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# REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

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## Formulating Plans For Comprehensive Employment Services--A Highly Involved Process

Department of Labor

GAO reviewed how employment and training program plans were formulated during the first 2 years of the Comprehensive Employment and Training Act and how the Department of Labor reviewed these plans.

Although some problems in the first year appear to have been solved, GAO recommends improvements pertaining to:

- The work of planning councils.
- Labor's reviewing process.
- Data used by State and local authorities in selecting groups most needing employment assistance and related services.
- Choosing "delivery agents" to provide training and other services.
- Identifying shortages of labor skills.

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81/ To the President of the Senate and the  
Speaker of the House of Representatives

This report is the second of a series on how the Department of Labor is implementing the Comprehensive Employment and Training Act of 1973. It discusses preparing and approving comprehensive manpower plans under title I of the act.

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

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Labor.

*Thomas A. Steeds*

Comptroller General  
of the United States

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act of 1973
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

FORMULATING PLANS FOR  
COMPREHENSIVE EMPLOYMENT  
SERVICES--A HIGHLY  
INVOLVED PROCESS  
Department of Labor 9

D I G E S T

The Comprehensive Employment and Training Act of 1973 established a system of flexible and decentralized Federal, State, and local programs to provide job training and employment opportunities for persons economically disadvantaged, underemployed, or unemployed.

The act gives State and local authorities a greater voice in planning and managing employment and training programs. Instead of operating separate programs through almost 10,000 grants and contracts with public and private organizations, the Department of Labor now makes grants to about 400 prime sponsors--generally State and local government units.

Because of the importance of the planning process, GAO reviewed how prime sponsors prepared their comprehensive manpower plans under title I of the act and how Labor reviewed these plans. GAO identified problems which occurred in the first year of the program (fiscal year 1975) and checked to see whether they appeared to be solved in fiscal year 1976, as was sometimes the case. (See p. 4.)

The data used by prime sponsors for selecting "target groups" was inadequate but appeared to be the best available. Some officials relied on their past experience and knowledge of the local labor market to deviate from selections as indicated by available data. While it may be necessary to supplement available data with prime sponsors' judgments, major deviations should be explained in program plans. (See pp. 5 to 9 and pp. 11 and 12.)

In fiscal years 1975 and 1976 some prime

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sponsors identified persons to be served by race or sex in such a manner which might lead to excluding eligible persons solely because of such factors. Labor should review all plans carefully so that all persons have equal access to services, regardless of race, color, national origin, or sex, as the act requires. (See pp. 9 to 12.)

In selecting occupations in which to train enrollees, prime sponsors used data that, despite its drawbacks, seemed to be the best available. Some sponsors also attempted to develop their own data. Greater efforts are needed to improve the availability of labor market information for prime sponsors' use. (See pp. 13 to 19.)

One of the critical steps in effectively implementing the act involves selecting those who can provide the training and related services. They are called "delivery agents." The act requires that prime sponsors' plans consider programs of demonstrated effectiveness by these agents.

Many delivery agents formerly involved in nationally directed manpower programs were retained by prime sponsors, but new agents were added. Both Labor and prime sponsors need better data on delivery agents' costs and performances. (See pp. 20 to 25.)

In providing technical assistance and training to prime sponsors and reviewing their plans, Labor had fairly tight time constraints in the first year but not in the second. Many first-year problems appeared to have been resolved by the second year.

However, Labor needed to:

- Complete its written guidance well before the beginning of the program year.
- Approve prime sponsor plans unconditionally only if they meet all requirements of the act and its regulations.

--Resolve promptly all problems concerning prime sponsor plans.

2 --Establish better procedures for the Department of Health, Education, and Welfare's (HEW's) review of plans to foster coordination between Labor programs and HEW-administered services. (See pp. 26 to 36.) 22

Some prime sponsor planning councils were not heavily involved in formulating the first-year plans, but seemed to be more involved in the second year. However, State manpower services councils appeared to have a limited role in both years.

One potential problem in the composition of prime sponsor councils involves conflicts of interest when delivery agents have a role in funding decisions. Another possible problem concerns whether State and local agency officials appropriately represent the client community their agency serves. In such cases, overlapping interests of council members should be disclosed. Also, in one case, a State council did not meet the act's composition requirements. Labor should make sure that all councils meet the act's requirements. (See pp. 37 to 44.)

GAO recommends that the Secretary of Labor take steps to correct the problems cited above. (See pp. 12, 18, 25, 35, and 44.)

Labor generally agreed with GAO's recommendations, except for one concerning establishing guidelines for prime sponsors' use in developing cost-effective systems to obtain more complete, current, and accurate labor market data. (See pp. 12, 18, 19, 25, 35, 36, and 44 and app. I.)

GAO interviewed Labor officials and examined records at department headquarters and at its Atlanta, Boston, and San Francisco regional offices; State and local officials; members of planning councils; and Department of Health, Education, and Welfare officials.

GAO examined the manpower plans for the following 11 prime sponsors: Oakland, Pasadena, and balance-of-State in California; Atlanta, DeKalb County, and balance-of-State in Georgia; Boston, Lowell Consortium, Springfield (Hampden County Manpower Consortium), and balance-of-State in Massachusetts; and Las Vegas/Clark County Consortium in Nevada.

## CHAPTER 1

### INTRODUCTION

The system for delivering services for the bulk of the Labor Department's employment and training programs was changed in December 1973 with the passage of the Comprehensive Employment and Training Act of 1973 (CETA) (29 U.S.C. 801). CETA incorporates services available under the Manpower Development and Training Act of 1962 (42 U.S.C. 2571) and parts of the Economic Opportunity Act of 1964 (42 U.S.C. 2701), both of which CETA repealed in whole or in part, and the Emergency Employment Act of 1971 (42 U.S.C. 4871). Manpower programs established under other legislation, such as the employment security program (Wagner-Peyser Act--29 U.S.C. 49) and the Work Incentive program (Social Security Act--42 U.S.C. 630), remain in effect.

CETA's purpose is to establish a flexible and decentralized system of Federal, State, and local programs to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons and to assure that training and supporting services lead to maximum opportunities and enhanced self-sufficiency of participants.

CETA gives State and local authorities a greater voice in planning and managing employment and training programs than was previously the case. Instead of operating separate manpower programs through almost 10,000 grants and contracts with public and private organizations, Labor now makes grants to about 400 prime sponsors--generally State and local government units--on the basis of plans and programs developed by the sponsors and approved by Labor.

CETA requires prime sponsors to use services and facilities available from Federal, State, and local agencies to the extent deemed appropriate. These include the State employment services, State vocational education and vocational rehabilitation agencies, area skill centers, local educational agencies, postsecondary training and educational institutions, and community action agencies. Prime sponsors may also use the services and facilities of private businesses, labor organizations, private employment agencies, and private educational and vocational institutions.

Under CETA, the prime sponsor is responsible for program design and execution. Through its 10 regional offices, Labor is responsible for providing technical assistance, approving plans, and monitoring prime sponsors' activities. Labor must also assure that manpower services are available to target groups designated by CETA and that the prime sponsors comply with its provisions.

Title I of CETA authorizes grants to prime sponsors for comprehensive manpower services. Funds may be used for:

1. Recruitment, orientation, counseling, testing, placement, and followup services.
2. Classroom instruction in occupational skills and other job-related training, such as basic education.
3. Subsidized on-the-job training by public and private employers.
4. Payments to persons in training.
5. Support services such as necessary medical care, child care, and help in obtaining bonding needed for employment.
6. Funding jobs in public agencies which eventually lead to permanent positions.

The prime sponsors determine the composition and design of manpower services. A sponsor may continue programs funded under previous acts, such as the Opportunities Industrialization Centers, Jobs for Progress, Urban League on-the-job training projects, and others, or it may develop new manpower programs. Training allowances may not be paid for any course lasting more than 2 years.

To obtain funding, a prime sponsor must annually submit a comprehensive manpower plan to the Secretary of Labor for approval. This plan must (1) describe performance goals and areas to be served and (2) provide assurances that manpower services will be directed to the neediest persons.

Other CETA titles (1) establish public service employment programs, (2) establish manpower programs for special groups (such as Indians and migrants), (3) authorize research programs, a comprehensive system of labor market information, and an automated job-matching system, (4) maintain a federally directed Job Corps program, (5) establish a National Commission for Manpower Policy, and (6) establish emergency job programs.

#### ALLOCATION OF FUNDS

Only prime sponsors are eligible for financial assistance under title I of CETA. Prime sponsors include:

- (1) The State, but only areas not served by other prime sponsors within the State (referred to as the balance of the State).
- (2) A city or county with a population of 100,000 or more.
- (3) A combination (consortium) generally of cities and/or counties, as long as one member of the combination has a population of 100,000 or more.
- (4) A city or county which does not meet the population criterion, in certain exceptional circumstances.
- (5) A limited number of rural concentrated employment program grantees.

Under title I, 80 percent of the funds are to be allocated on the basis of a prime sponsor's (1) prior year manpower funding <sup>1/</sup>, (2) number of unemployed persons, and (3) number of adults in low-income families, with 1 percent of this amount distributed for State manpower services councils. The remainder of the funds are to be for

- vocational education services for prime sponsors,
- statewide manpower services,
- incentives to encourage formation of consortia, and
- the discretionary use of the Secretary of Labor.

(A previous GAO report dealt, in part, with title I allocations. See "Progress and Problems in Allocating Funds Under Titles I and II--Comprehensive Employment and Training Act," MWD-76-22, Jan. 2, 1976.)

Of the \$2.4 billion appropriated for comprehensive manpower assistance for fiscal year 1975--the initial year of title I funding--\$1.58 billion was designated for title I services. Labor funded 403 prime sponsors for that year. The following table shows the number of prime sponsors by type and the proportion of funds allocated to each.

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<sup>1/</sup>For fiscal year 1975--the first year of CETA title I funding--the previous year funds refer to funding under certain authorizations for the Manpower Development and Training Act and the Economic Opportunity Act.

## Profile of Fiscal Year 1975 Prime Sponsors

	<u>City</u>	<u>County</u>	<u>Consortium</u>	<u>State</u>	<u>Other</u>
Number	58	156	134	47	8
Share of funds (percent)	22	15	31	31	1

Note: Three jurisdictions where a city and county are coterminous are counted as cities. Five statewide consortia are counted as consortia. The District of Columbia and Puerto Rico are counted as States. Other prime sponsors include concentrated employment programs and territories.

In fiscal year 1976, \$1.58 billion was again designated for title I activities. Labor funded 431 prime sponsors, the increase resulting from certain cities and counties reaching 100,000 population and becoming eligible for prime sponsorship and from changes in the composition of certain consortia.

### SCOPE OF REVIEW

We reviewed (1) CETA and its legislative history, (2) the activities of State and local governments in formulating comprehensive manpower services plans for title I of CETA, and (3) the activities of the Labor Department in reviewing and approving these plans. We interviewed Labor officials and examined records at Labor's headquarters and its Atlanta, Boston, and San Francisco regional offices. We also interviewed State and local officials, members of planning councils, and Department of Health, Education, and Welfare (HEW) officials. We also reviewed the manpower plans and detailed supporting documentation, reviewing in detail the following 11 prime sponsors: Oakland, Pasadena, and balance-of-State in California; Atlanta, DeKalb County, and balance-of-State in Georgia; Boston, Lowell Consortium, Springfield (Hampden County Manpower Consortium), and balance-of-State in Massachusetts; and Las Vegas/Clark County Consortium in Nevada.

Much of this work was done for fiscal year 1975 planning. Additional work was done for fiscal year 1976 planning at Labor's national headquarters, its Boston and San Francisco regional offices, and the California and Massachusetts prime sponsors to evaluate any changes in procedures or practices. The fiscal year 1976 work was done because we believed that some of the problems encountered in 1975 in the transition from a nationally directed approach to a CETA approach might be reduced the following year.

## CHAPTER 2

### SELECTING TARGET GROUPS

As a condition for funding, the Comprehensive Employment and Training Act of 1973 requires the prime sponsor's comprehensive manpower plan to include assurances that when feasible manpower services, including the development of job opportunities, be provided to those most needing them. In addition, Labor's regulations require that each prime sponsor's plan designate significant population segments to be served and that appropriate provisions be made for the manpower needs of youths in the area served.

Moreover, the Secretary of Labor is required to act against any prime sponsor that illegally discriminates against or otherwise fails to equitably serve the eligible persons in the area served.

In reviewing how prime sponsors selected these target groups for fiscal years 1975 and 1976, we noted three problem areas: (1) two prime sponsors included, in their 1975 plans, population groups which did not qualify, (2) because available data was not adequate, some prime sponsors relied heavily on their past experience in selecting target groups, and (3) some prime sponsors identified groups to be served by race, color, national origin, or sex, which could circumvent CETA's requirement that persons not be excluded from participation because of these traits.

The Department of Labor's "Manpower Program Planning Guide" suggests that--to identify target groups--the prime sponsor go through such steps as (1) analyzing population characteristics, (2) defining needs for manpower and related services, (3) establishing priorities among the identified needs, and (4) establishing goals, which may be phrased in terms of specific population groups.

### TARGET GROUPS SELECTED

The groups prime sponsors most often chose to receive CETA services were similar in fiscal years 1975 and 1976. The fiscal year 1976 plans included

--youths, in 10 plans;

--veterans, in 10 plans, in some cases specified as Vietnam or special veterans;

--minorities, including racial and ethnic groups, in 8 plans;

- older workers, in 8 plans;
- first-time and other offenders, in 7 plans; and
- women, in 7 plans.

Although these groups were cited the most often in the plans, the percentage of enrollment opportunities that each significant segment was to receive varied greatly. Youths were to receive 10 percent of the openings listed in Pasadena, 34 percent in Springfield, and 69 percent in the Georgia balance-of-State. Older workers were to receive between 5 and 7 percent of the openings listed in four plans, 13 percent in the Massachusetts balance-of-State, and 19 percent in Atlanta.

#### Designation of ineligible groups

Labor's regulations state that to be eligible for CETA services a person must be (1) unemployed, (2) underemployed--working part-time but seeking full-time work or working full-time but with a salary, in relation to family size, below the poverty level, or (3) economically disadvantaged--a member of a family receiving cash welfare payments or with an annual income, in relation to family size, below the poverty guidelines established by the Office of Management and Budget. However, two prime sponsors included, in their fiscal year 1975 plans, groups which did not qualify for participation.

For fiscal year 1975, Atlanta selected as one priority group "underutilized" persons, defined as those employed full-time with wages above the poverty level but with skills and/or educational achievements severely underutilized.

Labor's regional office, in reviewing the plan, commented that the target group designated as underutilized did not qualify for services under CETA. Atlanta responded to Labor that it felt strongly that such persons were among those most needing manpower services and that its data supported its opinion. Labor approved the plan without change.

The Georgia balance-of-State selected as one of its fiscal year 1975 target groups the "near poor," defined as persons in families having an income between 100 and 125 percent of the poverty level. Labor approved the plan without questioning the prime sponsor about including, as a target group, persons who were not poor according to the CETA definition and who were, therefore, ineligible.

Apparently Labor did not adequately review the prime

sponsors' manpower plans or enforce its regulations. Consequently, the above prime sponsors may have served ineligible persons in their CETA programs, and thereby reduced the availability of services to eligible persons. (See pp. 31 and 32.)

In their fiscal year 1976 plans, neither Atlanta nor the Georgia balance-of-State included groups which were ineligible for CETA.

#### Adequacy of support for target group selection

In selecting target groups for both years prime sponsors generally used data from the 1970 census, along with updated information from the respective State employment services. Some prime sponsors said they used their past experience and knowledge of the local labor market in selecting the target groups, because the available data, for the most part, did not support their conclusions as to which target groups were most in need of service.

For example, Oakland's fiscal year 1975 plan outlined goals for various racial groups. Both Labor's and HEW's reviews raised questions about the adequacy of Oakland's support for these goals. (See pp. 33 and 34.)

Labor commented that:

"The choice of priority groups is not adequately supported by the available data. Whites comprise 20% of the underemployed, 26% of the families on public assistance, 40% of the unemployed, yet are to be afforded only 10% of the target opportunities under Oakland CETA."

Oakland officials disagreed with the comments, according to a Labor regional official, and stated that the plan contained adequate data to support their selection. Labor approved the plan as submitted.

HEW's regional office, in reviewing the Oakland plan, also questioned Oakland's racial breakdowns. Specifically, HEW said that:

"the Statement of Specific Goals indicates that the majority of the population is white and the majority of those with less than 12 years of education, less than 8 years of education, and those in the age range 16-19 are white. Consequently we question the percentages used in the Statement of Specific Goals."

In discussions with us, an Oakland prime sponsor official agreed that the data did not support the selection of the priority groups and that the plan did not contain any data to support the racial breakdowns. The official stated that prior experience had shown that the priority groups selected were most in need of manpower services and that the selection of the priority groups and the racial breakdowns were based on this experience.

According to prime sponsors and Labor regional officials, data improved somewhat in fiscal year 1976. An official in Labor's Boston regional office said prime sponsors were educated on how to make better use of existing data and unemployment insurance data was more helpful because it covered a larger proportion of the unemployed. A California balance-of-State official said better use was made of existing data. A Pasadena official said the State employment service agency had commissioned a census study to provide information about Pasadena's residents.

Pasadena's fiscal year 1976 manpower plan included data on population characteristics from the 1970 census and information from the State employment service. The plan identified unemployed heads of households, unemployed older workers, and other groups most in need of services, and also included racial goals. It explained that the choices of population groups to be served were based in large part on subjective opinions due to a lack of labor market data for Pasadena alone. The plan also recognized that the selected service goals did not coincide with the universe-of-need statistics presented in the plan, as shown below.

	<u>White</u>	<u>American</u>	<u>Spanish- American</u>	<u>Afro- Other</u>
	(percent)			
Proportion of total population	69	11	16	3
Proportion of labor force in need (unemployed plus employed poor)	50	14	34	3
Proportion of persons in poverty	49	13	36	3
Proportion of persons to be served	25	13	60	2

Note: Due to rounding, percentages may not add to 100.

The plan offered the following justifications for the disparities:

1. The prime sponsor's policy was to determine which population groups most needed manpower services. Thus, although 49 percent of all poor persons were white, a third

of them were 65 years or older and beyond the major thrust of manpower programing.

2. Blacks were more likely to be poor. According to 1970 census data, they comprised 16 percent of the total population, and 36 percent of the poverty population. A 1974 consultant's study also showed that blacks were more likely to be poor.

3. Blacks were more likely to be unemployed. One source showed that the unemployment rate for blacks was about twice as high as that for whites; another source showed that the unemployment rate for blacks was about three times as high.

Preference to target groups

CETA states that "No person \* \* \* shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of or be subjected to discrimination under any program or activity...with funds made available under this Act." Many prime sponsors' plans identified target groups to be served by race or sex, leading to the possibility that prime sponsors might exclude other eligible persons from participation solely because of race or sex.

In both years many prime sponsors identified target groups by race or sex as significant segments to be served. In fiscal year 1976, for example, seven plans identified women, and eight plans identified racial or ethnic minorities, which included blacks, whites, Mexican-Americans, and American Indians.

Oakland established, in its fiscal year 1975 plan, specific racial goals for the program. According to the Oakland plan, "the prime sponsor will \* \* \* in the total program, adhere to the following racial breakdowns:"

	<u>Adult</u> (percent)		<u>Youth</u> (percent)
Asian	8	Asian	8
Black	55	Black	64
Native American	8	Filipino	4
Spanish-American	19	Native American	2
White	10	Spanish-American	15
		White	7

In its fiscal year 1976 plan, Oakland included information on the ethnic composition of the labor force and the

unemployed but did not specify racial or ethnic goals in the plan; however, women were identified as a significant segment to be served.

Similarly, Boston's fiscal year 1976 plan provided a complete racial breakdown of the persons to be served: whites, 48 percent; blacks, 34 percent; Hispanic, 12 percent; and other races, 5 percent.

To help prime sponsors meet their goals, Labor's San Francisco regional office devised a performance analysis report, designed to alert sponsors monthly to deviations from the plan and to enable them to take corrective action. The items to be measured included enrollment in various program activities, expenditures by category, and significant population segments enrolled.

Apparently, these specific goals, and efforts to conform enrollements to them, may induce prime sponsors to establish quotas or similar measures to insure that these goals are met. Such systems may lead sponsors to choose among otherwise similarly eligible applicants or potential applicants based on race, color, national origin, or sex.

#### ENROLLEE CHARACTERISTICS

Each prime sponsor must submit a Program Planning Summary (previously known as the Project Operating Plan) with its comprehensive manpower plan for title I. This is a summary of the CETA program objectives for a program year in a prime sponsor's area. Data presented in this plan covers such areas as (1) planned enrollments in various program activities, (2) terminations from the program by type, and (3) significant population segments to be served.

Each quarter, prime sponsors are to provide Labor with certain information on program activities and on the demographic and economic characteristics of clients served by their program. This data compares planned activities with program accomplishments to date, including data on total clients enrolled and those terminated in various categories. Also reported are enrollee characteristics, such as (1) sex, (2) age, (3) education, (4) ethnic group, (5) veteran status, and (6) labor force status.

Title I data provided by Labor for fiscal year 1975 showed a cumulative enrollment of 1,126,000 participants. Males accounted for 54 percent of the participants and females for 46 percent. The predominant title I enrollee was under 22 years of age, had less than 12 years of education, and was white.

<u>Age</u>	<u>Per- cent</u>	<u>Educa- tion</u>	<u>Per- cent</u>	<u>Ethnic group</u>	<u>Per- cent</u>
Under 22	62	8 grades or less	13	White	55
22 to 44	32	9 to 11	48	Black	38
45 to 54	3	12 and over	39	American Indian	1
55 and over	3			Other	6

In addition, about 77 percent were economically disadvantaged. About 93 percent had been unemployed or not in the labor force before participation. About 10 percent were veterans, a little over half of whom were Vietnam veterans. According to a Labor analysis, these enrollee characteristics are fairly similar to the characteristics of persons enrolled in the nationally directed programs which preceded CETA.

### CONCLUSIONS

Although two prime sponsor plans envisioned serving ineligible persons in fiscal year 1975, such persons were not included in these prime sponsors' fiscal year 1976 plans. Because the problem of including underutilized and near-poor persons occurred only in CETA's first year, it would not be beneficial for the Secretary to retroactively seek reimbursement for the funds which may have been spent on ineligible participants in these instances.

Prime sponsors generally used the best data available in making target group selections. In some cases, prime sponsor officials relied on their past experience and knowledge of the local labor market to deviate from selections indicated by available data. While available data might need to be supplemented with prime sponsors' judgment, substantial deviations from available data need to be explained in program plans.

Target groups could be identified by such characteristics as physical handicaps, length of unemployment, veteran status, or welfare reciprocity. Also, the identification in a plan--on the basis of race, color, national origin, or sex--of significant sections of the population that need to be served might be appropriate to identify potential discrimination problems. However, caution is required. Access to the program should not be denied solely on the basis of race, color, national origin, or sex.

Although we did not attempt to determine whether any prime sponsors were actually excluding persons from participation because of these traits, careful review of plans and their implementation is needed to insure that eligible applicants or potential applicants are not so excluded.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Require that prime sponsors explain, in their plan, any substantial deviations from available data on target groups to be served.
- In accordance with the specific requirements of CETA, insure that all eligible persons have access to CETA services, regardless of race, color, national origin, or sex.

#### AGENCY COMMENTS

Labor, in a May 14, 1976, letter agreed with our first recommendation and said it was considering requiring prime sponsors to identify all sources of data on target groups to be served. (See app. I.)

Regarding our second recommendation, Labor said the intent was unclear. Labor asked whether we were implying that it was not adequately enforcing antidiscrimination provisions or whether we objected to the possible establishment of quotas for specific groups. Labor said that identifying specific groups by race, sex, or national origin does not constitute, or contribute to, discrimination in CETA; rather, identifying groups and establishing goals are intended to insure equity in the quality and quantity of services.

We are not concerned with identifying groups and establishing goals in prime sponsors' plans when they are used to insure equity and for identifying potential discrimination problems. However, if not properly administered, such identifications could become quotas rather than goals. For example, we found where a prime sponsor's plan had stated that "the prime sponsor will \* \* \* adhere to the following racial breakdowns." (Emphasis added). Efforts to meet such strongly phrased goals seem likely to lead prime sponsors to distinguish among otherwise similarly eligible applicants on the basis of race, color, national origin, or sex, which amounts to discrimination.

## CHAPTER 3

### IDENTIFYING SKILL SHORTAGES

The Comprehensive Employment and Training Act of 1973 provides that a comprehensive manpower plan assure that (1) institutional training programs be designed for occupations in which skill shortages exist and (2) institutional and on-the-job training, wherever possible, result in employment providing economic self-sufficiency.

In developing data on skill shortages within labor market areas, prime sponsors in both fiscal years used what they considered to be the best available data. Often, however, this data was too general, outdated, or limited.

#### LABOR GUIDANCE

Labor's "Forms Preparation Handbook," designed to help prime sponsors complete CETA grant applications and other forms, lists various information to be submitted on skill shortages. For example, it asks for

- an explanation of how the comprehensive manpower program will contribute to an area's manpower needs with respect to occupational shortages,
- a list of the occupations to be given priority and the rationale to support these choices,
- an explanation of steps taken to assure that program structure and design will lead to employment opportunities enabling participants to become economically self-sufficient, and
- an explanation of how the program will enhance participants' career or occupational development.

Labor's "Manpower Program Planning Guide" shows prime sponsors how to make a labor market analysis. The analysis can be used to identify the number and types of jobs available --as an indicator of the demand for labor--and the characteristics of jobs, to insure that they are accessible to participants and that the characteristics of the jobs justify the cost of providing training and other services.

The planning guide explains that labor market data is not universally available. It suggests that the best source of regularly published data is the State employment service and notes that other useful information may be available from Labor's Bureau of Labor Statistics, local

chambers of commerce, and other groups. The planning guide cautions that the prime sponsor consider continuous changes in the labor market, due to such causes as an energy crisis, changes in defense expenditures, and movement of major employers into and out of the area.

#### SOURCES OF DATA

The data source most commonly used by prime sponsors to identify skill shortages for both years was the respective State employment service agencies.

Oakland, in its fiscal year 1975 plan, used data from a State employment service report dated December 1973 on the San Francisco-Oakland standard metropolitan statistical area. <sup>1/</sup> The report projected the employment outlook for 1974-75 for various industries and identified nine occupations in which shortages were anticipated in 1975.

Pasadena, on the other hand, also used State employment service data but did not identify specific skill-shortage occupations in its 1975 plan. Only broad occupational groupings, such as office, sales, and health and food workers were shown. A Pasadena official said broad occupational groupings were used to allow delivery agents to be flexible. The specific training for an enrollee was to be determined at the enrollee's entrance into the program. Although the occupational areas were broad, enrollees were generally to be trained in occupations in which Pasadena had a shortage, as listed in the manpower plan.

The structure of labor demand in the Boston area could best be determined, according to the fiscal year 1975 Boston plan, from two State employment service publications which listed unfilled job openings by major occupational category. Prominent among the labor-shortage jobs were services, machines trades, and structural work. <sup>2/</sup> The plan noted

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<sup>1/</sup>A standard metropolitan statistical area is an integrated economic and social unit with a large population nucleus. It is defined, in part, on the basis that a person residing in the area can obtain employment anywhere in the area without changing residence.

<sup>2/</sup>This category includes occupations concerned with fabricating, erecting, installing, paving, painting, repairing, and similarly working on structures or structural parts, such as bridges, buildings, roads, motor vehicles, cables, airplane engines, girders, plates, and frames.

that nonmanufacturing occupations had grown substantially in the 1960s and were expected to continue to grow in the 1970s. Separate occupational clusters were identified for classroom and on-the-job training, with both including service jobs (such as auto mechanics and cooks), metal trades, and electronics.

#### Data problems

Although the Labor planning guide said that the employment service data was the best available and was widely used, it had several drawbacks, including the age of the data and its limited coverage. For example, the largest Massachusetts balance-of-State subgrantee plan for fiscal year 1975 relied on data from 1972.

Jobs listed with the employment service are generally not a high proportion of all job vacancies. According to a study of small- to medium-sized cities prepared for Labor's Employment and Training Administration, employers listed about 36 percent of their vacancies with the employment service during the last half of 1974. According to a Labor official, comparable data is not available for larger cities or for rural areas.

A Georgia State official estimated that fewer than one-half of the job openings in the State were listed with the employment service. According to the Boston plan, State employment service data on unfilled job openings was not considered accurate because many job openings were assumed not to be reported.

Moreover, the jobs listed were not necessarily similar to those not listed. The Employment and Training Administration contracted study showed that the employment service received relatively fewer openings for professional jobs and relatively more openings for service jobs. Our 1974 review of the Massachusetts employment service agency found that employers were more likely to list unskilled or semi-skilled jobs than skilled or technical jobs. 1/

In addition, a Pasadena official said the data used was not adequate because it usually related to the entire Los Angeles County/Long Beach area, not specifically to Pasadena. Similarly, an Oakland official said data was needed for Oakland alone but that the available labor market analysis

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1/"Problems In Filling Job Orders and Placing Job Applicants In Massachusetts," B-179083, Oct. 30, 1974.

applied to the entire San Francisco-Oakland standard metropolitan statistical area. Oakland officials apparently believed that their enrollees would commute to jobs within the city but would not or could not commute to jobs in other parts of the metropolitan area.

#### Attempts to generate data

Several prime sponsors realized the need for more adequate data and attempted to generate such data themselves in several ways, such as surveying employers.

For example, a college in Springfield began making periodic surveys of area employers for the local labor market advisory council, even before CETA's enactment. Students visited firms employing 50 or more people and asked about their hiring plans for the next 12 months. The data provided estimates of expected job openings and was summarized by specific occupation and industry, such as for clerk-typists in the health services industry and tool-makers in the machinery industry. Springfield relied on this survey in both fiscal years 1975 and 1976, according to a sponsor official, and the survey data was much more useful than employment service data.

Oakland and Pasadena both attempted, in formulating their fiscal year 1975 plans, to survey selected employers by questionnaires. Oakland mailed questionnaires to 65 of the largest area employers but did not receive sufficient response for the survey to be useful. Pasadena sent questionnaires to local employers asking about job shortages but did not receive enough responses to obtain useable information. Later, the city contracted with a private firm to survey poverty-area residents about their employment status and 100 Pasadena-based firms about their personnel needs.

In Massachusetts, one balance-of-State subgrantee held discussions with area businessmen. Another subgrantee had the State employment service conduct a small survey of persons receiving unemployment compensation. This was apparently done to identify occupations with no skill shortages, because the files showed persons who had skills but did not have jobs.

Finally, an Oakland official said, to offset the lack of labor market data, job placement standards and incentives were included in contracts with delivery agents--organizations that were to provide services. This gave the delivery agents an incentive to concentrate on occupations where placements were considered most likely.

## EFFORTS TO IMPROVE DATA

Labor and prime sponsor officials said they were aware of these shortcomings and were working to improve labor market information.

An official in Labor's Boston regional office said prime sponsor officials were being trained to use existing data more effectively. Appropriate courses had been organized with the assistance of Labor's manpower training institute. A California balance-of-State official said staff experience with the first year of CETA enabled them to better use existing data in the second year.

A Las Vegas/Clark County official said some of the Governor's discretionary funds were being used to hire an individual to work with the employment service to improve the data.

Among the new tools developed by the Employment and Training Administration which could help prime sponsors identify skill shortages is a summary of the job openings most often listed with the employment service, known as JOBFLO. Distributed on a mass basis beginning in August 1975, JOBFLO showed such information as the kinds and numbers of high-demand openings, industries and occupations, total number of unfilled openings and number unfilled for 30 days or more, pay rates, and locations.

In July 1975 the Employment and Training Administration transmitted to State employment security agencies a directive describing how to use one method for developing State and area occupational projections and advised State agencies to stop using another method based on employer forecasts.

The directive also advised State agencies to refrain from developing occupational projections for areas smaller than a labor market area or standard metropolitan statistical area. This was based on two factors:

1. The definition of a labor market area or standard metropolitan statistical area is based upon the concept that a person residing in such an area can obtain employment anywhere in the area without changing his or her place of residence. Hence, preparing sub-area estimates is inconsistent with this concept.

2. Statistical difficulties may result because estimates for portions of an area may be inconsistent with estimates for the entire area.

## CONCLUSIONS

Identifying skill shortages is vital to the development of a sound, comprehensive manpower plan. Employment service data, which was the primary source of data for both fiscal years 1975 and 1976, has drawbacks, but this data appears to be the best available on a broad basis.

Some prime sponsors attempted to develop better data on their own. However, these efforts met with mixed results. Such a fragmented effort could prove more costly than a system established under strong central guidance. While Labor has taken steps to improve the availability of labor market information for prime sponsors' use, the Department still needs to provide guidance to prime sponsors on effective methods for collecting such data.

## RECOMMENDATION

We recommend that the Secretary of Labor establish guidelines which can be used by prime sponsors in developing more complete, current, and accurate labor market data through systems that would be worth what they cost.

## AGENCY COMMENTS

Labor stated that it disagreed with our recommendation. Labor said that, in lieu of having prime sponsors develop such information independently, it would appear to be more cost-effective to expand the State employment security agencies' labor market information capability.

We agree with Labor that labor market information generally lends itself to centralized management, and note that section 312 of the act requires the Secretary to develop a comprehensive system of labor market information on a national, State, local, or other appropriate basis. We also noted that a number of the steps Labor said were being undertaken to improve the labor market information system appear to be in line with our recommendation.

However, some prime sponsors were attempting to develop such information independently. Although Labor should continue to work with the State employment security agencies toward improving their capabilities, there seems to be a need for better guidance to assist prime sponsors in developing labor market data should they choose to do so. Otherwise, a totally fragmented system could result.

Two prime sponsors provided written comments on this recommendation. Pasadena agreed and said that unless Labor

adopts this recommendation, prime sponsors will still not have complete, current, and accurate labor market data. The Las Vegas/Clark County Consortium also agreed, stating: "We strongly support this recommendation and hope that Section 312 of the Act would bring some of these new systems to the prime sponsor level."

## CHAPTER 4

### SELECTING DELIVERY AGENTS

One of the critical steps in planning for effectively implementing the Comprehensive Employment and Training Act of 1973 involves the selection of delivery agents to provide the manpower and related services. The act requires that prime sponsors' plans give consideration to programs of demonstrated effectiveness.

Many delivery agents selected by the prime sponsors for both fiscal years 1975 and 1976 had participated in the nationally directed programs. But the data used to support many selections was not adequate to insure that the best delivery agents were selected.

#### THE SELECTION PROCESS

Labor's regulations provide that the comprehensive manpower plan include a description of the consideration given to programs of demonstrated effectiveness, an explanation of why specific delivery agents were selected, and a justification when existing services or facilities were not selected. They further provide that the regional Labor official who reviews the grant application determine whether (1) the prime sponsor's selection of the method of delivery of services is supported by adequate documentation based on availability and capability of delivery agents and appropriateness of services and (2) the performance goals identified in the application are reasonable in light of past program experience and the documentation provided by the prime sponsor. These requirements were generally included in the "Regional Office Handbook" which Labor prepared for its regional staffs to use in reviewing prime sponsors' plans.

Labor headquarters' instructions to prime sponsors required, in cases where existing services or facilities were not to be used, that the prime sponsor provide an explanation, including evidence that programs of demonstrated effectiveness had been considered, and cost and other data. This presumably encouraged prime sponsors to continue funding for existing delivery agents.

To attract bids, prime sponsors took such steps as (1) sending requests for proposals directly to existing deliverers and to groups which had expressed an interest in participating in CETA and (2) having a notice of request for proposals published in one or more local newspapers to attract other potential delivery agents. For example, according to a local official, Pasadena sent requests to about 50 potential

agents with whom they had prior experience, who responded to newspaper advertisements, or who wished to be placed on the mailing list. Pasadena received 16 proposals.

The proposals received by the prime sponsors underwent a series of review stages. In Pasadena, the prime sponsor staff reviewed the 16 proposals (all but 1 complied with the requirements of the request) and made recommendations to a city committee on resource allocation on which ones to accept. After discussions with the manpower staff and presentations by eight prospective agents, the committee recommended six of the proposals to the city's board of directors, which approved them.

#### FACTORS AFFECTING SELECTION

Performance on past contracts and cost-effectiveness of proposed activities were the two factors which nearly all prime sponsors said they considered in selecting delivery agents. However, other factors, such as financial accountability and administrative costs, also influenced the selection.

#### Program data

According to several prime sponsors, a significant problem in reviewing proposals for fiscal year 1975 was the poor quality and quantity of data on past operations and on proposed program costs submitted by potential delivery agents. Labor had provided data to prime sponsors on past operations under the nationally directed programs. Prime sponsors criticized the data as being unreliable because it had not been verified; was outdated, confusing, erroneous, and incomplete; and was not detailed enough.

For fiscal year 1976, prime sponsors generally said they had performance data generated by their own management information systems and by monitoring delivery agents, and evaluation reports, as well as greater experience, to assist in selecting delivery agents.

However, a private consultant's study of 14 prime sponsors in Labor's San Francisco region was made in the late summer of 1975 under a regional office contract to evaluate prime sponsors' management information systems. It concluded that most prime sponsors were encountering immense difficulty in fulfilling requirements for reliable and timely reporting to Labor, that their information systems were vastly over-extended, and that important checks on data validity were not being done. Also, our review of two prime sponsors in Labor's Boston region indicated that prime sponsor and delivery agent data was not adequate.

Prime sponsors had similar problems with estimated costs for proposed activities. A Springfield official said the projections were based in part on previous categorical manpower programs and that some of the estimates did not have a solid basis. One Massachusetts delivery agent said that, in determining cost-per-placement figures, the total dollars for the program were divided by the number of positions available; however, this assumed that all enrollees would be placed. In Atlanta, a prime sponsor official said cost projections there were very crude.

### Other factors

Labor's Boston regional office prepared--for the first-year cycle--a memorandum which defined the administrative steps a prime sponsor should take before dropping an existing delivery agent. These included determining whether

- the agent performed poorly,
- the prime sponsor had brought this poor performance to the attention of the agent in writing,
- the prime sponsor made a good faith effort to work out a corrective action plan with the agent,
- the agent was given a reasonable time to improve performance and failed to do so, and
- the prime sponsor had an alternative agent which could reasonably be expected to perform more economically and efficiently than the existing agent.

According to a Labor regional official, this memorandum was not distributed. However, he said, it defined what was considered adequate documentation--what the regional office expected prime sponsors to follow in both the first and second years of CETA.

An official of one prime sponsor in that region said Labor had encouraged sponsors to use the State employment service, Opportunities Industrialization Centers, and Jobs for Progress. An official of another prime sponsor said Labor discouraged prime sponsors from discontinuing existing delivery agents. The official said an alternative was to reduce the activity of present delivery agents, thus making money available to contract with other agents.

Massachusetts' Office of Manpower Affairs imposed an additional requirement on the selection of subgrantees in the balance-of-State area. This requirement provided that

the State employment service agency have a role in the delivery of services, except when it could be demonstrated that the services could be provided better and at a lower cost by another delivery agent. Requiring that another delivery agent meet both criteria would seem to unnecessarily limit the choice of delivery agents.

Similarly, in Georgia, the Governor issued an executive order that encouraged prime sponsors in that State to make full use of established community action agencies to provide services.

Various prime sponsors noted other considerations. The Georgia balance-of-State weighed such factors as a prospective agent's recordkeeping capacity and financial accountability, the capacity to operate throughout an area, and probable degree of local support during fiscal year 1975. Oakland considered whether the agent had

--Offered unique services or innovative approaches.

--A reasonable administrative cost (not to exceed 15 percent of planned costs, even though prime sponsors are generally allowed up to 20 percent by Labor's regulations).

--Provided linkages to other manpower resources.

Las Vegas/Clark County considered which agencies had been mandated to provide certain functions, such as in-school youth education and training by the local school district.

#### ACTUAL SELECTIONS

For prime sponsors reviewed, most of the delivery agents selected for fiscal year 1975 had participated in the nationally directed programs. For example, the Lowell, Massachusetts, prime sponsor used the same delivery agents for CETA as for the nationally directed programs. According to a prime sponsor official, Labor encouraged the use of existing agents. Also, time constraints on developing the manpower plan precluded any indepth evaluation of other potential delivery agents' programs, which further pressed the prime sponsor to use existing delivery agents.

However, some prime sponsors added new delivery agents for fiscal year 1975. For example, of 14 delivery agents selected by Atlanta, 4 were not operating manpower programs before CETA.

Fiscal year 1976 seemed to bring more changes, although some sponsors such as Springfield and California balance-of-State had essentially the same delivery agents as before CETA. Boston maintained its existing agents, but added several new ones. Oakland dropped two delivery agents and added three in fiscal year 1976, bringing to six the number added over 2 years.

Labor estimated, based on a national sample of prime sponsors, that 1,950 organizations were funded by prime sponsors in fiscal year 1975. This was an increase of about 35 percent over those funded before CETA; an estimated 720 delivery agents were added and 210 were dropped. Labor believed this increase was probably a one-time rise. About 70 percent of local sponsors were estimated to have funded one or more new agents, while a third dropped at least one existing agent.

In terms of specific organizations, Labor found that:

- About 90 percent of the State and local sponsors contracted with the State employment service, but, overall, funding decreased from the fiscal year 1974 funding level for similar activities. The employment service tended to gain ground in relatively rural areas and lose in cities.
- Nearly all the States, but only a third of the cities and counties, sampled used the unemployment insurance system to process wage or allowance payments.
- About half of the local sponsors had no community action agency operating manpower programs in their areas in either fiscal year 1974 or 1975. For the other half, where these agencies had operated in fiscal year 1974, in most cases funding was reduced or eliminated; this was true in all cities, while the agencies' few gains were mostly in rural areas.
- Three-quarters of the State and local prime sponsors used offices of the National Alliance of Businessmen, where they existed, to market on-the-job training slots with private employers.

Labor also found that three major community-based organizations received increased funding in the first years of CETA.

<u>Organization</u>	<u>Primary activity</u>	<u>Level of funding</u>			<u>Local projects</u>		
		<u>fiscal year</u>			<u>fiscal year</u>		
		<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
(000,000 omitted)							
Opportunities Industrialization Centers	Classroom training	\$23	\$37	Not available	101	130	Not available
Jobs for Progress	Comprehensive programs for the Spanish-speaking	13	20	21	42	48	45
Urban League	On-the-job training	10	16	17	47	75	77

### CONCLUSIONS

In selecting delivery agents, prime sponsors were hindered, in some cases, by inadequate data. Also, Labor and the States imposed certain administrative controls, which may have been difficult for prime sponsors to comply with because of the lack of adequate data. Prime sponsors need complete and accurate data to select the most capable and effective delivery agents to provide services, and Labor needs it to adequately review prime sponsor plans and to insure that CETA requirements are met.

### RECOMMENDATION

We recommend that the Secretary of Labor encourage prime sponsors to develop adequate cost and performance data on program operations by delivery agents to better enable prime sponsors to make decisions on future delivery agent selections.

### AGENCY COMMENTS

Labor concurred with our recommendation and said that, to encourage prime sponsors to develop adequate data, a CETA Data Management Work Group had been established which will address the problems of financial and performance data in CETA operations.

The Las Vegas/Clark County Consortium expressed complete accord with this recommendation. Other prime sponsors did not provide formal comments on this recommendation.

## CHAPTER 5

### TECHNICAL ASSISTANCE AND REVIEW OF PLANS

The Department of Labor has three main functions in regard to title I programs--providing technical assistance, reviewing prime sponsors' plans, and monitoring prime sponsors' activities. Labor insures that the prime sponsors' plans and operations conform to requirements of the act and applicable regulations mainly through these functions. Primary responsibility for the design of the plan, and its program, rests with the prime sponsor.

In general, prime sponsors found the assistance provided by Federal representatives to be helpful and were satisfied with the training Labor provided. But prime sponsors received written guidance, including regulations, late in their planning cycles, which resulted in many revisions to the plans. This problem appeared to be more serious for fiscal year 1975 plans than for those in fiscal year 1976. Also, Labor approved some plans in both years without resolving noncompliance items. Problems existed in both years in obtaining HEW's reviews of plans.

#### TECHNICAL ASSISTANCE

To assist prime sponsors in formulating their comprehensive manpower plans, Labor provided various forms of technical assistance, such as written regulations and technical assistance guides, contact with Federal representatives, and training sessions.

#### Labor guidance

Labor provided much written guidance to prime sponsors about CETA. This included regulations and a series of advisory technical assistance guides. <sup>1/</sup> Although prime sponsors generally found this guidance helpful, several officials said that it would have been more useful if they had received it earlier.

CETA was enacted on December 28, 1973. On March 19, 1974, Labor issued draft regulations and allowed interested parties an opportunity to comment. On June 4, 1974, Labor issued final regulations, to be effective July 5, 1974.

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<sup>1/</sup>One of these guides, the "Forms Preparation Handbook," is incorporated by reference into Labor's regulations and is legally binding.

An Atlanta prime sponsor official said its fiscal year 1975 manpower plan had been based on the March 19 regulations and had to be revised based on the June 4 final regulations. Other prime sponsors had similar comments about the fiscal year 1975 technical assistance guides. A Springfield official said the preliminary guides, although helpful, had gaps and were confusing. The final guides were improved, he said, but were received too late to be used. A Massachusetts balance-of-State official said that its plan, based on the preliminary guides, had to be revised based on the final guides. A Las Vegas/Clark County official said its plan had to be revised twice for the same reason.

According to Labor officials, the material was published first in preliminary form and then in final form to facilitate implementation of CETA and to allow interested parties to comment. They said, also, that the final regulations and guides were issued close to the beginning of the program year because of the difficulty of establishing a new program.

The same problem arose in Labor's guidance for fiscal year 1976, the second year of CETA operations. Although the preliminary regulations were published on March 7, 1975, the final regulations were not published until May 23--after prime sponsors would presumably have begun their local planning cycles. According to four prime sponsors in Labor's Boston region, this did not create a problem because the changes in the regulations were minor.

However, two prime sponsors in Labor's San Francisco region did have complaints about Labor's guidance, including:

- Labor did not provide the equal employment opportunity handbook until June 1975, after the first draft of the comprehensive manpower plan had been prepared. This delayed approval of the prime sponsor's plan.
- The prime sponsor did not receive Labor's instructions in time to prepare its plan in a timely manner and was not able to incorporate information from component governments.

#### Federal representatives

Federal representatives--employees of Labor's regional offices--are the primary contacts between the prime sponsor and Labor. Their responsibilities under CETA include: providing technical assistance to prime sponsors in planning and operations, coordinating the plan review and approval process, and monitoring and evaluating prime sponsor performance.

Before CETA was enacted Federal representatives received training from both Labor's national and regional offices. Although the specifics varied from region to region, the training was designed to familiarize them with various topics related to CETA. Among the courses offered in the various regions were city and county government operations, planning and grant application preparation, transition from nationally directed programs, and equal employment opportunity.

Federal representatives received additional training during fiscal years 1975 and 1976. For example, among the wide variety of courses offered in Labor's Boston region were:

- HEW's role in manpower programs, 1 day.
- Planning council overview, 1 day.
- The fiscal year 1976 application process, 2 days.
- Prime sponsor monitoring, 3 days.
- Technical assistance, 3 days.

Labor's regional offices provided technical assistance essentially with the staff employed before CETA became operational. For example, the San Francisco regional office had 37 Federal representatives as of October 1974; 32 were Labor project officers administering nationally directed programs before CETA, and all 37 were manpower development specialists within the regional employment and training administration.

Federal representatives' assignments depended on such factors as the population and other characteristics of the area to be served by the prime sponsors and the Federal representative's expertise. For example, in Labor's Atlanta office Federal representatives generally had responsibility for from one to three prime sponsors. Nationwide there were 343 Federal representatives and 431 prime sponsors as of February 1976, according to a Labor official.

A San Francisco regional Labor official said, for fiscal year 1975, a Federal representative could not be assigned to each prime sponsor, which would be desirable, because staff was not available. He said this was due in part to a hiring freeze within the regional employment and training administration and to a hiring delay resulting from Civil Service Commission review of grade level classifications. For fiscal year 1976, a regional official said the regional office was still understaffed.

According to an official of Labor's Boston regional office in fiscal year 1975, 14 Federal representatives served prime sponsors in Massachusetts; in fiscal year 1976, only 10. This reduction necessitated reassignments based on the types of prime sponsors and the qualifications of the Federal representatives.

Federal representatives can assist prime sponsors by such methods as telephone contacts and site visits. This last method was emphasized by Labor's Assistant Secretary for Employment and Training in congressional hearings in December 1974 and again in May 1975. On the latter date he testified that:

"What we have been trying to do, for instance, with our Federal representatives who work with the prime sponsors is to say they should be away from their desks and working at the local level at least half the time." 1/

We found that the time Federal representatives spent in traveling in both years generally fell short of the 50 percent level.

In general, however, prime sponsor officials were pleased with the technical assistance provided by Labor's Federal representatives. A trouble spot in fiscal year 1975 was Las Vegas/Clark County, where a local official said the assigned Federal representative was sometimes not available when needed and was not always able to provide adequate assistance. This may have been due to the fact that six different persons were assigned to that job within a short period of time, not allowing them sufficient time to become familiar with the area. The local official said the Federal representative assigned during fiscal year 1976 was good.

#### Prime sponsor training

Labor conducted a series of training sessions for prime sponsor officials in preparation for CETA's first year and has continued to provide such training. These officials' evaluations of the first year training seemed to vary depending on their prior experience with manpower programs, but most officials said they were satisfied with current efforts.

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1/"Departments of Labor and Health, Education, and Welfare Appropriations for 1976," House of Representatives, 94th Cong., 1st sess., (Washington, D.C., U.S. Government Printing Office, 1975), pt. 5, p. 177.

Prime sponsor officials from Boston, Las Vegas/Clark County, and Oakland said that the training for the first year was of limited usefulness because of their extensive prior experience. An Oakland official said that much of these training sessions consisted of discussions on basic manpower issues which were obviously oriented toward the newest prime sponsors. As a result, he stated it would have been more helpful if Labor had segregated the inexperienced from the more experienced prime sponsors, in order that each could deal with those issues most relevant. Labor regional officials said it would not have been feasible to separate experienced and inexperienced prime sponsors for training purposes because there were only a few experienced prime sponsors.

Massachusetts balance-of-State officials said that the training was satisfactory and that they had Labor set up training programs for the subgrantees. However, a California State official said he believed that Labor did not have the capacity to train the balance-of-State subgrantees and that he was seeking other organizations to provide such training.

Labor has continued to provide training to prime sponsor officials on various topics. According to a Labor official, a manpower training institute was established in every region after CETA was enacted. Previously, most training had been arranged by the national office but, in line with decentralization under CETA, responsibility for training was transferred to the regional offices. Prime sponsor officials generally had favorable comments about the regional institutes.

Courses offered in Labor's Boston region for September 1975 included:

- Vocational exploration, 2 days.
- CETA executive seminar, 2 days.
- Monitoring techniques for prime sponsors, 3 days.

One prime sponsor official in that region, however, noted that small prime sponsor staff size did not allow representation at all courses. Another said that some of the training should have been offered earlier in the planning cycle.

The October 1975 courses in the San Francisco region included:

- Job development workshop, 5 days.

--Evaluation of youth work experience programs, 3 days.

--Affirmative action workshop, 1/2 day.

One prime sponsor said more 1-day training sessions were needed, because it would be easier for staff to attend.

#### REVIEW OF PLANS

Labor's regulations provide that, to be funded, a title I prime sponsor submit a grant application (which includes an application for Federal assistance, a comprehensive manpower plan, and certain assurances and certifications) to Labor for approval. Labor's regional offices are responsible for reviewing and approving these applications. Labor's regulations also provide for HEW to review and comment on the plans concerning the relation of certain CETA activities to those administered by HEW.

#### Review of plans by Labor

Labor's regulation set forth a lengthy list of conditions to be met by an applicant. According to Labor's "Regional Office Handbook"--which was prepared for regional staffs to use in reviewing prime sponsor plans--the content of the comprehensive manpower plan is to be reviewed on the basis of its reasonableness; adequacy; and adherence to the requirements of the act, Labor's regulations, and other applicable laws.

Labor's regulations provide that an application not be disapproved until the prime sponsor has (1) been notified of any deficiencies, (2) been provided with suggestions for corrective steps, and (3) been given at least 30 days to remedy any defect but failed to do so.

Some of the fiscal year 1975 plans submitted to Labor's regional offices were returned to the prime sponsors for additional information. The California balance-of-State plan, for example, was returned because it did not contain information from the 28 constituent counties and was a general statement of program intent, rather than an adequate manpower plan. A State official responded that it was not clear that a meaningful plan could be developed for their decentralized 28-county program.

Atlanta's fiscal year 1975 plan was not initially approved due to problems such as (1) delivery agents not being identified, (2) specific skills in which training would be provided were not discussed in the grant application, and (3) one target group selected was not appropriate under CETA.

(See p. 6.) To resolve these issues, Labor's regional office personnel met with Atlanta's manpower planning staff. The understandings of the issues reached in the meeting were later communicated to Labor by letter. As a result of the meeting, the prime sponsor submitted certain comments and revisions which were considered to be adequate by Labor and which were incorporated in the plan as an addendum.

Finally, to expedite the implementation of CETA, Labor approved certain fiscal year 1975 manpower plans without resolving all review comments. The Massachusetts balance-of-State plan was approved even though all delivery agents had not been chosen and subgrantee plans had not been submitted. According to the Federal representative, the comments were never formally resolved.

In another instance, the Las Vegas/Clark County Federal representative stated Labor and prime sponsors appeared eager to approve grant applications and to fund programs as soon as possible. As a result, he decided to recommend approval and resolve some review comments after the prime sponsors began operating. This Federal representative said he did not resolve the comments, and a successor said he had no reason to determine whether all comments had been resolved. Las Vegas/Clark County Consortium officials later said, however, that they believed the formal complaint had been resolved before receiving funding under the grant.

Several comprehensive manpower plans for fiscal year 1976 were approved conditionally. Three of the four plans reviewed in Labor's San Francisco region were approved with a formal condition; in all three cases, the prime sponsors were to submit an acceptable equal employment opportunity plan. For example, Labor's regional office allowed Pasadena 90 days to correct this deficiency and said this period could be extended to 120 days. The fourth plan was approved unconditionally.

Labor's regional office approved Boston's plan subject to the prime sponsor satisfying three conditions: (1) describing services to veterans, (2) submitting required Federal reports upon implementation of a management information system, and (3) documenting that interested parties had been given an opportunity to comment on the plan.

The plans of the other three prime sponsors reviewed in Labor's Boston region were approved with suggestions for improvement, but in none of these cases did Labor's regional office make the actions a formal condition of approval. In two cases, the prime sponsor was to develop programs for

persons of limited English-speaking ability; 1/ in one case, the prime sponsor was to explain how administrative costs were determined; and in another case, the prime sponsor was to provide an occupational summary for public service employment jobs to be filled.

These deficiencies violated Labor's regulations on requirements for plan approval. However, Labor's Boston regional office approved the three plans, even though they did not fully comply with the regulations.

#### Review of plans by HEW

Pursuant to Labor's regulations, copies of the prime sponsors' plans are sent to HEW for comments. The two departments, in a memorandum of agreement, agreed that HEW would provide its comments to Labor within 2 weeks on the relationship of CETA services of a health, education, or welfare character to HEW-administered services, such as child care and health care.

HEW's reviews of plans had problems in both years. HEW commented on most of the fiscal year 1975 plans we reviewed but, in most cases, did not submit its comments within the 2-week period.

In Labor's San Francisco region, HEW did not comment on any of the four fiscal year 1976 plans we examined. An HEW regional official said HEW would not comment until it was involved in developing the plans and was able to make an adequate review and to make helpful comments.

In Labor's Boston region, HEW commented on three of four fiscal year 1976 plans we reviewed. As shown in the following table, in none of these three cases did HEW respond within 2 weeks, but HEW did comment at least a month before Labor approved the plan. A regional HEW official said that 2 weeks was evidently not enough time for HEW to circulate plans among several offices within HEW, disseminate the reviewers' comments, and consolidate all the information. The official suggested that Labor specify which portions of each plan HEW should focus on.

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1/A prime sponsor must provide a description of how persons of limited English-speaking ability will be served only if such persons represent a significant portion of the prime sponsor's population to be served. In both cases, such persons were listed as significant segments to be served.

	<u>Boston</u>	<u>Lowell</u>	<u>Spring- field</u>	<u>Massachu- setts balance- of-State</u>
Date Labor received plan from prime sponsor	May 1	Apr. 29	May 9	Apr. 28
Date Labor sent plan to HEW for comment	May 5	Apr. 30	May 9	Apr. 30
Date HEW sent comments to Labor	(a)	June 20	May 29	June 5
Date Labor approved plan	Oct. 13	July 21	Aug. 14	Sept. 30

a/According to a regional HEW official, the plan sent to Labor was not final, and HEW did not believe comments would be useful on a preliminary draft.

HEW's comments on fiscal year 1976 plans in Labor's Boston region included recommendations that:

- The prime sponsor's planning council include more representatives of the client community.
- The prime sponsor develop and submit specific procedural arrangements necessary to assure continuing coordination and cooperation with deliverers of support services.
- The prime sponsor's planning council include representatives of certain other manpower-related activities, such as vocational education.

### CONCLUSIONS

Labor was subject to fairly tight time constraints in providing technical assistance and in reviewing the plans of prime sponsors for the first year of CETA operations. This should be considered in evaluating Labor's performance. Labor had more time in the second year, and many of the first-year problems seem to have been solved.

In order to properly prepare comprehensive manpower plans, prime sponsors need to have final written guidance very early in their planning cycles. Late guidance for fiscal year 1975--the first year of CETA--may have been justified but final guidance should have been issued more quickly for fiscal year 1976. Every effort should be made to provide prompt guidance in the future.

Labor's conditional approval of certain fiscal year 1975 plans appeared reasonable, considering the time constraints involved, but effective action was not taken to insure that all reservations and comments were promptly resolved. If this is not done, there is no assurance that a plan fully complies with Federal requirements. Many plans were conditionally approved in fiscal year 1976, and in several other cases, Labor approved plans without formal conditions even though these plans did not fully comply with Labor's regulations.

Procedures for HEW's review of prime sponsor plans were a problem in both years. Improved coordination is needed between Labor and HEW in this area.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor insure that:

- Written guidance to prime sponsors is finalized well before the beginning of the program year.
- Prime sponsor plans are approved unconditionally only if they meet all requirements of the act and regulations.
- All reservations about prime sponsor plans are resolved promptly.
- Effective procedures are established to allow the Department of Health, Education, and Welfare an opportunity to review and comment on prime sponsor plans.

#### AGENCY COMMENTS

Regarding our first recommendation, Labor agreed that final regulations and technical guides had not been provided to prime sponsors in a timely manner. Labor said that steps were being taken to insure that prime sponsors are cognizant of such materials to insure orderly planning for the fiscal year 1977 program.

Labor also agreed with our second recommendation, but said that the problems noted occurred during the initial program year of CETA due to a need to implement programs expeditiously and to avoid service lapses in projects not conforming to the regulations. Since we found that this problem persisted in the second program year, Labor needs to take action to prevent the unconditional approval of plans which do not meet all requirements.

Concerning our third recommendation, Labor said that guidance is being developed for Federal representatives' review of prime sponsors' fiscal year 1977 plans and that the guidance was expected to address this issue.

With respect to our fourth recommendation, Labor agreed that there had been problems in the past. Labor also said that few problems in this area were anticipated during the fiscal year 1977 review of plans and that new guidance being developed for Federal representatives should strengthen the procedures for HEW's review.

In the only formal prime sponsor comments we received on the recommendations in this chapter, the Las Vegas/Clark County Consortium stated that it was in complete accord with all four recommendations.

## CHAPTER 6

### PRIME SPONSOR AND STATE PLANNING COUNCILS

Every prime sponsor and State is required by the Comprehensive Employment and Training Act of 1973 to establish a council to advise it in planning and coordinating title I manpower programs. These councils should have been formed soon after CETA was enacted, but some were delayed.

The composition of the councils varied from prime sponsor to prime sponsor and from State to State. Two potential problems in the composition of prime sponsor planning councils involve (1) conflicts of interest when delivery agents have a role in determining the use of funds and (2) whether State and local agency officials provide appropriate representation of the client community their agency serves. Also, one State council did not meet the act's composition requirements.

Regarding the role of the councils, some prime sponsor planning councils were more involved than others, while State manpower services councils were not heavily involved in planning and coordinating prime sponsor activities.

### PRIME SPONSOR PLANNING COUNCILS

CETA requires every title I prime sponsor to establish a planning council consisting, to the extent possible, of representatives of the client community to be served and of community-based organizations, the employment service, education and training agencies and institutions, business, labor, and, where appropriate, agriculture. The prime sponsor is to appoint the members of the council and designate the chairman.

One of the council's functions is to submit recommendations concerning program plans and basic goals, policies, and procedures. However, any final decision with respect to the council's recommendations is to be made by the prime sponsor.

According to Labor's nationwide data, many councils were not formed in time to participate in planning the fiscal year 1975 programs.

### Composition

Prime sponsor planning councils for fiscal year 1975 varied considerably in size and composition. Pasadena's council had 9 members, Springfield's had 28 members, and

Las Vegas/Clark County's had 41 members. The client community and community-based organizations accounted for 15 of Boston's 25 members but only 7 of Lowell's 25 members. Most councils included representatives of the State employment service and education agencies. Organized labor, business, and industry accounted for 7 of Oakland's 17 members but only 4 of Springfield's 28 members. Councils of consortia generally included numerous elected officials, such as Lowell, with 8 of 25.

The following table illustrates some of the variations.

<u>Group represented</u>	<u>Prime sponsor planning council</u>		
	<u>Boston</u>	<u>Springfield</u>	<u>Pasadena</u>
Client community	a/12	4	} 5
Community-based organizations	3	3	
Employment service	a/7	} 7	-
Education agencies	5		1
Business and industry	3	2	2
Organized labor	1	2	1
Elected officials	-	9	-
Other	1	1	-
Total	<u>25</u>	<u>28</u>	<u>9</u>

a/Includes one vacancy.

Planning council compositions changed for fiscal year 1976. A newly elected Governor in Massachusetts reconstituted the balance-of-State council, and reduced its size by removing inactive members. In Springfield, the representatives of the client community were changed because they had been inactive participants. In Pasadena, two representatives of the private business sector were added to broaden the council. In Las Vegas/Clark County, some representatives of community-based organizations were added and some members were replaced because of too many unexcused absences from council meetings.

The composition of planning councils posed two potential problems: (1) some prime sponsor officials said they believed a potential conflict of interest could exist when a present or potential delivery agent was involved, through representation on a planning council, in choosing which delivery agents the prime sponsor should fund and (2) in some cases, State and local agency officials--those who were to provide services--were designated as representatives of the client community--those who would receive services.

Most planning councils included representatives from the State employment service, local educational institutions, community action agencies, or other organizations which were existing or potential delivery agents. For example, several members of the fiscal year 1976 Boston council were actual or potential delivery agents, including representatives of the State employment service and community-based organizations. Labor and prime sponsor officials generally took the position that:

--The law provides for such participation.

--Such participation does not necessarily create a conflict of interest.

--Organizations can make a valuable contribution to the planning process.

--Planning councils are only advisory.

However, a few prime sponsors told us they believed conflicts of interests could be a problem. According to Oakland's manpower director, it would be inappropriate for an organization to both participate in selecting delivery agents and act as a delivery agent. Accordingly, representatives of the employment service and similar organizations participated only at the planning council subcommittee level, where only broad program recommendations were made, while the planning council itself made specific funding recommendations--including the level of funding and selection of contractors--to the city council.

Similarly, in Pasadena, the fiscal year 1976 council included representatives from the employment service and a community college. However, delivery agents were selected by a resource allocation committee. According to a Pasadena official, an employment service staff member was a member of this committee, but did not vote on the selection of programs sponsored by the employment service.

Delivery agents were represented on the planning council in Las Vegas/Clark County, but, according to a local official, they abstained from voting on recommendations for funding title I contracts.

On some planning councils, State and local agency officials--those who were to provide services--were designated as representatives of the client community to be served--those who were to receive services. This raises a question of whether agency officials can adequately represent persons their agency is to serve. However, Labor in its March 7,

1975, proposed regulations--and May 23, 1975, final regulations--to govern fiscal year 1976 planning and programs said: "Generally, staff of State or local government agencies would not provide appropriate representation of the client community their agency serves."

In Boston, the 11 persons representing the client community on the fiscal year 1976 council included:

- A member of the Massachusetts Rehabilitation Commission, to represent the handicapped.
- The Director of the State's Youth Activities Commission, to represent youth.
- The Commissioner, Affairs of the Elderly, to represent older workers.
- The Director, Mayor's Office of Human Rights, to represent affirmative action.

A similar situation was noted on the fiscal year 1976 councils for Lowell and Springfield.

### Role

Prime sponsor planning councils also varied widely in their roles during planning for the first 2 years of CETA operations. Some had substantial input, while others had little or no input in formulating the first year's comprehensive manpower plan. The councils' involvement generally increased in the second year of CETA.

For the 1975 plan, a Pasadena prime sponsor official said the manpower staff made presentations to the planning council on selection of target groups, occupations for training, and program composition. The council then made recommendations on each area. The manpower staff then met with various community agencies and made additional revisions. The council then reviewed the revised plan and made additional recommendations.

A member of the Georgia balance-of-State council said many of the council's recommendations had been incorporated into the fiscal year 1975 plan. Although the DeKalb County council did not participate in developing the fiscal year 1975 plan, the council did review the plan before it was submitted and, according to council members, most of their recommendations were accepted.

A subcommittee of Lowell's council, according to a member, recommended which proposals to fund. However, their choices were hampered by a lack of information and a shortage of time.

An Atlanta council official said the council made recommendations, but these were usually not accepted by the mayor. A member of Boston's council said the council should be more involved in preparing policy and program goals, instead of concentrating on operational details. A local community-based organization criticized the fact that Boston's plan was submitted to Labor without being approved by the council.

Other councils had little or no involvement in fiscal year 1975 planning. The Massachusetts balance-of-State council met for the first time on May 31, 1974, only 3 days before the plan was submitted to Labor. According to a local official, the Las Vegas/Clark County council did not meet until after the plan was submitted, because it was changed several times due to new Labor requirements and the prime sponsor staff believed it would be feasible to involve the council only after there was assurance that Labor would approve the plan. <sup>1/</sup> The Springfield council was not established until after the fiscal year 1975 plan was submitted to Labor.

According to Labor officials, these councils were generally more involved in fiscal year 1976 planning. For example, the Massachusetts balance-of-State council now holds monthly meetings, removed inactive members, and had substantial input into the fiscal year 1976 plan, according to its Federal representative.

#### STATE MANPOWER SERVICES COUNCILS

Every State which desires to be designated as a prime sponsor must establish a State Manpower Services Council, which is to review the plans and monitor the activities of the prime sponsors within the State and of State agencies providing services to prime sponsors and to make recommenda-

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<sup>1/</sup>Las Vegas/Clark County Consortium officials later said that although the CETA prime sponsor planning council did not meet until after the fiscal year 1975 plan had been submitted, a local manpower area planning council helped formulate the plan.

tions concerning manpower activities to the Governor, prime sponsors, agencies providing manpower services, and the public.

The Governor is to appoint a council chairman and the council members, at least one-third of whom are to be representatives of prime sponsors. In addition, one representative is to be appointed from each of the following: the State board of vocational education, the State employment service, and any State agency deemed appropriate by the Governor. Representatives are also to be appointed from organized labor, business and industry, the general public, community-based organizations, and the population to be served. (According to Labor's regulations, this group includes persons of limited English-speaking ability, women, and other minority groups.)

State manpower services councils should have been formed soon after CETA's enactment, but--according to Labor's nationwide data--many State councils were not formed in time to participate in fiscal year 1975 planning.

The State manpower services councils reviewed for fiscal years 1975 and 1976 met the act's composition requirements--with one exception--but varied in exact makeup, as shown below for the second year:

Group	State manpower services council	
	California	Massachusetts
Prime sponsors	<u>a/8</u>	8
State employment service	<u>a/1</u>	1
State board of vocational education	2	1
Organized labor	2	1
Business and industry	1	2
Community-based organizations and population to be served	<u>b/7</u>	2
General public	-	7
Other	<u>b/ 3</u>	-
Total	<u><u>a/23</u></u>	<u><u>22</u></u>

a/An employee of the State employment service agency also acts as a representative of the balance-of-State prime sponsor. This employee is included once in the total council composition.

b/Includes one vacancy.

The California State council originally consisted of 14 members, but was enlarged, and as of September 1975, had 21 members. Among the additions were several representatives from community-based organizations and the client community. In neither year, however, did the council include a representative of the general public, as required by CETA.

A report of the National Governors' Conference on State manpower services councils, issued in September 1975, concluded that all State councils surveyed were reviewing prime sponsors' plans but the extent of these reviews varied greatly and that monitoring of prime sponsor activities was still narrow. 1/

The State councils we reviewed were, in general, not heavily involved in these activities in either year. The California council met several times during the first half of fiscal year 1975, but did not review prime sponsors' plans. In fiscal year 1976, the council reviewed prime sponsors' plans and progress reports. However, the council's six staff members did no onsite monitoring of program operations, in part because this might duplicate Labor's efforts and because the State had limited authority over prime sponsors.

The California council staff concentrated on monitoring the Governor's special grant funds. In addition, the State initiated--on a test basis--an analysis of manpower funding in particular metropolitan areas, in order to help prime sponsors avoid duplicating each other's efforts.

The Massachusetts council, according to a staff member, prepared a report on fiscal year 1975 plans, with recommendations on improving coordination both among prime sponsors and between CETA and other program agents. Monitoring in both years was restricted to desk reviews, but even these were limited because some prime sponsors, such as Boston and the balance-of-State, did not submit progress reports. According to a staff member, site visits were not feasible because considerable time was spent in managing and administering the Governor's special funds.

## CONCLUSIONS

Prime sponsor and State councils varied in composition

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1/National Governors' Conference, "State Manpower Services Councils: Promises--Problems--Progress," Washington, D.C., Sept. 1975.

and role. In one instance, a State council did not meet the act's composition requirements. Although several councils had a limited role in plan formulation, this was due in part to the problems of beginning a new program. Planning councils can be of valuable assistance in planning and coordinating manpower programs, and prime sponsors should benefit if all councils take an active role in the future.

Although delivery agents may have valuable input to the planning process, their presence on planning councils could create conflicts of interest. In addition, State and local employees may not be able to adequately represent the client community to be served. To insure that the planning process is not hampered, Labor should watch closely all situations where potential conflicts of interest exist and where representation may not be adequate.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor (1) take action to insure that all State councils meet the composition requirements as stated in the act and (2) require that overlapping interests of prime sponsor planning council members be disclosed.

#### AGENCY COMMENTS

Regarding our first recommendation, Labor said that the council that was out of compliance had been noted and that appropriate steps would be taken to rectify the situation and to insure that all State councils meet the required standards. Labor also said that similar problems were not anticipated in the future.

Concerning our second recommendation, Labor said that proposed revised regulations provide that no planning council member participate in a discussion of, or cast a vote with regard to, any matter concerning services to be provided by that member or any organization with which the member is associated. Notwithstanding this provision, the overlapping interests of council members should be disclosed since these individuals would still be active planning council members.

## U.S. DEPARTMENT OF LABOR

OFFICE OF THE ASSISTANT SECRETARY

WASHINGTON, D.C. 20210



May 14, 1976

Mr. Gregory J. Ahart  
Director  
Manpower and Welfare Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Ahart:

This is in response to the draft report prepared by the General Accounting Office (GAO), titled Formulation of Plans for Comprehensive Employment Services - A Highly Involved Process. The comments are keyed to specific recommendations made in the report.

1. On page 17, it is recommended that the Secretary of Labor require that prime sponsors explain, in their plan, any substantial deviations from available data on target groups to be served.

Comment: Concur. The Employment and Training Administration (ETA) is considering requiring prime sponsors to identify all sources of data on target groups to be served, including available data from Census and the State Employment Security Agencies (SESA's), as well as data obtained from other sources.

2. On page 17, it is recommended that the Secretary of Labor in accordance with the special requirements of CETA, insure that all eligible persons have access to CETA services, regardless of race, color, national origin, or sex.

Comment: The intent of this recommendation is unclear. Does the recommendation imply that the Department is failing in its attempt to enforce current antidiscrimination provisions (section 98.21 of the regulations) or does GAO object to the possible establishment of quotas for specified groups? While the Department agrees that no one should be discriminated against in the provision of CETA services, we do not feel that identification of specific groups by race, sex, or national origin in any way constitutes or contributes to discrimination in CETA. The identification of groups and the establishment of goals are intended to insure equity of services, in terms of quality or quantity, and not to permit discrimination against any applicant for CETA services.

3. On page 27, it is recommended that the Secretary of Labor establish guidelines which can be used by prime sponsors in developing cost-effective systems to obtain more complete, current and accurate labor market data.

Comment: Disagree. In lieu of having prime sponsors develop labor market information systems independently, it would appear that a more cost-effective means of reaching our desired goals would be the expansion and improvement of existing labor market information (LMI) capabilities in the Research and Analysis sections of the State employment security agencies. The Research and Analysis section, not the Employment Service, is that arm of the SESA which is responsible for labor market information. The placement of the LMI system in the SESA was made for three reasons: (1) There were existing LMI activities in the SESA's and thus, trained staff, equipment, methodologies and data; (2) LMI is intended to serve a multitude of users, including prime sponsors, UI, educators, and the general public; and (3) by establishing LMI systems at the prime sponsor level, the Department of Labor (DOL) would have been creating competitive and duplicative services.

As part of DOL's continuing evaluation and review of its programs, a systematic appraisal of the LMI effort is being conducted, examining both the dissemination of LMI and its use by groups responsible for local manpower planning. DOL has taken the following steps to improve the LMI system:

- a. Consolidated, for the first time, national LMI funds and required SESA's to centralize LMI responsibilities to eliminate duplication and unnecessary activities;
- b. Inaugurated a system for monitoring LMI operations in each SESA;
- c. Launched a systematic effort to improve analyses and interpretation of data, partly to develop standard analysis techniques for local labor market analysis and LMI users;
- d. Developed an Inventory of Sources of Labor Market Information, which provides information on the availability of basic data needed by prime sponsors;
- e. Provided technical assistance to prime sponsors on labor market information, its availability and use and methods of incorporating LMI into the decisionmaking process.

4. On page 37, it is recommended that the Secretary of Labor encourage prime sponsors to develop adequate cost and performance data on program operations by delivery agents.

Comment: Concur. As a step toward encouraging prime sponsors to develop adequate data, the Department has established a CETA Data Management Work Group, which will address the problems of financial and performance data in CETA operations. This work group is in the process of finalizing a Seminar in Management Information System Development for prime sponsors and Federal representatives and has recommended the creation of a technical assistance cadre to provide technical assistance to prime sponsors in the area of fiscal systems.

5. On page 54, it is recommended that the Secretary of Labor insure that written guidance to prime sponsors is finalized well before the beginning of the program year.

Comment: Concur. While the Department acknowledges that final versions of the regulations and technical guides have not been provided to prime sponsors in a timely manner, steps are being taken to insure that prime sponsors are cognizant of final regulations and appropriate revised guides to insure orderly planning for the Fiscal Year 1977 program. Current plans call for the final publication of the regulations in the Federal Register by June 1, 1976. Revised Forms Preparation Handbook is scheduled for printing and issuance by June 1. This schedule will insure that these materials will be available to prime sponsors during the development of their Fiscal Year 1977 plans.

6. On page 54, it is recommended that the Secretary of Labor insure that prime sponsor plans are approved unconditionally only if they meet all requirements of the act and regulations.

Comment: Concur. The problems cited in this section occurred in the initial year of CETA due to a need to implement programs expeditiously and to avoid service lapses in projects that did conform to the regulations.

7. On page 54, it is recommended that the Secretary of Labor insure that all reservations about prime sponsor plans are resolved promptly.

Comment: Concur. The Department is presently developing guidance for Federal representatives in the review of prime sponsors' plans for Fiscal Year 1977. While this effort is currently in the developmental stage, it is expected that the subject materials will address this issue.

8. On page 54, it is recommended that the Secretary of Labor insure that effective procedures are established to allow the Department of Health, Education and Welfare an opportunity to review and comment on prime sponsor plans.

Comment: Concur. While the Department of Health, Education and Welfare reviews of prime sponsor plans have not been uniformly effective, we anticipate few problems in this area during the review of Fiscal Year 1977 plans. As a result of the development of the guide described in item #7 above, procedures for HEW review should be strengthened.

9. On page 66, it is recommended that the Secretary of Labor take action to insure that all State councils meet the composition requirements as stated in the act.

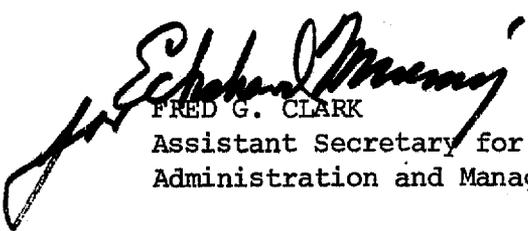
Comment: Concur. The Department has noted the State Manpower Services Council (SMSC) identified by GAO as not meeting the composition requirements of the act. Appropriate steps will be taken to rectify that situation and to insure that all SMSC's meet required standards. We do not anticipate similar problems occurring in the future.

10. On page 66, it is recommended that the Secretary of Labor require that overlapping interests of prime sponsor planning council members are disclosed.

Comment: Concur. The proposed revised regulations, published in the Federal Register on April 9, 1976, provide that no planning council member shall participate in a discussion or cast a vote with regard to any matter regarding services to be provided by that member or any organization with which that member is associated.

We appreciate the opportunity to comment on this report. If my office can be of further assistance, feel free to contact me.

Sincerely,



FRED G. CLARK  
Assistant Secretary for  
Administration and Management

PRINCIPAL DEPARTMENT OF LABOR OFFICIALSRESPONSIBLE FOR ACTIVITIES DISCUSSED IN THIS REPORT

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W. J. Usery, Jr.	Feb. 1976	Present
John T. Dunlop	Mar. 1975	Jan. 1976
Peter J. Brennan	Feb. 1973	Mar. 1975
<b>ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING (note a):</b>		
William H. Kolberg	Apr. 1973	Present

a/Before Nov. 12, 1975, the position title was Assistant Secretary for Manpower.

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