to

review the equitable distribution reports and determine which states were making progress. The panel examined the state reports, but, according to our 1984 report, “The results were never formalized by Labor, and no general feedback was provided to the sponsors.” Labor did suggest to the program sponsors that they use the reports during their next planning sessions. In January 1984, Labor once again requested another equitable distribution report. According to our 1984 report, “while such cooperative efforts by national and state sponsors are directed toward equitable distribution, Labor does not know that such distribution has occurred.”

When we began the review leading to this latest report, we asked Labor officials if they knew the status of equitable distribution in the states compared with its status 5 years earlier. Labor officials did not know for certain which states had progressed in equitable distribution.

Concerning Labor’s complaint about census data, any comparison of distribution of positions between 1989 and 1994 is, necessarily, skewed. This is because the 1989 distribution of enrollee positions was made on the basis of 1980 census data, and the 1994 distribution was made on the basis of 1990 census data. The introduction of 1990 census data in the 1994 equitable distribution reports may have obscured progress made between 1989 and 1994 in some areas and exaggerated progress in others.

8. The number of enrollee positions available depends on the level of SCSEP funding, not on the hold harmless provision. When funding levels decline, past performance indicates that sponsors—state and national—leave some positions unfilled to ensure that enrollees in other positions may continue in the program. In receiving enrollee positions formerly available to a national sponsor under the hold harmless provision, a state sponsor would have the option of (1) administering these positions itself or (2) subcontracting the administration to others, including the original national sponsor. In addition, the forward funding nature of the program (see footnote 7) would give all parties concerned ample time to adjust to a change in sponsors. Therefore, it is not likely that removing the hold harmless provision would “place many enrollees ‘on-the-street’ [sic] without alternatives.”

9. Sponsors that emphasize different activities and target different groups may, nevertheless, serve the same people. All sponsors must provide enrollees positions and training that corresponds to their aptitudes and preferences—just as all sponsors, regardless of their ethnic focus, must

accept potential enrollees only on the basis of age and income criteria, not on ethnicity or sex.

10. The unwritten agreement mentioned allows national sponsors to avoid situations that might provoke dissension because of differences in salaries or benefits of enrollees participating through different sponsors. This policy could possibly deny enrollees access to the type of training best suited to their needs. Whether such a denial is permanent or not is irrelevant. The policy serves the interests of SCSEP's national sponsors rather than those of the elderly poor, for whom the program exists.

11. Several national sponsors—the U.S. Forest Service is an example—have geographic constraints on their decisions on areas to serve. Other national sponsors have a preference for serving specific ethnic or minority groups (whose languages and cultures may require specialized knowledge), which guides some of their decisions on areas to serve. States are not likely to face such constraints or preferences. In addition, some states with small populations have said (1) their level of effort in SCSEP has been curtailed by the minimal funding they receive and (2) more funding would allow them to increase their SCSEP efforts.

12. Labor raised two issues: (1) our use of budgeted rather than actual expense data in assessing administrative and other enrollee costs and (2) our interpretation of acceptable administrative costs in the SCSEP program. Regarding the first issue, during our review, we obtained from Labor's SCSEP staff the data relevant to SCSEP grant awards. When we discussed actual cost data, staff described the separation of Labor's program and fiscal oversight activities and the limited use of actual cost data in program planning and new grants approval. Actual cost data are not normally available until well after the grant year is completed.

When we received Labor's enclosure, indicating its revised view on the use of actual cost data, we asked when these data would be available. Actual data would not be available for 3 months or longer, Labor said. By that time, program year 1995 allocations had already been made.

We also asked for any additional data the national sponsors had used to justify their budgeted costs for the 1994-95 program year. Labor said it did not have these data but would request them from the national sponsors. Nine of the national sponsors provided data or information intended to explain and support their allocation of costs to the category of other enrollee costs. In instances in which these data indicated that the

expenses had directly supported other enrollee cost services, we have revised the totals we had originally developed using budgeted amounts and noted the revisions in the actual costs columns of tables V.2 through V.11. However, little of the cost data adequately distinguished other enrollee costs as being in direct support of the enrollees rather than general administrative operations.

Ultimately, the relevance of the budgeted versus actual costs issue is questionable because Labor's SCSEP program officials historically have based their application approval and oversight decisions primarily on budgeted costs, which should be supported by up-to-date and accurate cost data. Most of the data Labor received from the national sponsors did not directly support the budgeted costs they were asked to support.

Regarding the second issue, Labor's other response to our findings of misallocations questions our interpretation of acceptable administrative costs. Labor cites the authority of the 1985 SCSEP draft regulations and their incorporation into the grant agreements. As noted earlier in this report, these draft regulations have no legal authority. In 1976, Labor published the only formal regulations in effect for SCSEP before program year 1995. Labor's proposed amended SCSEP regulations, published in 1985, remained in draft form. Because these regulations never became final, they never gained the force and effect of law. Between 1976 and 1995, the only regulations in effect that pertained to SCSEP were the 1976 regulations.

Through its comments, Labor has (1) downplayed the existence of the legally promulgated 1976 regulations and (2) interpreted the draft 1985 regulations as having the force and effect of law, when, in fact, they do not. Labor officials have not provided us with an acceptable legal basis for using the 1985 draft regulations instead of the legally promulgated regulations of 1976.

Finally, these officials also suggested that other Labor programs under other legislative authority may permit a different interpretation of cost allocations. This may be true, but with respect to SCSEP, the regulations and related provisions of the Older Americans Act (OAA) speak for themselves.

A brief discussion of the context of the other enrollee costs issue may help in understanding it. The national sponsors have repeatedly criticized Labor's refusal to recalculate the unit cost to administer an enrollee position. Labor officials have informally acknowledged that the

administrative costs associated with a placement have increased significantly over time. They also have acknowledged that some expenses that have been allocated to the category of other enrollee costs by national and state sponsors would have been more appropriately included in the administrative cost category. Through the introduction of the 1985 SCSEP draft regulations, Labor, in effect, used the category of other enrollee costs as a way to provide sponsors, most national and some state, with additional funds to cover administrative expenses.

The purpose of our review was not to determine whether the present level of funding for administrative expenses is adequate but to identify whether administrative expenses have been properly allocated under existing law and regulations. We continue to conclude that in many instances administrative expenses have not been properly allocated.

Finally, the July 1995 regulations, which became final as we concluded our review, will allow many of the cost allocations of the type that violated the 1976 regulations to continue. We believe that Labor's interpretation of these new regulations is inconsistent with the OAA's 15-percent limit on administrative costs. This belief has prompted our recommendation that the Secretary of Labor clearly delineate the expenses allowable as other enrollee costs and adopt the definition of administrative costs set out in the 1976 regulations.

13. Labor's OIG officials and contract auditors have told us that significant concern has existed about grantee indirect costs for several years. These costs have been the focus of most of Labor's OIG audit activity for several of the grantee organizations.

14. While the Office of Management and Budget guidance allows reasonable expenditures for "employee morale activities," we questioned the use of scarce program funds for such activities. In the report example Labor cited, one of the grantee organizations budgeted about \$57,000 for items to promote staff morale and for recognition of staff achievement. We have changed the report to reflect the fact that \$25,000 of the budgeted amount was from indirect costs and \$31,944 was from direct costs. The grantee organization in question provided actual cost data showing that program year 1994 expenditures from its employee morale account were \$21,347.27 rather than the budgeted amount of \$21,821.

Appendix VI
Comments From the Department of Labor
and Our Evaluation

15. We have changed the report to reflect that reporting of only legitimate unsubsidized placements is the responsibility of states as well as national sponsors.

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