REPORT OF THE

JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

ON

THE CETA PROGRAM ADMINISTERED BY

VIRGINIA'S BALANCE-OF-STATE PRIME SPONSOR

TO

THE GOVERNOR

AND

THE GENERAL ASSEMBLY OF VIRGINIA

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THE CETA PROGRAM ADMINISTERED BY VIRGINIA'S BALANCE-OF-STATE PRIME SPONSOR

May 10, 1982

Joint Legislative Audit and Review Commission

The Comprehensive Employment and Training Act (CETA) of 1973 provides federal funding for employment and training programs. The goal of CETA is to improve the employment rate and earnings of economically disadvantaged youths and adults. More than 54,000 Virginians participated in CETA programs in FY 1980. Since the program began in Virginia in 1975, CETA has brought more than one-half billion dollars into the State's economy. These funds have paid for a variety of training activities including occupational skills training, remedial education, and subsidized jobs in public and nonprofit agencies.

The CETA program is now at a turning point both in Virginia and nationwide. Service levels have been reduced to less than half of 1981 levels, and the future of any type of employment and training program for the disadvantaged is uncertain. Federal officials have proposed, however, that mjor responsibility for this type of training be given to the states. This sudden retrenchment of CETA presents State officials with difficult choices in a time of rising unemployment for CETA client groups. In the past generous funding has enabled the program to encompass the multiple needs of thousands of people. Funding cutbacks, however, will require a refocusing of the program to get the most from limited revenues.

A JLARC REPORT SUMMARY

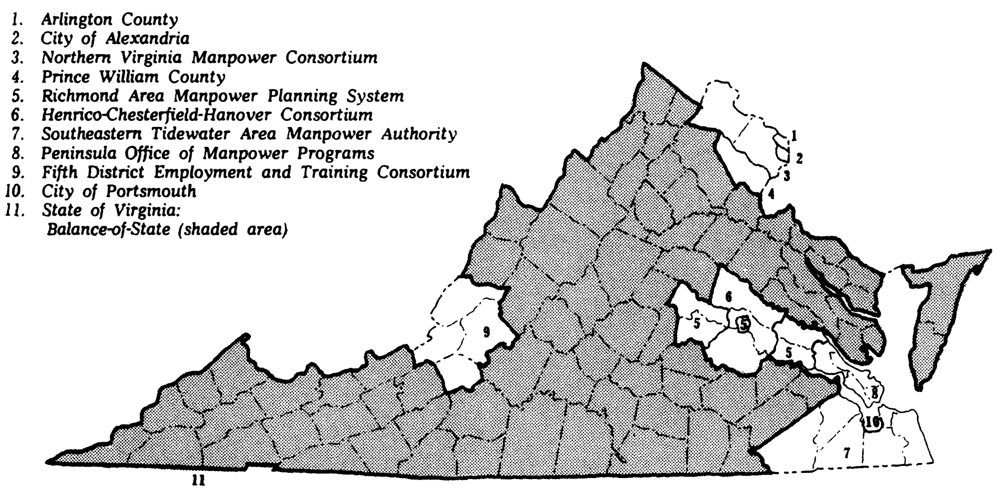
CETA funds in Virginia are administered by eleven local and State government prime sponsors (Figure 1). The Commonwealth of Virginia with the Balance-of-State program is the largest prime sponsor, serving areas which comprise about half of the State's CETA recipients. The Virginia Employment Commission (VEC) has been designated by the Governor as the administrative agency for the Balance-of-State program, which is the focus of this review. The VEC contracts with numerous public and private agencies for delivery of services but is responsible for effective and efficient use of CETA funds in carrying out State as well as federal unemployment policy.

This review was called for in HJR 268 passed by the 1981 General Assembly. In the absence of reliable data regarding program effectiveness, JLARC staff reviewed a sample of 89 contracts for adult training operated by the Balance-of-State prime sponsor and conducted a follow-up of a sample of clients.

Generally the CETA program appeared to meet a wide range of client goals and to involve a broad spectrum of providers. For this reason, all types of clients and provi-

Figure 1

VIRGINIA'S PRIME SPONSORS



ders, including State agencies, are likely to feel strongly the impact of program cutbacks. Orientation of program management toward maximum use of federal funds, however, has resulted in (1) duplication of other agencies' programs, (2) maintenance of some programs with negligible results and exceptionally high costs, and (3) inadequate procedures for awarding and monitoring contracts. Any refocusing of the program will need to target funds to productive programs and emphasize accountable program management.

Effects of Program Cutbacks on Government Agencies (pp. 25-30)

While State and local government agencies received more than 58 percent of all FY 1981 CETA funds in the Balance-of-State area, they have been significantly affected by program cutbacks in recent months.

State Agencies. The Balance-of-State prime sponsor has contracted extensively with other State agencies to provide employment and training services. In FY 1981, State agencies reported receiving CETA funds in excess of $23 million (Table 1).

Funding cutbacks will affect all agencies. The VEC will be most severely affected by funding reductions from CETA and other federal employment programs. Since the spring of 1981, 41 local employment offices have been closed and more than 500 staff laid off. This means that large areas of the State will be without job placement services. Additional closings and layoffs are likely if more federal cuts occur.

CETA funds also support staff in community colleges, vocational skills centers, and rehabilitation facilities across the State. The community college system anticipates the loss of positions and courses at several campuses. Officials in the departments of education and rehabilitative services indicate that staff cutbacks will lead to sharp reductions in the number of clients served and levels of service.

Local Governments. The elimination of public service employment (PSE) programs in 1981 had an immediate impact on local governments. From 1975 to FY 1981, local government agencies in the Balance-of-State area received nearly $150 million for public service employment jobs. These jobs were designed to provide transitional employment during periods of economic downturn. Positions funded by CETA included custodians, secretaries, police, teachers, librarians, and airport administrators.

Localities adapted to cutbacks in a variety of ways including decreases in levels of service, increases in the workloads of permanent staff, and elimination of nonessential services. In all localities, but most significantly in rural areas, the elimination of PSE positions added to already high unemployment rates.

Table 1

CETA FUNDS AWARDED TO STATE AGENCY CONTRACTORS BY ALL PRIME SPONSORS FY 1981

Agency	*Value of Contracts*
Virginia Employment Commission	*$12,132,942*
Department of Education	*5,205,938*
Virginia Community College System	*2,428,476*
Department of Rehabilitative Services	*1,633,377*
Virginia State University	*1,035,945*
Department of Housing and Community Development	*582,520*
Virginia Commonwealth University	*341,285*
VPI&SU	*239,857*
University of Virginia	*87,172*
Total	*$23,687,512*

Source: JLARC presentation of information provided by fiscal representatives of each of the above agencies.

Impact on Clients (pp. 31-35)

The CETA program serves an economically disadvantaged population who generally do not receive welfare benefits. These individuals look for work but have irregular work histories and frequent periods of unemployment. The success of CETA programs is measured primarily by the number of these clients who get placed in unsubsidized jobs.

The Balance-of-State program placed approximately 49 percent of all adult clients in jobs. Because national benchmarks for post-CETA placement do not exist, it is difficult to judge whether this figure is good or poor. However, the placement rate for CETA clients in the Balance-of-State area was not significantly higher than the national employment rate of 49 percent for all disadvantaged persons compiled for the same time period by the U. S. Department of Labor.

Furthermore, CETA participation did not ensure future job stability. About half of the former CETA clients surveyed were found to be currently unemployed, regardless of whether they had been initially placed in jobs. About 75 percent of all clients were found to have been unemployed at some time within 1 1/2 years of leaving the CETA program.

Placement in an unsubsidized job is not the only benefit derived from CETA programs, however. Most clients joined the CETA program because they needed a wage - paying job right away. Some clients wanted to learn a skill and viewed CETA as a training program rather than a job. To some special groups, such as disadvantaged homemakers and veterans, CETA programs provided a gradual re-entry into the work environment by providing counseling and job search skills.

Program Comparisons (pp. 35-48)

The major CETA programs are on-the-job training, manpower services, classroom training, work experience, and employment-generating programs. JLARC reviewed a random sample of 89 contracts from these programs to determine the relative effectiveness of each type of activity.

On-the-job training programs have the greatest potential among all CETA programs for providing immediate placements in unsubsidized jobs at the lowest cost. Private sector employers are reimbursed for training clients whom they are encouraged to hire upon successful completion of the training. Recent federal emphasis on increasing the private sector's involvement in training the disadvantaged makes this program attractive. The program's drawbacks, however, are low enrollment rates and a high proportion of people fired or refusing to continue. The program also has a more limited potential for expansion, especially in periods of economic downturn. The program could be improved through closer monitoring of client terminations by Balance-of-State staff. In addition, supportive services to improve client retention rates should be provided by the contractor and CETA staff.

Manpower service programs provide counseling and job search skills to help clients find and retain jobs. These programs often duplicate some of the rehabilitative and developmental services already offered by State and local agencies. In some cases, clients are referred to services they do not need. The programs run by private consulting firms are especially costly because of high overhead costs and profit fees. The Balance-of-State prime sponsor should reduce the number of costly separate contracts for manpower services wherever possible. All CETA programs could be required to offer basic job search skills to clients as part of the contract. Individuals needing special counseling and rehabilitative services could be referred to the existing programs of State and local agencies.

Classroom training programs provide formal instruction in occupational skills. These programs place about 30 percent of the CETA participants. Generally, the classroom training programs with the lowest placement rates of approximately 16 percent have been referrals to degree programs operated by community colleges and proprietary schools. Occupational skills programs run by the Department of Education's vocational skills centers have had better performance with a placement rate of 32 percent. Classroom training funds should be concentrated on the most effective contractors for remedial courses or occupational skills programs. Long term contracts for programs leading to a degree or certificate should occur only if adequate client screening and contract monitoring are implemented.

Work experience programs were found to provide the highest level of short term results in terms of fulltime wage-paying jobs for a limited time period. However, these programs also have high costs and placement rates below 25 percent. The low placement rates often occur because contractors do not make sufficient efforts to develop jobs with private employers. Also, some programs offer specialized services, such as substance abuse counseling, that drive up costs and are beyond the scope of normal work experience. Work experience contractors should be required to stress work activities and job development for clients rather than specialized counseling.

Employment-generating programs focus on creating private sector jobs through methods such as economic planning rather than on assisting clients. In FY 1981 more than $330,000 was spent for these programs but only 39 jobs have been developed. Since several State agencies are routinely charged to perform job development activities, CETA's limited funds should probably be used for programs that directly benefit clients.

Program Administration (pp. 55-87)

The Balance-of-State program is administered by the employment training division of the Virginia Employment Commission. Since program accountability will be increasingly important in light of funding reductions, key administrative areas need to be addressed. These include (1) awarding contracts based on better assessment of need, (2) increased documentation for managing contracts, and (3) more effective monitoring of program performance.

Awarding Contracts. The Balance-of-State staff is responsible for awarding CETA contracts based on client needs and likely contractor effectiveness and efficiency. Regional operations centers follow a multi-stage contract selection process that involves advice from 17 area manpower planning councils (AMPCs). The individuals who serve on AMPCs often are CETA contractors. In some regions, the councils have gone beyond their advisory role to the extent that they have influenced funding decisions so that contracts were awarded for low priority programs. Steps need to be taken to ensure that the AMPC role is limited to advisory matters and that Balance-of-State staff be solely responsible for awarding contracts and making decisions on the allocation of funds among programs. In addition, the 17 AMPCs could be consolidated and the number of members reduced.

Contract proposals in their current form have not provided Balance-of-State staff with adequate information to predict or measure performance. Information presented in contract proposals is often so vague and unmeasurable that it cannot be used for any meaningful assessment of likely program performance. In many cases the proposals make no mention of competencies required of participants or results to be achieved. Moreover, contractors are not required to give detailed cost information, and CETA staff lack a basis for assessing the reasonableness of proposed costs.

Contracts should be awarded only to providers who specify measurable objectives to be accomplished and provide detailed information to support costs.

Contract Management. Effective management requires timely, accurate information about contract activities. The Balance-of-State prime sponsor, however, does not require contractors to submit cost documentation and contractors do not always keep adequate financial records. Furthermore, the Balance-of-State program lacks an adequate management information system.

Because the Balance-of-State prime sponsor does not require contractors to submit documentation to support contract costs, administrators do not know how funds are being spent. This lack of documentation has resulted in inappropriate reimbursements that are difficult to recover. Since FY 1976, inaccurate or missing records have resulted in questioned costs of more than $3.5 million. Moreover, widespread and serious problems with fiscal controls were noted in nearly two-thirds of recently audited contracts.

The Balance-of-State prime sponsor needs appropriate fiscal controls to ensure the integrity of CETA expenditures. Controls should include requirements that documentation be submitted for contractor expenses. Desk audits should be made of cost reports by CETA staff. Costs should not be reimbursed without adequate documentation.

Because recordkeeping requirements for contractors are lacking, the Balance-of-State staff does not have adequate information for verifying costs, assessing program performance, or conducting follow-ups of clients who have been recorded as terminated from the CETA program. In more than one-third of the contracts reviewed by JLARC, participant, contractor, or cost records were either inaccurate, incomplete, or missing altogether. And available information is not always usable because of data entry backlogs, information gaps, and operating deficiencies in the program's centralized automated information system.

Balance-of-State staff should systematically sample and use participant records and staff time sheets in contractors' offices to ensure that data are complete and adequate. Assistance by State computer specialists should be requested to improve the responsiveness of the automated information system.

Contract Oversight. Methods used by the Balance-of-State staff to oversee contract operations include periodic visits to contractors to conduct compliance reviews and audits of records. However, the CETA staff has not performed regular on-site visits to contractors, and compliance monitors are far behind in the completion of required reviews. In FY 1980 and 1981, more than 36 percent of the compliance reviews were not completed, representing $43 million in unmonitored CETA funds. In the case of a $2.3 million contract between the Balance-of-State prime sponsor and the Virginia Employment Commission, lack of contract oversight resulted in cost overruns and duplicative client services.

Program monitors and fiscal auditors should audit all contracts annually while training contracts are in force. In addition, the Balance-of-State staff should make more frequent and thorough reviews of all contract operations.

Contract Enforcement. When contract operations are unsatisfactory, the Balance-of-State staff can suspend or terminate a contract. There has been an apparent reluctance to use enforcement mechanisms, however. For example, in one CETA contract costing $402,000, problems with contractor operations such as misleading and inaccurate information, failure to adhere to time schedules, and placement discrepancies were noted frequently by CETA staff. Nevertheless, the contract was not terminated and the total amount of the contract was paid to the contractor. The Balance-of-State staff should terminate contracts and discontinue payment when poor performance has been documented.

Future Program Options (pp. 49-53)

The diminished scope and funding of CETA come at a time when worsening economic conditions make the need for manpower programs even more critical.

Funding limitations will preclude maintaining all existing CETA programs and goals. State officials will have to decide whether to cut programs to match available federal dollars or to supplement funds from other revenue sources. Regardless of funding levels, the program must be refocused to ensure that the most critical employment and training needs of the disadvantaged are addressed efficiently and effectively.

The challenge facing the State to serve the unemployed in a period of limited funding requires careful consideration of all program options by appropriate officials. A number of programmatic options are available. The Commonwealth could

1. maintain the comprehensive goals of CETA but target funds to contractors who can demonstrate efficient and productive program results.
2. concentrate funding on programs that provide actual job experience for youths and adults such as on-the-job training and work experience programs.
3. reduce the number of CETA contracts that duplicate the responsibilities of other State agencies.
4. recognize the countercyclical intent of CETA and reconsider the need for short term employment through work experience or other means.
5. consider providing additional State, local, or private revenues for some parts of CETA.

The Governor should appoint a blue ribbon commission to consider all of these options, to monitor and respond to federal actions, and to develop and weigh other options for State initiatives. The commission should be composed of the appropriate Governor's secretaries, key agency representatives, members of the General Assembly, and representatives of business and industry.

Regardless of which options are implemented, administrative problems must be addressed to ensure contractor effectiveness and State accountability.

Recommendations Contained in this Report

Recommendation (1). The on-the-job training program should be monitored by requiring contractors to submit specific reasons for client terminations on monthly status reports. If patterns of negative termination emerge, vacant slots should not be refilled until problems are corrected. Supportive services should be provided by the contractor as part of the contract, by CETA staff, or through a supplementary contract.

Recommendation (2). Work experience programs should be focused on economically disadvantaged clients who are not served by other human service agencies, who are capable of working, and who want to work. Work experience contracts should stress meaningful work activities for clients and job development rather than specialized counseling.

Recommendation (3). The Balance-of-State should require all work experience and classroom training programs to have a component which focuses on job search skills. This training should be provided directly by the contractor, or by CETA regional staff when necessary. This training would reduce the need for costly and duplicative individual contracts for job search programs.

Recommendation (4). The Balance-of-State should not award contracts for client assessment, testing, and job counseling services where these services are provided by local employment offices. Clients with severe handicaps should be referred to State or local agencies that routinely deal with these client groups.

Recommendation (5). CETA funds for individual referral programs leading to a degree or certificate should be used sparingly, only after other training alternatives have been considered. Continuation of individual referral contracts should occur only if adequate client screening and regular follow-up mechanisms are implemented.

Recommendation (6). Balance-of-State staff should award classroom training contracts to contractors that show evidence of high placement rates and efficient operations. Vocational skills centers should be among contractors considered for continued funding.

Recommendation (7). The Balance-of-State prime sponsor should focus funding on programs that directly benefit clients by awarding employment-generating contracts only if the services cannot be provided by other agencies. Contract awards should be based on evidence of the contractor's capability in providing the service.

Recommendation (8). The Governor should appoint a blue ribbon commission to consider options for the future scope and funding of CETA. The commission could be composed of the appropriate Governor's secretaries, key agency representatives, members of the General Assembly, and leaders of business and industry.

Recommendation (9). The Balance-of-State prime sponsor should consider consolidating the existing seventeen AMPCs. One alternative could be to consolidate them into five councils defined by the boundaries of Balance-of-State's five regions. Council membership could be limited to two or three representatives from each current AMPC.

Recommendation (10). Balance-of-State staff should clarify and enforce the advisory role of AMPCs. Only Balance-of-State staff should be responsible for allocating funds among programs and awarding contracts.

Recommendation (11). The Balance-of-State central office staff should adhere to established policies regarding decentralization of all contracting authority to the regional offices. Any special funds awarded by the central office should be based on demonstrated need identified by regional staff.

Recommendation (12). The Balance-of-State prime sponsor should require realistic, measurable goals as part of every contract proposal. Contracts should be awarded only to providers who establish and adhere to measurable goals and comply with requirements to document participant achievements.

Recommendation (13). The Balance-of-State prime sponsor should require contractors to report more specific performance data regarding enrollments and terminations on monthly status reports. CETA staff should not re-award contracts that have failed to comply with this requirement. In addition, Balance-of-State staff should conduct client follow-ups to get a more complete picture of placement rates.

Recommendation (14). The Balance-of-State prime sponsor should require all contract proposals to provide a breakdown of cost categories for the primary contract and subcontracts. Detailed costs should be provided in all cost categories. A proposal that does not provide these breakdowns should not be funded.

Recommendation (15). The Balance-of-State prime sponsor should require contractors to provide documentation of competitive bids for subcontracted services. Staff should ensure that all subcontracts are free from the appearance of conflict of interest. This should be done by means of a pre-award check that includes corporate affiliations of all involved parties.

Recommendation (16). Balance-of-State staff should develop reasonable cost parameters. Proposals that exceed these parameters should not be funded until costs conform to guidelines or documented justification for excessive funds is presented.

Recommendation (17). Contractors should be held accountable for accurate records. The condition of contractor records should be considered in any re-award decisions. Compliance should be monitored by regional contract officers on a sample basis.

Recommendation (18). The Balance-of-State prime sponsor should request the Department of Management Analysis and Systems Development to assist in resolving problems with the automated information system.

Recommendation (19). Balance-of-State staff should develop and enforce appropriate fiscal controls to ensure the integrity of CETA expenditures. Adequate contractor documentation for expenditures should be submitted to the central offices, and the Balance-of-State staff should periodically make desk audits of a sample of contractors' records. Funding should not be continued for contractors who fail to supply required documentation.

Recommendation (20). Balance-of-State staff should take several steps to encourage appropriate use of enforcement tools by contract officers:

1. Policy should be developed to require contract modification or closeout for contracts with insufficient activity within 45 days of the effective date.
2. All contracts should state specific tasks, activities, or levels of achievement for clients.
3. Contract files maintained by CETA

staff should contain adequate documentation of all contract activities including all correspondence, records of telephone conversations, enrollment and expenditure reports, and other types of progress reports.

4. Fiscal auditors should audit all contracts where problems have been identified.
5. Contracts should be terminated when reasonable performance is not forthcoming.

Recommendation (21). Balance-of-State staff should develop clear and appropriate responsibilities for contract officers that emphasize an ongoing contract oversight role. Recordkeeping and client counseling are responsibilities of contractors and should not be performed by contract officers.

Recommendation (22). Balance-of-State staff should develop alternatives for marketing on-the-job training contracts.

Recommendation (23). The Balance-of-State prime sponsor should restructure its oversight processes to maximize the use of staff, to adequately assess contract quality, and to fill in gaps in oversight. Five actions need to be taken:

1. *Improve ongoing oversight at the regional level.* Contract officers should visit contractors' offices on a biweekly basis. As part of these visits, contract officers should review a sample of participant records, interview participants, and observe general contract operations.
2. *Assign top priority to the completion of required reviews by the independent monitoring unit.*
3. *Perform annual fiscal audits of contracts.* Fiscal auditors retained by the CETA Audit Unit should perform annual in-depth audits of contracts while they are in force.
4. *Develop additional measures of contract progress.* Central office evaluation staff should develop methods for assessing progress such as follow-up assessments with terminated clients and unannounced visits to worksites.
5. *Expand the use of the Comprehensive Employment and Training Service in the Department of Education.* Contract officers should seek the opinion of Department of Education curriculum specialists when evaluating contracts that provide skills training.

Recommendation (24). The VEC Commissioner should oversee a new contractual arrangement between CETA and the employment services division that addresses the following:

1. Provides detailed outcome measures as targets for employment services staff.
2. Requires quarterly operational reviews by a review team that is independent of both divisions, such as the planned internal audit unit that will report directly to the VEC Commissioner.
3. Assigns enforcement responsibility for the contract to the Commissioner.

JLARC *JLARC is an oversight agency of the Virginia General Assembly. Its primary function is to carry out operational and performance evaluations of State agencies and programs.*

Joint Legislative Audit and Review Commission

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PREFACE

House Joint Resolution 268 of the 1981 session of the General Assembly directed the Joint Legislative Audit and Review Commission to study the CETA program operated by State agencies. This report responds to that mandate and offers a number of recommendations for improving program outcomes and operations.

The Comprehensive Employment and Training Act (CETA) provides federal funding for training programs aimed at improving the employment rate and earnings of economically disadvantaged persons. CETA funds in Virginia are administered by 11 local and State government prime sponsors. The Commonwealth of Virginia is the largest prime sponsor with administrative responsibility assigned to the Virginia Employment Commission (VEC).

The CETA program is now undergoing major changes at the federal level. Officials are proposing sharply decreased funding levels and an increased role for state governments. The Commonwealth will need to evaluate client outcomes and management processes to ensure that limited funds are used more effectively.

In general, the CETA program operated by the VEC has been able to get jobs for about half of all adult clients. The quality of jobs and job retention rates, however, have been low. In some cases, program operators appear to have benefited more than program participants. And in some instances, positive results were negligible and program costs were exceptionally high. The VEC could get better results with shrinking program dollars by improving program management. Key administrative issues that need to be addressed include the awarding of training contracts based on performance standards, increased documentation of costs and program operations, and more effective use of oversight and accountability mechanisms.

Following the staff report on the VEC program, the commission appointed a subcommittee to review the operations of Virginia's ten local prime sponsors. This review is included in the appendix to the report. The final report was accepted by the commission on May 10, 1982.

On behalf of the commission staff, I wish to acknowledge the cooperation and assistance provided by the agencies involved.

Ray D. Pethtel

Ray D. Pethtel
Director

June 16, 1982

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I. INTRODUCTION

The Comprehensive Employment and Training Act (CETA) of 1973 provides federal funding for employment and training programs. The goal of CETA is to improve the employment rate and earnings of the economically disadvantaged. More than 54,000 Virginians participated in CETA programs in FY 1980. Since the program began in Virginia in 1975, CETA has brought more than one-half billion dollars into the State's economy. These funds have paid for such activities as occupational skills training, remedial education classes, and temporary subsidized jobs in public and nonprofit agencies.

In Virginia, CETA funds are administered by 11 local and State government units, known as prime sponsors. The Commonwealth of Virginia is the largest of these prime sponsors, serving more than one-half of all recipients with 53 percent of all CETA funds that flow into Virginia. The Virginia Employment Commission (VEC) has been designated by the Governor as the administrative agency for the State's prime sponsor activities. As an agency of State government, the VEC must ensure that CETA funds are used effectively and efficiently in carrying out State as well as federal employment policy.

The Future of CETA

Program modifications and funding uncertainties at the federal level have significantly altered the scope of the CETA program, which comes up for re-authorization in FY 1982. In response to the need for a sweeping overhaul of the program, Congress will be considering two congressional bills and one administration bill.

Strong bipartisan support exists for a federally funded employment and training program for the hard-core unemployed. Congressional bills address the following major points:

- Retention of Local Administration. Local officials will continue to play a key decision-making role regarding program planning and training delivery.

- Enhanced Role for Business. Private business leaders will be encouraged to play a greater role in planning and administering education and training programs. Increased tax incentives and wage supplements will be used as incentives for greater participation.

- More Emphasis on Accountability. Program administrators will have to account for funds through measurable, enforceable standards like placements, job retention rates, earnings gains, and reduction in welfare rolls.

- Diminished Role for Federal Government. The major role of the federal government will be fund allocation. Program implementation will be the responsibility of state and local governments.

- Greater Role for the States. In one of the proposed bills, state governments will be required to hold prime sponsors accountable for all employment and training activities in their jurisdictions. This means states may need comprehensive systems for overseeing widespread operations.

The Reagan administration's bill proposes to phase CETA out by FY 1983. The program would be replaced by a new training project heavily dependent on help from private business with emphasis on training and placing recipients of Aid to Dependent Children and out-of-school youth between the ages of 18 and 25. This proposal places principal responsibility on the states for program administration.

Regardless of which federal plan is finally adopted, states are likely to have additional responsibility and authority for designing and operating employment and training programs.

Legislative Framework

Historically the federal government has taken the lead role in developing manpower programs. In the 1960s major federal programs stemming from the Economic Opportunity Act were designed to help the disadvantaged achieve economic self-sufficiency (Figure 1). Other programs, like the Manpower Development and Training Act, emphasized the retraining of workers to meet the needs of changing technologies. By the early 1970s numerous federal agencies were administering a variety of categorical manpower programs that were duplicative and difficult to manage.

CETA legislation in 1973 was intended to consolidate and simplify this confusing network of regulations, requirements, and administrative agencies. Most existing programs were grouped under three broad categories -- adult training, youth training, and public service jobs. CETA promoted decentralized program management by giving major control to State and local governments.

In its original language, CETA's goal was similar to goals of previous programs in putting unemployed, disadvantaged people to work by improving their skills and work habits. Most money and programs were geared toward training in job skills or remedial education. In response to economic recessions, however, Congress began in 1974 to inject increasing amounts of money into the public service jobs program to create positions for unemployed persons, many of whom had been laid off during fluctuations in labor market demand. Public service job levels

Figure 1

FEDERAL MANPOWER PROGRAMS
1960-1981

1960

1970

1980

1990

'60's and early '70's

Neighborhood Youth Corps
School year and summer programs for urban youth.

Job Corps
Intensive services for severely disadvantaged youth.

Mainstream
Subsidized jobs for older workers in rural areas.

Concentrated Employment Program
Consolidated services offered to particular geographic areas.

New Careers
Placement of disadvantaged workers into public service jobs.

CAMPS
Coordination of federal programs.

Public Service Careers
Increased public sector career opportunities.

Public Employment Jobs
Public employment in high unemployment areas.

CETA, Enacted 1973
(see below)

CETA, Reauthorized 1978

Adult Employment and Training Services (Title IIB)
Enable economically disadvantaged adults to attain occupation potential.
FY 80: $19,216,000[1]

Youth Programs (Titles IV & VIII)
Enhance employment and career opportunities for youth.
FY 80: $15,862,000

Public Service Employment (Titles IID & VI)
Provide temporary public service work to economically disadvantaged adults.
FY 80: $28,766,000

Private Sector Initiatives (Title VII)
Encourge private sector involvement in manpower programs and policy.
FY 80: $3,241,100

CETA, October 1, 1981

Adult Employment and Training Services (Title IIB)
See CETA, 1978
FY 82: $16,360,000[2]

Youth Programs (parts of Title IV)
See CETA, 1978
FY 82: $9,061,200

Private Sector Initiatives (Title VII)
See CETA, 1978
FY 82: $2,478,000

CETA, 1983
Expires unless reauthorized

[1]*Figures represent VEC CETA allocation.*
[2]*Figures represent projected VEC CETA allocation.*

Source: JLARC presentation of U.S. Department of Labor data.

reached a peak in FY 1978 with more than $6 billion supporting the program. As state and local program operators rushed to create public service jobs, charges of fraud, substitution of CETA funds for local or state funds, and "make work" jobs began to surface. In response, Congress mandated various corrective changes to the program in 1978.

Program changes in 1978 had three major outcomes: (1) increased accountability requirements for program operators; (2) a reduced number of public service jobs; and (3) greater emphasis on creating unsubsidized jobs in the private sector. Accountability was increased by tightening eligibility requirements, limiting length of participation, and mandating on-going monitoring of programs by local and state officials. Private sector initiative programs were funded to encourage businesses and industries to train and hire CETA participants.

Federal budget cuts in 1981 drastically reshaped the CETA program as illustrated in Figure 1. All public service jobs were eliminated, and other programs suffered funding reductions. Preliminary allocation figures for FY 1982 show a drop in funding levels to about 50 percent of FY 1980 figures.

PARTICIPANTS AND PROGRAMS

The CETA program was designed as a "safety net" for individuals who fail to successfully follow the traditional sequence of high school graduation to fulltime job. These individuals either do not have jobs or are in low-paying, dead-end jobs for a variety of reasons, including lack of a high school diploma, lack of marketable skills, poor work history, and physical or mental handicap. CETA programs are intended to offer these individuals a second chance to succeed in the job market and to offset the effects of a depressed economy. This alternative system provides a variety of training activities geared toward getting people jobs.

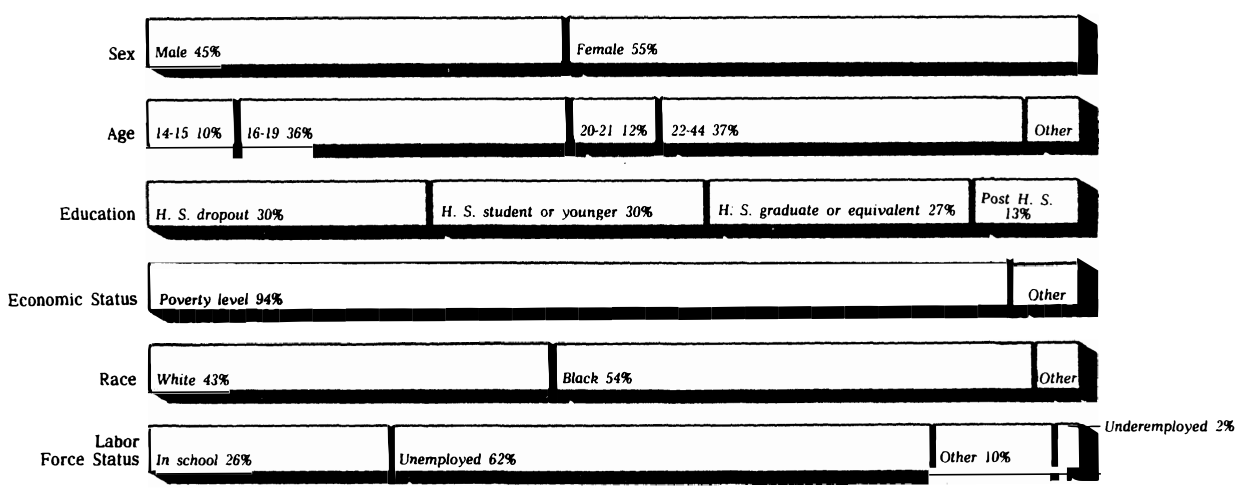
Characteristics of CETA Participants

In FY 1980, more than 54,000 Virginians were enrolled in the CETA program statewide. The CETA program in Virginia served a population that can be described generally as disadvantaged and unemployed (Figure 2). Ninety-four percent of the participants lived in households with income below the poverty level; approximately fifteen percent were welfare recipients. Nearly all adults enrolled in the program were unemployed; two percent were considered underemployed because they were locked in low-paying, dead-end jobs.

Fifty-three percent of all CETA clients in Virginia were female. Fifty-four percent of all CETA participants were black, forty-three percent were white. Forty-six percent were between 14 and 19 years of age. Most adults were between the ages of 22 and 44 with only five percent of all participants older than 45. Educational levels were evenly represented. One-third of the participants were high school dropouts, twenty-seven percent had graduated from high school, and thirteen percent had post-high school education. Thirty percent were still in high school.

Figure 2

PROFILE OF CETA PARTICIPANTS IN VIRGINIA
FY 1980
Total Clients = 54,000



Source: Department of Labor, Quarterly Statistical Reports, Quarter 4, 1980.

Employment and Training Programs

CETA emphasizes the development of training programs tailored to eliminate barriers to employment such as lack of experience and skills. Programs may also provide supportive services such as child care or transportation. CETA operates on the belief that once barriers to employment are identified and removed, participants will be in a better position to compete successfully for unsubsidized employment. In order to remove barriers, CETA provides a wide array of programs targeted at specific client groups.

Prime sponsors have considerable latitude to design programs with many configurations. The most common types of programs are on-the-job training, work experience, manpower services, classroom training, and employment-generating activities. These programs are aimed at improving the employment potential of clients. The only exceptions are employment-generating activities which emphasize job development in the private sector with the expectation that disadvantaged people will benefit from increased employment opportunities.

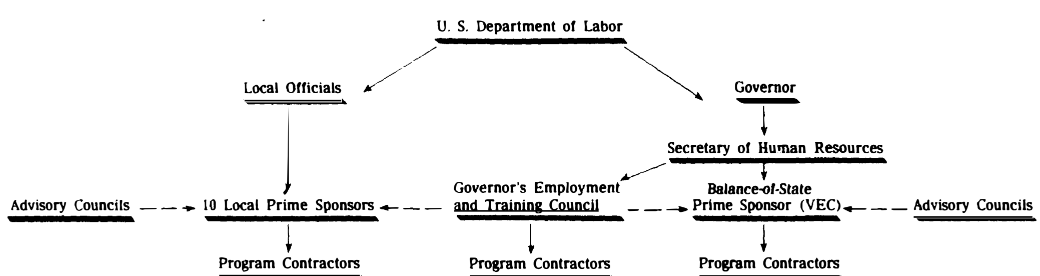
Training in an occupational skill is always provided in on-the-job training programs. Occupational skills as well as remedial training are offered in classroom training programs. Work experience programs attempt to expose people to structured work situations but sometimes offer training components as well. Employment service programs do not provide occupational training. Instead, they include a wide range of supportive services in such areas as client motivation, the job search, and attitude adjustment.

ADMINISTRATION AND FUNDING

The administration and delivery of CETA programs involves a widespread network of government units and service providers (Figure 3). The federal government, through the Department of Labor, plays a major role in the program by issuing client eligibility criteria and operational regulations, approving local service plans, and exercising oversight through inspections and audits of program activities. The U.S. Department of Labor allocates funds to designated state and local prime sponsors who administer them.

Figure 3

STRUCTURE OF THE CETA PROGRAM



Dotted lines signify advisory authority.

Source: JLARC presentation of Governor's Employment and Training Council data.

Program Administration

State and local prime sponsors have major administrative roles in the program. Councils composed of business, government, and community representatives at the State and local levels serve in an advisory capacity to prime sponsors. Employment and training services are actually delivered by providers who enter into contractual agreements with prime sponsors.

Congress encourages local decision-making for CETA through the prime sponsor system. State and local prime sponsors, in cooperation with citizen councils, are responsible for determining the types of manpower and training services to be offered in the area, the delivery agents to provide these services, and the population groups to be served. Prime sponsors are also required to monitor programs and furnish the Department of Labor with reports on program operations. Each state is also required to have a state-level council to coordinate all employment and training activities.

Virginia's Prime Sponsors. Virginia has 11 prime sponsors (Figure 4). In order to qualify as a prime sponsor, a local government must have a population of at least 100,000. A consortium may also be established if one of the governmental units meets the 100,000 population criterion. Most major metropolitan areas of the State have been designated as prime sponsors. The following are single jurisdiction prime sponsors:

- the City of Alexandria
- Arlington County
- the City of Portsmouth
- Prince William County

There are six consortia:

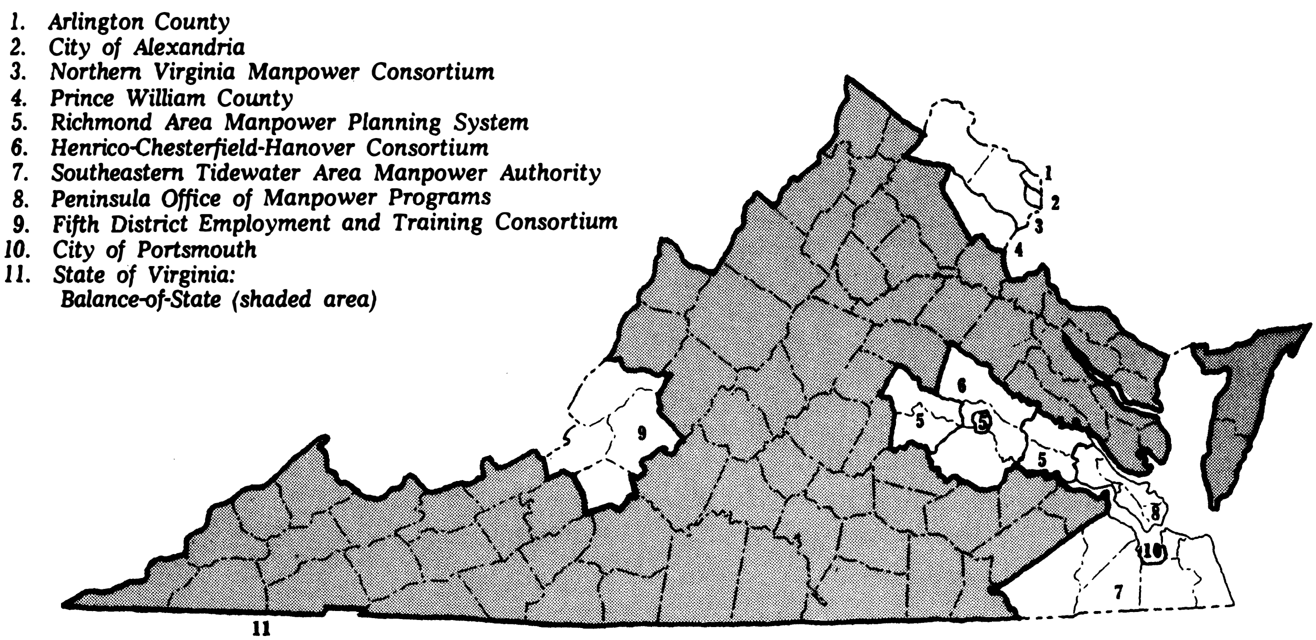
- Henrico-Chesterfield-Hanover Consortium
- Northern Virginia Manpower Consortium
- Peninsula Office of Manpower Programs
- Richmond Area Manpower Planning System
- Fifth District Employment and Training Consortium (Roanoke area)
- Southeastern Tidewater Area Manpower Authority

The State serves as the prime sponsor for all areas not served by any other prime sponsor and is referred to as the Balance-of-State prime sponsor. The Balance-of-State program is the largest prime sponsor in Virginia in terms of both participants and geographical area. The Balance-of-State area encompasses 40 percent of the labor force in the State and 80 percent of the land area.

The Virginia General Assembly is responsible for appropriating CETA funds administered by the Balance-of-State prime sponsor. The General Assembly also retains an oversight responsibility to ensure

Figure 4

VIRGINIA'S PRIME SPONSORS



Source: JLARC presentation of Governor's Employment and Training Council information.

that programs are efficiently and effectively run according to State policy. The General Assembly is not responsible for appropriating funds or overseeing CETA programs administered by the ten local prime sponsors.

The Governor's Employment and Training Council. CETA legislation requires each state to establish a state-level employment and training council, known in Virginia as the Governor's Employment and Training Council. The council is composed of 40 gubernatorial appointees representing local governments, the 11 Virginia prime sponsors, organized labor, business and agriculture, the client population, and service deliverers. Staff support is provided by 20 fulltime positions. The council advises the Governor on various aspects of manpower programs and grants. It also reviews the operation of manpower programs conducted by all prime sponsors and of all State agencies. The council may make recommendations to prime sponsors, State agencies, and the Governor on ways to improve program effectiveness. The council serves in an advisory capacity and cannot compel these groups to take specific actions. In addition to its advisory role, the council administers special grants used for vocational education services, youth programs, Native American programs, and prime sponsor coordination activities.

The Role of Contractors. Contractors play a key role in CETA because they provide training and support services to clients on a daily basis. Prime sponsors are given the option of providing employment and training services themselves or contracting for services provided by another organization. All of Virginia's prime sponsors purchase at least some of their programs and services from outside contractors. In FY 1981, the Balance-of-State prime sponsor contracted for all its training programs.

In the Balance-of-State prime sponsor area in FY 1981, the CETA delivery system comprised four general types of contractors: (1) agencies of local governments, (2) private, nonprofit organizations, (3) State agencies, and (4) private profit-making businesses. Local governments accounted for the greatest amount of contract dollars. The bulk of this money went toward subsidized wages of CETA participants in the Public Service Employment Program which has been subsequently phased out. Private, nonprofit agencies received the second highest amount of funds, followed closely by State agencies. In particular, the community college system and vocational skills centers have been actively involved in providing CETA training.

Funding and Expenditures for CETA Programs

All funding for CETA comes from the federal government through Congressional appropriations. Since the CETA program began operating in 1975, more than a half billion dollars in federal funds has been allocated to Virginia prime sponsors. Nearly 80 percent of this amount has been spent.

Funding Levels. Funds are allocated to each prime sponsor based on the size of the labor force, the unemployment rate in the geographic area covered, and the number of adults in families with an annual income below the low-income level of the geographic area covered by the prime sponsor. Because it covers a sizeable rural area with little industrial development, the Balance-of-State prime sponsor has a higher unemployment rate than the other prime sponsors in Virginia. Since 1975, the Balance-of-State prime sponsor has received 53 percent of the CETA funds that have flowed to Virginia (Table 1).

The Tidewater area, represented by Southeastern Tidewater Area and Peninsula Area prime sponsors, received one-quarter of the CETA funds. While four separate prime sponsors administered CETA funds in Northern Virginia, the total amount distributed to this geographic region of the State was just about nine percent of the total. The Richmond metropolitan area, including the Henrico-Chesterfield-Hanover Consortium, received eight percent.

Table 1

ALLOCATION OF CETA FUNDS TO
VIRGINIA PRIME SPONSORS
FY 1975-1980
(millions of dollars)

	Amount of Funds	Percent of Funds
Balance-of-State	$320.7	53.1%
Southeastern Tidewater Area Manpower Authority	108.6	17.9
Peninsula Office of Manpower Programs	39.0	6.4
Richmond Area Manpower Planning System	36.8	6.0
Fifth District Consortium (Roanoke)	31.0	5.1
Northern Virginia Consortium	25.6	4.2
Arlington County	14.1	2.3
Henrico-Chesterfield-Hanover Consortium	12.4	2.0
City of Alexandria	8.8	1.4
Prince William County	6.0	.9
Portsmouth[1]	.2	(-)
	$603.2	100%

[1]Portsmouth, formerly part of the Southeastern Tidewater program, became a prime sponsor in 1980 and received $257,148.

Source: GETC annual reports, FY 1975-1980.

Funds for the Governor's Employment and Training Council are allocated by a formula based on the total amount of funds received by Virginia's 11 prime sponsors. Since 1975, the council's funds have totalled $26.2 million. From 1978 to 1981, the Commission on Outdoor Recreation received $7 million in CETA funds. The commission administered the Young Adult Conservation Corps program, which was phased out by Congress for FY 1982.

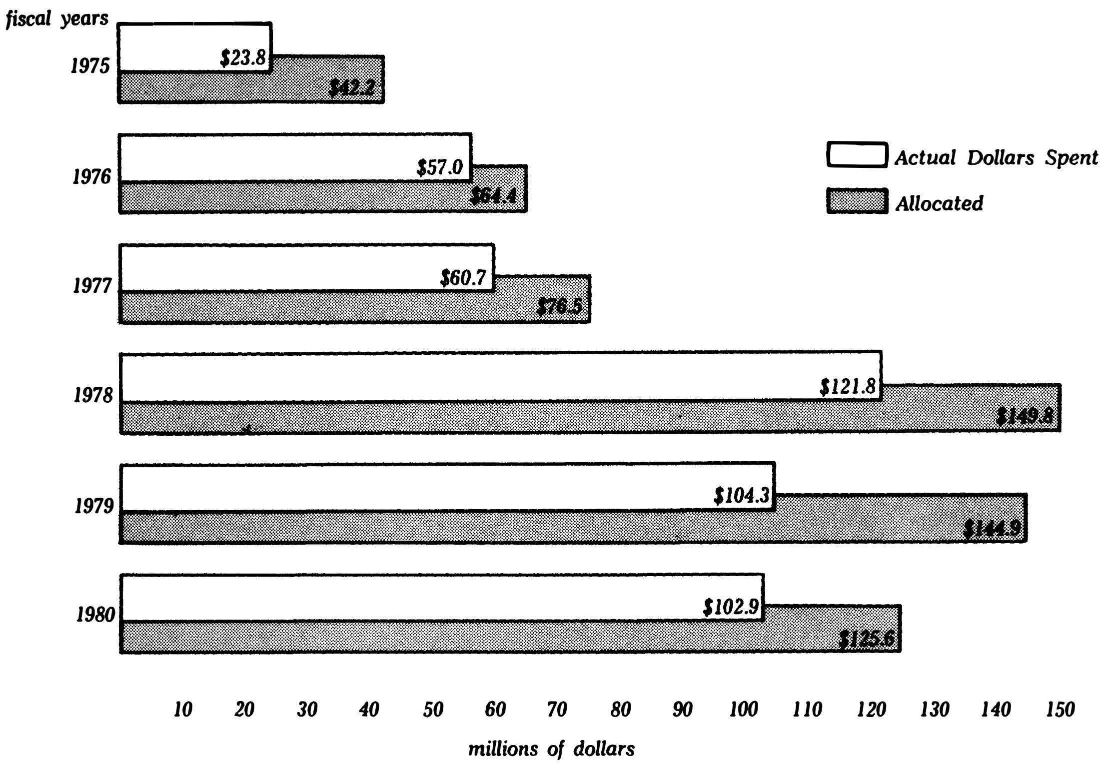
Budget cutbacks for FY 1982 have affected all prime sponsors. For the Balance-of-State prime sponsor, the FY 1982 allocation of $31.1 million is only 48 percent of the amount received in FY 1981. Balance-of-State administrators are braced for even more funding reductions as the fiscal year progresses.

Expenditure Rates. The federal government has encouraged full expenditure of funds by prime sponsors. In fact, a key measure of a prime sponsor's success, according to the U. S. Department of Labor, is its expenditure level. Moreover, a prime sponsor's annual allocation is based in part on prior years' expenditures. In effect, prime sponsors operate under a "use it or lose it" policy, except for authorized carry-over amounts.

Virginia's prime sponsors have never spent all the CETA funds available (Figure 5). In 1975 when the program was just getting off the ground, prime sponsors spent 56 percent of the total. By the next year, this proportion was nearly 90 percent. During the past few years, expenditures have leveled out at 80 percent.

Figure 5

EXPENDITURE LEVELS FOR PRIME SPONSORS IN VIRGINIA FY 1975-1980



Source: Department of Labor Quarterly Reports, FY 1975-1980.

JLARC REVIEW

The General Assembly's interest in the use of CETA funds was expressed in House Joint Resolution 268, passed in 1981. Specific topics of concern stated in the resolution were low placement rates, the high cost of programs, and reports of wasteful and inappropriate uses of CETA funds. HJR 268 requested that JLARC make "an indepth review and audit of the effectiveness of existing CETA programs administered by State agencies."

Scope of the Review

In accordance with the resolution, this report focuses on two areas:

1. State Agencies. HJR 268 calls for a review of CETA programs run by State agencies. The review focuses on the Balance-of-State prime sponsor as the State agency that administers the majority of funds.

2. Existing Programs. HJR 268 was passed while federal officials were decreasing funding for youth and eliminating public service jobs. The JLARC review focuses on the adult training programs which receive the bulk of remaining CETA funds and were primarily long term programs with specific employment-related goals.

Objectives

The JLARC review of CETA programs run by State agencies had four major objectives:

1. To describe CETA programs statewide in terms of revenues, costs, services, and participants.

2. To evaluate the impact of the Balance-of-State CETA program on State and local agencies and participants.

3. To assess the comparative effectiveness of different training programs operated with CETA funds.

4. To review the adequacy of State policies for administering CETA programs.

Methodology

To carry out this review, JLARC staff collected and analyzed data from a number of sources. The chief data collection effort was an indepth review of a generalizeable random sample of 1980 and 1981 adult training contracts in the Balance-of-State prime sponsor. The contract review was supplemented with a telephone follow-up of participants in the sampled contracts; surveys of public agencies and private businesses; visits to each of five regional operations centers; and reviews of participant records, planning documents, audit and monitoring reports, and financial and statistical reports.

Contract Review. The review of adult training programs was based primarily on an analysis of 89 contracts active during FY 1980 and 1981. These represented each of the major CETA programs. The 1980 period was chosen to ensure that programs were completed and that participants had several months of post-CETA activity prior to our review. JLARC staff reviewed each contract in the primary and supplementary samples for the following:

- description of the type of training
- types of delivery agents
- costs of the training
- demographic information about participants
- summary of participant outcomes

Contract information was linked to administrative processes and individual participant outcomes whenever possible to provide a total picture of the program.

Participant Follow-up. JLARC made a telephone and mail survey of a random sample of 248 clients from 50 CETA contracts. This survey provides the first extensive assessment of participant outcomes in the Balance-of-State program. Respondents were asked questions related to the following:

- wages, both before and after CETA
- employment history since leaving CETA
- personal benefits of CETA training
- opinions of the CETA training

Balance-of-State staff provided important assistance in assembling participant records for the follow-up.

Survey of Public Agencies. A sample of State and local government contractors who operated public service employment programs was surveyed by telephone to determine the impact of public service programs on government operations. JLARC examined types of services provided by CETA-funded staff as well as effects of funding cutbacks.

Survey of Private Employers. Private employers in the primary sample of training contracts were surveyed to determine the effectiveness of local employment offices in referring participants to programs. In addition, private employers were asked to give an assessment of participants' skills and attitudes, ways of improving the program, and alternative incentives for hiring the disadvantaged in the private sector.

Report Organization

This report is organized into four chapters. While the first chapter has described the history and configuration of Virginia's CETA program, Chapter II focuses on the Balance-of-State program and assesses the impact of recent funding reductions. Chapter III examines the effectiveness of Balance-of-State programs and presents several options for future program direction. Finally, Chapter IV reviews the efficiency of program administration by the Balance-of-State prime sponsor.

II. THE CETA PROGRAM IN THE BALANCE-OF-STATE

As the largest prime sponsor in the Commonwealth, the Balance-of-State prime sponsor has the largest client population and the greatest diversity of programs and providers. Although nearly all clients are economically disadvantaged, they represent a variety of education levels, handicaps, and job experiences. As a result, programs in the Balance-of-State area have evolved with numerous services and multiple goals. The service delivery system created by the Balance-of-State prime sponsor is composed of contractors from all parts of the public and private sectors.

Extensive funding has gone to State and local government agencies in the Balance-of-State prime sponsor area. But the elimination of public service jobs coupled with across-the-board funding reductions in FY 1981 has had a major impact on government agencies, especially at the State level. For some agencies, this means staff layoffs and reduction of service levels; in other agencies, it means serving fewer clients.

CLIENTS, PROGRAMS, AND PROVIDERS

The CETA program was intended to consolidate and simplify the confusing array of employment and training programs for the disadvantaged that existed prior to 1973. The major change, however, was that all programs were subsumed under a new program name, with local and state prime sponsors taking over program operations. To this day the program remains a composite of multiple goals that are difficult to define or accomplish and numerous services, contractors and client groups.

According to federal policy, the purpose of CETA is twofold: (1) to provide training and employment opportunities for the economically disadvantaged; and (2) to establish a flexible, coordinated delivery system. The Balance-of-State prime sponsor has attempted to address the first of these factors by serving a wide range of clients with a broad spectrum of training programs. In its efforts to create and maintain a coordinated delivery system, the Balance-of-State prime sponsor has awarded CETA funds to a mix of providers that includes State and local governments, nonprofit community organizations, and private, profit-making companies.

Given recent funding reductions, the Balance-of-State prime sponsor may not be able to serve all clients or fund existing programs. The clients who will be affected include the economically disadvantaged who are at or below the poverty level, but who are not currently receiving public assistance.

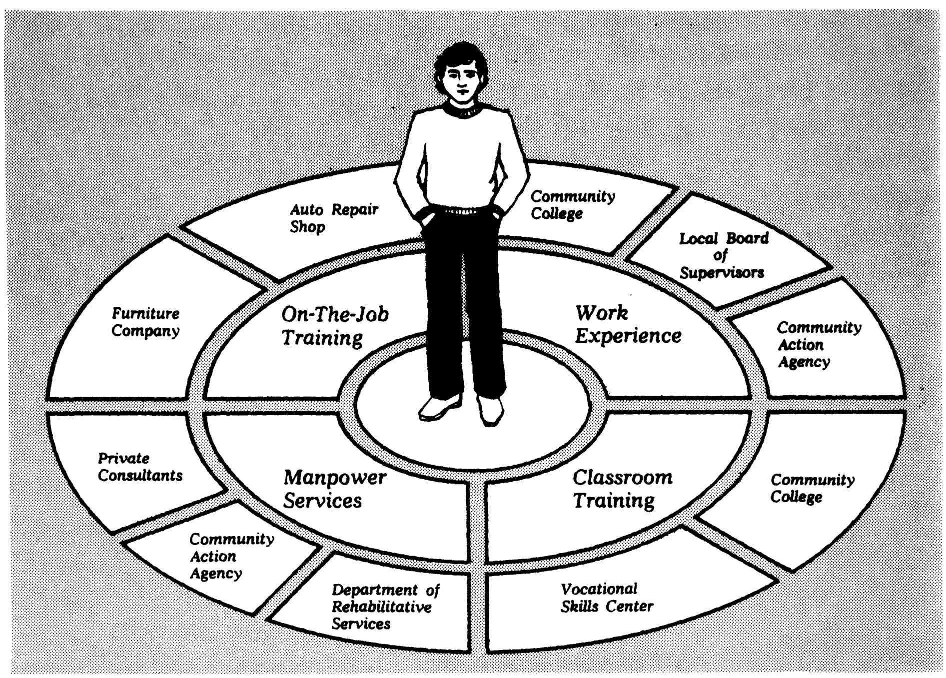
Getting into the CETA System

The CETA program is designed to get people jobs by removing personal barriers to employment. At the core of the CETA system is the unemployed CETA client. The most common way of entering a CETA training program is for an unemployed individual to be referred to a program by a local office of the Virginia Employment Commission (VEC). The individual is interviewed by a VEC counselor to determine whether he or she is categorically eligible for CETA. In many cases, the counselor also assesses the person's interests and aptitude. This is followed by referral to a vacant slot in a local CETA program.

As Figure 6 illustrates, numerous configurations of training programs and providers exist in the Balance-of-State area. The VEC coun-

Figure 6

THE CETA BALANCE-OF-STATE TRAINING SYSTEM



selor can refer a client to a particular type of program, such as on-the-job training. Once this decision is made, an additional choice is needed regarding the type of provider. For example, the counselor must decide if the training should be provided by the furniture company or by the auto repair shop.

Ideally, the client should be referred to a program that offers a skill of interest to him or her, as in the following example from JLARC's survey of CETA clients.

> *A young veteran who had received some basic electronics training in the military wanted to become an electrician. He was placed in an on-the-job training program with an electrical contractor.*

Sometimes, however, the matching of client and program is not so fortuitous, as illustrated in another case.

> *A disadvantaged woman who had worked as a secretary before leaving the job market for several years wanted to receive training to polish her secretarial skills. She was placed in an on-the-job training program with a poultry company and was trained as a turkey trimmer.*

JLARC found that clients often define the success of CETA programs in terms of long or short term goals. For some clients the greatest satisfaction is derived from a meaningful placement with the ability to retain a job. Other clients, however, have short term objectives in terms of skill improvement as well as interim employment or allowances paid during training.

Client Characteristics

The CETA system serves a wide range of individuals in the Balance-of-State area. CETA funds in the Balance-of-State are not targeted towards one or two specific client groups, such as high school dropouts or unemployed heads of households. Instead, the CETA "pie" is divided into many small pieces, so that a wide array of people gets served. Special groups served by the Balance-of-State prime sponsor were disadvantaged homemakers, seasonal farm workers, people with physical and mental handicaps, veterans, and ex-offenders.

The one common characteristic of CETA participants is their economic disadvantage. Ninety-six percent of the participants served by the Balance-of-State prime sponsor were below the federally established poverty level. About one-fifth were receiving some type of public assistance. Other characteristics of participants follow:

- 57 percent are male
- 40 percent are black
- 39 percent are high school dropouts
- 30 percent are parents with dependent children
- Median annual income is $1,320

In the course of this review, JLARC staff interviewed a sample of clients from the Balance-of-State area. Two characteristics shared by most of these clients were irregular work histories and lack of education. The following cases show the range of CETA client backgrounds:

> *A physically handicapped man, whose last occupation was a dishwasher, enrolled in a CETA program during which he worked as a janitor in a school cafeteria.*
>
> * * *
>
> *A veteran who had dropped out of high school and had no formal work experience learned job search skills in a CETA program.*
>
> * * *
>
> *A high school dropout with six children took remedial classes and worked as a housekeeper at a community college during her CETA training.*
>
> * * *
>
> *An ex-offender worked as a clerk in a CETA program after completing a four-year prison term.*
>
> * * *
>
> *A high school dropout with a young child obtained job search and nursing skills training in a community college, while she earned her graduate equivalency diploma (G.E.D.).*

Programs and Goals

The CETA system in the Balance-of-State area is made up of different types of training programs and services. These include on-the-job training, classroom training, work experience, manpower services, and employment generating services (Figure 7). In FY 1981, these programs served more than 33,000 participants at a cost of $19.2 million. As Figure 7 shows, work experience programs involved the majority of clients and highest amount of expenditures. The training program with the lowest participant level was on-the-job training. Employment-generating programs do not directly involve participants.

Prime sponsors have considerable latitude to design and combine programs to meet multiple goals such as to increase earnings through training in occupational skills or to obtain income maintenance through temporary employment. Figure 8 shows major CETA goals related to programs. Training may take the form of vocational instruction in the classroom or firsthand learning on the job, for example. Some programs may provide services such as child care or transportation, which enable the participant to attend program activities. Program

Figure 7

CETA PROGRAMS IN THE BALANCE-OF-STATE PRIME SPONSOR FY 1981

On-the-Job Training

Participants are placed in private industries or businesses where they learn skilled or semi-skilled jobs by actually doing them. Participants receive the company's standard wages and benefits. Employers are reimbursed with CETA funds for training costs up to 50 percent of a client's wages.

Contracts: 401
Participants: 3,939
Expenditures: $1,139,608

"A furniture manufacturer trained eighteen people for thirty-five weeks as wood machinists, furniture assemblers, and furniture finishers."

Classroom Training

Participants receive occupational or remedial instruction in a formal classroom setting. They are paid an hourly allowance or a weekly incentive amount.

Contracts: 68
Participants: 8,675
Expenditures: $7,397,404

"Fourteen people received classroom training in welding at a vocational-technical center."

Work Experience

Participants are given short-term work assignments in public or private nonprofit agencies. They receive hourly wages and benefits.

Contracts: 71
Participants: 13,644
Expenditures: $7,683,238

"Twenty unemployed homemakers got temporary jobs as teacher aides, day care workers, receptionists, and clerks. They were stationed at various public and private, non-profit agencies in the Lynchburg area."

Manpower Services

Participants receive training in ways of finding and retaining a job. In some cases, participants receive hourly allowances.

Contracts: 18
Participants: 7,408
Expenditures: $2,793,123

"A CETA-funded 'Job Club' gave unemployed participants a 2-week course in job search skills."

Employment Generating Activities

Contractors work with private businesses to encourage the creation of new jobs that could be filled by CETA participants.

Contracts: 7
Participants: Not Applicable
Expenditures: $589,634

"Retired businessmen assisted small business in financial planning, tax incentives, hiring practices, and management skills."

Source: Balance-of-State Fourth Quarter Report to the Department of Labor, FY 1981, and Fiscal Management Reports.

differences reflect the fact that different groups of CETA participants have different needs. The success of CETA as a whole relies upon the selection of appropriate goals and the ability of programs to achieve those goals.

Figure 8

GOALS OF CETA PROGRAMS OFFERED BY THE BALANCE-OF-STATE PRIME SPONSOR

Goals	Work Experience	On-the-Job Training	Classroom Training	Manpower Services	Employment Generating Activities
Increase Employment Rate	●	●	●	●	●
Increase Earnings	●	●	●	●	
Provide Regular Work	●	●			
Teach Occupational Skills		●	●		
Teach Non-occupational Skills	●			●	
Provide Remedial Education			●		
Offer Special Services	●		●	●	
Provide Wages/Allowances	●	●	●	●	
Income Maintenance	●				

Source: JLARC presentation of U.S. Department of Labor information.

Work Experience. The CETA program with the broadest goals is work experience. The goal of this activity is to get people accustomed to regular work and help them adopt good work habits. The principal activity in a work experience program is a regular job that clients perform up to 40 hours a week. These jobs seldom last longer than six months for adult programs. Jobs include entry level positions such as janitors, clerk-typists, and cafeteria helpers.

According to federal law, these jobs must take place in the public or private nonprofit sector. Work experience clients receive the federal minimum wage for each hour worked. This taxable wage is designed as both a financial incentive for participating in CETA and an income supplement for poverty level families. According to federal policy guidelines, work experience programs may serve as a "holding tank" for CETA clients, giving them a wage and meaningful work while program managers try to move them into skills training or place them in unsubsidized jobs.

On-the-Job Training. Like work experience programs, on-the-job training (OJT) provides clients with regular jobs for which wages are paid. But unlike work experience, most on-the-job training programs also provide training in a specific occupational skill or group of skills while the client performs the job. For example, a client hired by a furniture manufacturer as a wood machinist would work a regular 40 hour week and learn machinist skills while performing the job.

OJT participants receive a taxable salary and receive benefits equivalent to other employees in the same position. Likewise, CETA clients must abide by all company rules and regulations. Up to one-half of the training costs are reimbursed to the employer by CETA. The federal subsidy is intended as an incentive for the private sector to train the disadvantaged. Employers are encouraged to retain clients fulltime at their own expense once the clients successfully complete the training cycle.

The degree of skill training can vary among OJT programs. JLARC staff reviewed 25 OJT programs from FY 1980 and identified such highly skilled, apprentice-level jobs as electricians and wood refinishers, as well as such unskilled jobs as turkey trimmers and lawn mowers. The degree of skill transferability also varies, ranging from highly marketable skills, such as small engine repair and electronics, to those that are specific to a particular industry and geographic area such as furniture refinishing and poultry dressing.

Classroom Training. Classroom training programs provide structured training in occupational or remedial skills in a classroom setting. Occupational skills may be in technical, crafts, or service areas such as motor repair, electronics, or practical nursing. Remedial classes generally focus on training in reading, language, and math skills leading to a graduate equivalency diploma (G.E.D.).

Two types of classroom training programs are operated under the auspices of the Balance-of-State prime sponsor: class-size and individual referral. A class-size program is a training program created specifically for a group of CETA clients who have expressed an interest in learning a particular type of skill, as in the following case:

> *A six week course in construction trades was given by a local construction labor union. Ten CETA participants attended classes in carpentry and masonry.*

In individual referral programs, a contract is written for a specific client to enroll in an existing program at an educational institution. These contracts were designed to provide flexibility in areas of the State where an insufficient number of interested clients precluded the development of class-size programs. Individual referral programs may be of varying lengths and costs as the following examples show:

A CETA client took a 17 week welding course at a private welding school. Tuition costs totalled $3,474.

* * *

A CETA client enrolled in an 88 week nursing program at a community college. Costs were $2,758.

* * *

A private business school offered a 72 week course in training as a travel agent. Tuition totalled $5,400.

In addition to providing tuition costs, classroom training programs also provide clients with an allowance as a financial incentive for attending the training. In FY 1982, allowances will be $2.55 per hour.

Manpower Services. A wide variety of program configurations exist under the manpower services category to help a client overcome physical or mental barriers to employability. Included in manpower service programs are the following activities:

- Fitting of prosthetic devices on the handicapped
- Vocational evaluation of the handicapped
- Self-assessments for disadvantaged homemakers
- Placement services for the elderly including physical exams, eyeglasses, and dental work

In FY 1981 and 1982, the Balance-of-State prime sponsor has placed increasing emphasis on service programs that provide clients with job search skills such as resume writing, interviewing, and job hunting. These programs are designed to teach CETA clients how to present themselves to potential employers and how to act appropriately once they get a job. An additional goal of manpower programs is to motivate participants to look for jobs by raising their self-esteem, as the following case illustrates:

A 38 year-old client participated in a manpower program dealing with job search and motivation. She told JLARC, "I had not worked for ten years and the thought of going out and finding a job terrified me. Getting with a group of people in the same situation as myself and with the instructions given to us gave me the confidence to stick with it." She found a job as a ward secretary in a hospital after CETA.

Service programs are usually of short duration ranging from three days to several weeks.

Employment-Generating Programs. Increased emphasis in FY 1978 on involving the private sector in training the disadvantaged gave rise to employment-generating programs. The majority of these programs are not client-oriented; rather, they present different approaches for marketing CETA to private employers. In addition to stimulating private sector interest through radio and TV advertising, a toll free information number, and brochures, several large contracts have been awarded by the Balance-of-State prime sponsor that are geared toward creating new entry level jobs that can be filled by CETA clients:

> *A consulting firm was awarded a $287,000 contract to employ retired business executives to advise small businesses on all aspects of improving operations. The objective of this program is to enable businesses to expand operations and to hire CETA clients in new entry level jobs.*
>
> * * *
>
> *An out-of-state consultant was awarded a contract for $402,000 to create economic development plans and computer-based learning centers for two rural areas. The firm proposed to offer recommendations that would create 1500 new jobs that could be filled by CETA eligibles.*

Federal regulations specify a maximum proportion of funds that can be spent on employment-generating services.

Types of Contractors

The establishment of a flexible, coordinated delivery system is the second broad goal of the CETA legislation. The CETA delivery system in the Balance-of-State area relies on independent organizations serving as contractors to provide training to clients. Balance-of-State staff has considerable latitude in determining which organizations shall serve as contractors. Because of recent funding cutbacks, decisions will have to be made among the types of contractors and within categories of contractors to ensure that the most effectively run programs are funded.

Federal guidelines suggest using existing State and local agencies that have demonstrated effectiveness. The regulations state that special consideration should be given to nonprofit community-based organizations, but proprietary businesses and schools should not be overlooked if the quality of services is better and they are more cost effective than nonprofit groups.

The service delivery system created by the Balance-of-State prime sponsor includes components from all parts of the public and private sectors (Table 2). Extensive funding has gone to State and local government agencies. CETA funds in the Balance-of-State area have helped to sustain a network of nonprofit organizations, such as community action agencies, many of which are dependent on CETA for a major portion of their funding. Profit-making businesses and industries are involved in training the disadvantaged. CETA funds have also helped to support a small corps of private profit-making consulting firms that specialize in providing CETA services.

Table 2

TYPES OF ORGANIZATIONS SERVING AS
CONTRACTORS IN THE BALANCE-OF-STATE AREA
FY 1981

Type of Organization	Number of Organizations	Number of Contracts[1]	Value of Contracts Awarded by Balance-of-State (Millions of Dollars)
Private Profit-making Businesses	430	575	$ 6.8
Local Governments	105	214	19.3
Private Nonprofit	76	163	17.7
State Agencies	25	51	16.5
	636	1,003	$60.3

[1]Not all contracts had participants or expenditures.

Source: Balance-of-State Contractor Listing, FY 1981.

Each type of contractor is primarily involved in running one type of program. For example, private businesses usually run OJT programs, although a few provide manpower services. Nonprofit community action agencies deal almost exclusively in work experience programs. Public and private educational institutions concentrate on classroom training programs.

Public and private organizations can be part of the CETA training system without being primary program operators. Instead, they can serve as CETA subcontractors and provide training or services through secondary contractual agreements as in the following case:

> *A work experience program run by a community college offered clients a three-day job search seminar through a subcontract with a private consultant. For a fixed fee, the consultant gave the seminar to any client referred by the contractor.*

The Balance-of-State prime sponsor does not maintain records of subcontractor activities. However, in the course of this review, JLARC staff identified various types of subcontracting organizations such as community colleges, private consultants, and nonprofit agencies.

IMPACT OF FUNDING CUTBACKS ON PUBLIC AGENCIES

State and local government agencies received more than 59 percent of all FY 1981 CETA funds in the Balance-of-State area (Table 2). For FY 1982 State agencies are faced with major cutbacks that will require adjustments in staff and service levels. Local agencies have already experienced the elimination of public service programs.

To assess the impact of funding cutbacks on local agencies, JLARC staff contacted State agencies that received extensive funding and sampled 30 localities that had operated the defunct public service employment program.

State Agency Contractors

Federal regulations encourage prime sponsors to enter into contractual arrangements with state agencies in order to avoid duplicating existing state services and to obtain effective, established programs at a cost saving. The Balance-of-State prime sponsor has contracted extensively with other State agencies. In addition, State agencies have received funds from other prime sponsors in Virginia. CETA contracts have supported a variety of administrative, research, and instructional activities in State agencies. Recent funding cutbacks have affected all involved agencies.

In FY 1981, State agencies reported receiving CETA funds in excess of $23 million. While Table 3 represents the total funds reported to JLARC by agency officials, it does not accurately reflect all CETA funds awarded to State agencies. This is because (1) some agencies have not accurately identified CETA funds and (2) State agencies do not report CETA funds under the appropriate revenue source code in the Commonwealth Accounting and Reporting System (CARS). In particular, JLARC found that the Virginia Community College System (VCCS) has not identified all CETA funds awarded to individual community colleges. While the VCCS comptroller reported funds to 11 colleges totalling $2.4 million, JLARC identified Balance-of-State contracts with nine additional community colleges in the amount of $137,723.

In light of current funding fluctuations, it is important that all CETA funds be easily identified. State agencies operating CETA contracts should identify these funds consistently in their budget exhibit and in all CARS reports.

Virginia Employment Commission. The Virginia Employment Commission (VEC) stands to lose the most as a result of federal funding reductions. The VEC relies totally on federal funds, including CETA monies, to support its operations. In FY 1981, the VEC was awarded a $2.3 million CETA contract to provide eligibility determination, assessment, and referral of CETA clients. These funds provide a share of the salary and administrative costs of local offices. When the first round of federal budget cuts came in the spring of 1981, 26 local offices were closed and 234 staff were laid off. Subsequent funding cutbacks in FY 1982 led to the closing of 15 more local offices and the elimination of 555 VEC positions. As a result, only 26 local employment offices remain to serve the entire State. VEC officials indicate that future layoffs and closings are likely if additional federal cuts are forthcoming.

The VEC has developed contingency plans for reducing central office staff by consolidating or eliminating functions of the CETA division. Cost savings as a result of these efforts may not be enough, however, to make up for the loss of CETA revenues and other federal funds. The VEC has requested that the General Assembly appropriate $800,000 for FY 1982. This amount is in a special trust fund made up of penalties paid by employers. Without this amount, the statewide employment service system will be radically modified or may be eliminated.

Table 3

CETA FUNDS AWARDED TO STATE AGENCY CONTRACTORS
BY ALL PRIME SPONSORS

FY 1981

Agency	Value of Contracts
Virginia Employment Commission	$12,132,942
Department of Education	5,205,938
Virginia Community College System	2,428,476
Department of Rehabilitative Services	1,633,377
Virginia State University	1,035,945
Department of Housing and Community Development	582,520
Virginia Commonwealth University	341,285
VPI&SU	239,857
University of Virginia	87,172
Total	$23,687,512

Source: JLARC presentation of information provided by fiscal representatives of each of the above agencies.

Virginia Community College System. Virginia's community colleges use CETA funds to operate classroom training, work experience, and manpower service programs across the State. According to community college officials, approximately 257 staff positions are supported by the system's $2.4 million at 11 colleges identified by VCCS. This figure does not reflect those positions in the additional colleges identified by JLARC. The reduction in CETA funds could mean the loss of positions and courses at various campuses. VCCS officials have not yet assessed the actual impact of cuts.

Department of Education. The vocational education division of the Department of Education receives about $5.2 million in CETA funds. These funds supplement vocational education activities of prime sponsors. Roughly $4.7 million of this total was reallocated to fund training programs at six vocational skills centers in Virginia. CETA clients from all prime sponsors can attend courses at these centers. The Rehabilitative School Authority received $140,749 of the department's CETA funds in FY 1981. This money funded a classroom training program at the Bland correctional unit. About $314,000 directly supported department staff who provide technical assistance and curriculum development to skills centers and to vocational training programs in community colleges, public and private schools. A sharper cutback in funding could reduce the staff levels and number of courses offered at skills centers.

Department of Rehabilitative Services. CETA funds received by the Department of Rehabilitative Services for FY 1981 totalled about $1.5 million. These funds were re-allocated to agencies such as the Woodrow Wilson Rehabilitation Center which received about $600,000 in CETA funds to serve clients in FY 1981. This amount has been reduced to approximately $100,000 for FY 1982. The decrease in CETA funds was partially responsible for the rehabilitation center's recent reduction of client services.

Virginia State University. VSU has had CETA contracts for a number of years. In FY 1981, VSU had two work experience and two summer youth contracts totalling more than $1 million. VSU officials reported that approximately 17 staff positions helped administer these contracts. CETA funds have purchased a significant amount of equipment for temporary use by VSU, including a van that provides transportation to senior citizens in CETA contracts. For FY 1982, VSU has received only about 50 percent of the 1981 funding level. As a result, the number of clients served has been reduced, and some staff have been assigned reduced work hours.

Remaining Funds. Much of the remaining money to State agencies is in the form of research grants. For example, Virginia Commonwealth University was awarded a $341,000 grant to design and present staff development programs to the staffs of prime sponsors. Similarly, grants to Virginia Polytechnic Institute and State University funded research into the feasibility of awarding academic credit for CETA training. A reduction in the amount of CETA funds awarded to these State agencies will not have as sharp an effect as seen in direct service agencies that receive more extensive funding from CETA contracts.

Local Agency Contractors

In the mid 1970s, a substantial amount of CETA funds was injected into public service employment (PSE) programs. These programs were intended to provide people with transitional employment while they waited for openings in unsubsidized jobs. Most PSE jobs were with local government or private nonprofit agencies. These agencies benefited from the PSE program by receiving additional manpower at no additional cost.

Due to the program's termination in FY 1981, local governments were the first agencies to feel the effects of program cuts. When the programs ended in 1981, local officials warned of reduced levels of local services and the possibility of increased local taxes or fees.

To determine the actual effects of cutbacks on public agencies working with the Balance-of-State prime sponsor, JLARC surveyed a sample of contractors that had operated public service programs in FY 1980. Based on this review, it appears that while public agencies derived considerable benefit from CETA funds, most have not been severely hurt by lost revenues.

Scope of Public Service Employment Programs. Public service employment programs began operations in the Balance-of-State prime sponsor in 1975. From 1975 to 1981, PSE funding exceeded $148 million (Table 4). In 1978-79, the peak year for PSE programs, more than 12,000 people had subsidized jobs in the Balance-of-State area. When the program ended in 1981, approximately 2,000 people remained. During the peak years of the program, FY 1978-1980, nearly every local jurisdic-

Table 4

EXPENDITURES AND PARTICIPANTS
FOR PUBLIC SERVICE PROGRAMS IN THE
BALANCE-OF-STATE PRIME SPONSOR AREA

Year	Expenditures	Participants
1975	$ 1.2	711
1976	13.1	5,368
1977	13.3	5,220
1978	37.6	9,969
1979	35.2	12,348
1980	29.7	7,753
1981	18.3	4,689
Total	$148.4	46,058[1]

[1]This figure represents double counting of some participants.

Source: Balance-of-State Annual Reports to the U.S. Department of Labor.

tion in the Balance-of-State had at least one public service employment contract.

Public service jobs in the Balance-of-State area involved a wide range of activities. More than one-half of all positions involved support services such as custodial, maintenance, and clerical support. These types of positions were primarily entry level, and they provided an increased level of service that most localities could otherwise not have afforded. In some communities, CETA funds paid for positions that provided primary services. These positions included police, teachers, librarians, jailers, dog catchers, and airport administrators. In these localities, CETA funds were supporting the provision of direct services to citizens, as compared with support services.

Public service money aided not only in the provision of direct and support services but also in several special projects in the Commonwealth. In some cases public service employees staffed ongoing projects, such as a bicentennial commission, library construction, and record copying.

Some localities were far more dependent on CETA funds than others. As Table 5 illustrates, the portion of total federal revenues represented by CETA funds exceeded 25 percent in five of the localities in the JLARC sample. In Highland County, public service funds constituted 12 percent of all revenues. The degree of dependency of some local governments indicates that CETA funds may have temporarily substituted for local funds. While localities may not have subsidized already existing jobs with PSE money, local revenues which might have been used to create new public jobs were substituted by CETA money. An indicator of this phenomenon is whether the locality created new permanent positions once PSE funds were eliminated. Twelve of the 30 agencies in the JLARC sample reported creating new permanent positions out of the terminated public service positions.

Table 5

PUBLIC SERVICE FUNDS AS A PROPORTION OF LOCAL REVENUES
IN FIVE SAMPLE LOCALITIES
FY 1980

Local Government	Total Revenues Amount	Total Federal Funds	Public Service Funds Amount	PSE as a Percent of Total Revenue
Highland Co.	$ 1,496,785	$ 211,092	$ 184,515	12
Washington Co.	20,716,905	2,513,905	1,059,513	5
Page Co.	7,684,562	1,240,559	506,169	7
Brunswick Co.	7,935,512	1,898,799	583,497	7
Gloucester Co.	9,752,629	1,224,510	334,841	3

Source: Auditor of Public Acounts Annual Reports of Counties, Cities and Towns.

Effects of Eliminating Public Service Jobs. The elimination of public service jobs affected localities in a variety of ways. Localities which seemed to be hardest hit by eliminated positions were rural areas where a low tax base is coupled with high unemployment. Public service positions provided badly needed services in these impoverished areas and also helped to ease the high unemployment rate. Most localities reported one or more of the following as a consequence of the loss of public service positions: (1) a decrease in overall services; (2) total elimination of some services; (3) an increase in the workload of permanent employees; (4) an increase in taxes. In localities that indicated decreased levels of service, the service continued to be provided but less frequently. For example, the Wythe County Public Library is now open four days rather than six days a week because it lost public service positions. Other services experiencing decreases statewide include garbage collection, custodial services, and maintenance work.

Eliminated services included the closing of several winterization programs for the elderly. Nearly half of the local officials reported that existing fulltime staff would have to pick up the essential duties that had been performed by public service employees. One locality indicated a tax increase would be necessary to counteract the loss of CETA funds.

The extent to which localities were hurt by the elimination of public service funds depended not only on their fiscal situations at the time but also on the attitude they had adopted toward those funds. Many localities viewed public service monies as temporary funds. This orientation prevented them from relying too heavily on services performed by public service employees. Thirteen agencies in the JLARC sample reported they were not surprised by the elimination of public service jobs and had begun phasing out their positions as much as a year in advance of the cutbacks. Several localities, however, expressed surprise at what they called the abrupt termination of public service funds.

Just as localities differed markedly in how they were affected by cutbacks, they also differed in their ability to supplant CETA funds with local funds. Most local agencies put a hiring freeze on public service positions several months before the termination date and moved affected employees into permanent positions as openings came available. In this manner they tried to absorb public service employees into existing positions rather than create new ones for them. In this way, localities carried out a principal goal of the public service employment program--to provide transitional employment where participants could gain work experience while waiting for openings in unsubsidized jobs.

III. PROGRAM EFFECTIVENESS

From its inception in 1975, the effectiveness of the CETA program has been of considerable public interest. Program critics have challenged the statistics on successful program completors and have questioned the costs of the program. One reason for these criticisms is the lack of reliable information regarding participant outcomes and program performance. Due in part to staff cutbacks and constantly changing requirements, prime sponsors have not devoted sufficient time to systematic program assessment and client follow-up.

In the absence of adequate indicators of program performance, JLARC carried out a comprehensive review of a generalizable sample of adult training contracts and a follow-up of clients served by those programs. Based on this review, it appears that the CETA program in the Balance-of-State area has been able to get people jobs and meet the immediate needs of many clients. However, the quality of jobs obtained and job retention rates have been low. In some cases, program operators appeared to benefit more than program participants. Furthermore, some CETA programs duplicated existing State and federal programs. In some instances, positive outcomes were also negligible, and program costs were exceptionally high.

As CETA funds decrease and future program options are explored by policymakers, it is important to assess the effects of CETA programs. By tracking the progress of former participants, assessing individual CETA programs, and analyzing expenditures, State officials can determine the extent to which CETA has been effective in combatting hard-core unemployment and can chart a course for future program direction.

IMPACT OF CETA ON CLIENTS

An assessment of CETA's impact on clients must take into account the multiple goals of the program as well as economic conditions and client characteristics that affect program outcomes. Although job placements and costs are the principal performance measures used by program managers, these measures alone do not tell the whole story about the success of CETA. Clients as well as federal and State officials perceive multiple benefits in the program ranging from short term government subsidies tiding people over in periods of high unemployment to specialized training programs providing skilled laborers to private industry.

A key indicator of success in the CETA program is the rate at which participants are placed in unsubsidized jobs once they leave the program. An additional indicator is the length of time they remain employed. In the absence of sufficient data from program administrators regarding the number and duration of placements, JLARC staff undertook an examination of the effectiveness of the adult training programs in the Balance-of-State area. The review focused on adult programs for several reasons: (1) they represent the bulk of remaining CETA funds, (2) they embody the original CETA goal of training and placing the hard-to-employ, and (3) the types of training offered in these programs can be adapted for youth programs.

In this discussion, JLARC's findings regarding placement rates and job stability are based on information provided to JLARC by former participants. Three factors that appear to have had considerable impact on client placements are the type of program clients participated in and the characteristics and aims of the clients themselves.

Placement Rates

From the standpoint of post-CETA placements, JLARC found that the CETA program run by the Balance-of-State was moderately successful by placing about 49 percent of all adult clients (Table 6). A client was counted as a placement if a subsidized job related to his or her CETA training was obtained within two weeks of leaving the CETA program. Since VEC records a placement only if a client has a job on the day he or she leaves a CETA program, placement rates reported by the VEC will differ somewhat.

Because national benchmarks for post-CETA placement do not exist, it is difficult to judge whether the 49 percent placement rate is good or poor. However, the placement rate for CETA adult clients in the Balance-of-State was the same as the national employment for all disadvantaged adults compiled for the same period by the U. S. Department of Labor.

The greatest influence on immediate post-CETA job placement was the type of training program in which a client participated. In the JLARC follow-up the program with the highest placement rate immediately after CETA was on-the-job training. Over time, however, employment rates for all programs appear to level out.

As shown in Table 6 over two-thirds of all OJT clients were placed in unsubsidized jobs just after CETA while roughly one-half of manpower services and one-fifth of work experience clients were placed immediately. The higher initial placement rate for on-the-job training programs is not surprising, however, since clients were enrolled only if an actual job existed.

About 56 percent of the former CETA clients contacted by JLARC staff are currently employed, but jobs are not necessarily related to CETA training. Not all clients had been placed in jobs immediately upon completion of the program, and some people who were placed immediately are not employed now.

Table 6

PLACEMENT AND EMPLOYMENT RATES OVER TIME

Programs	Percent of Participants With Post-CETA Placements	Percent of Participants With Jobs Now
On-the-Job Training	67%	55%
Work Experience	18	42
Manpower Services	55	56
Overall	49	56

Source: JLARC follow-up of clients.

Job Stability

In addition to leading to some kind of employment, clients' job stability is a key indicator of program effectiveness. Lengthy job retention does not necessarily mean that a person is successful in the labor market: he or she could be locked into a low-paying, unskilled job. However, given the CETA population's characteristic of unstable job histories, job retention is an important aspect of economic self-sufficiency.

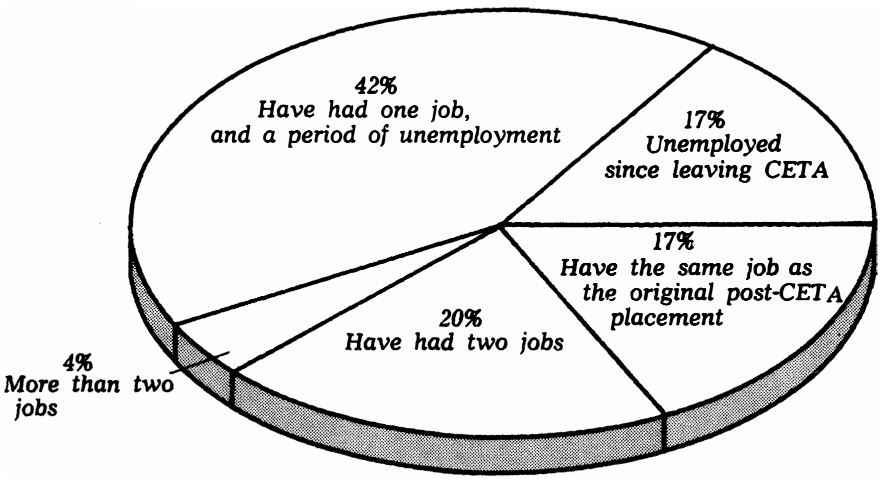
As Table 6 shows, the post-CETA placement success of the OJT program does not appear to result in greater job retention than other programs. More than a year later, the percentage of clients employed had changed in all three programs. The percentage of former OJT clients employed had dropped to 55 percent, while the percentage for those in other programs had increased.

According to the JLARC survey, most CETA clients continue to have unstable job histories after CETA training. Approximately 75 percent of all respondents have been unemployed at some time since leaving CETA. As Table 7 indicates, 17 percent of all respondents currently have the same job in which they were placed right after CETA. About 24 percent have had more than one job, and about 17 percent of all respondents have been unemployed since leaving CETA.

About one-fourth of the respondents who retained the same job are in unskilled jobs with low pay such as custodian, turkey dresser, and cook.

Figure 9

POST-CETA JOB STABILITY AMONG CETA CLIENTS



Some clients are more likely to be placed and to remain employed than others. The relationship between certain client characteristics and job status can be seen in Table 8. Men, for example, were more likely to be placed immediately after CETA and to have a job

Table 7

RELATIONSHIP OF CLIENT CHARACTERISTICS
TO PLACEMENT AND CURRENT EMPLOYMENT STATUS

Client Characteristic	Placement Status Immediately After CETA		Current Employment Status (November 1981)	
	Employed	Not Employed	Employed	Not Employed
Sex				
Male	61%	39%	73%	27%
Female	42	58	45	55
Ethnic Group				
White	49%	51%	56%	44%
Black	45	55	54	46
Educational Status				
Dropout	38%	62%	46%	54%
H. S. Graduate	54	46	63	37
Post H.S. Attendee	69	31	67	33

now. About 70 percent of post-high school attendees, compared to 38 percent of dropouts, had a job upon completing the CETA program. Education level also has an effect on whether a client has a job now. More than two-thirds of those with post high school education have a job now, whereas less than 40 percent of the high school dropouts are currently employed.

Other Benefits to Clients

Placement in an unsubsidized job is not the only benefit to be derived from CETA programs. Most clients interviewed by JLARC stated they joined the CETA program because they needed a wage-paying job right away. As members of work experience or on-the-job training programs, clients received immediate short term employment. For a population whose work history is often composed of short term jobs at low pay levels, CETA was viewed as another job in the series.

Some clients wanted to learn a skill and viewed CETA as a training program rather than a job. To some special groups, such as disadvantaged homemakers, CETA programs provided a gradual re-entry into the work environment by providing counseling and job search skills.

It appears, therefore, that CETA has both long and short term benefits to clients. Program improvements may be necessary to enhance job retention and employment potential. Nevertheless, short term client benefits should not be ignored.

PROGRAM COMPARISIONS

Recent funding cutbacks and increased need for program accountability require the selection of programs that are effective and efficient. The four major types of training programs applicable to disadvantaged adults and youth include on-the-job training, work experience, manpower services, and classroom training.

Careful program selection is even more crucial in view of JLARC's finding that the type of program has a strong effect on post-CETA placements. The type of contractor that provides the training can also have an effect on the success of the program. Major types of contractors in the Balance-of-State include public agencies, nonprofit corporations, and profit-making businesses.

Indicators of Program Performance

In addition to client follow-ups, another way of assessing the CETA program is to compare the actual performance of individual contracts that represent the four types of CETA programs. Key indicators of program performance include enrollments, placements, and costs. JLARC staff reviewed 89 contracts in the four training programs.

Data for the discussion of program comparisons shown in Table 9 have been developed by JLARC from VEC contract records. Because VEC does not follow clients beyond termination from the program, placement rates are somewhat lower than those reported by clients sampled by JLARC. However, the relationships among programs remain the same.

Table 8

PERFORMANCE INDICATORS FOR ADULT TRAINING PROGRAMS
FY 1980-81

	Program			
Indicator	OJT N=25	Work Experience N=22	Manpower Services N=11	Classroom Training N=31
Enrollment Rate	50%	102%	55%	Not Available[3]
Placement Rate	44%	23%	35%	30%
Overall Cost Per Enrollment	$1,118	$ 3,113	Not Available[3]	Not Available[3]
Overall[1] Cost Per Placement	$1,882	$16,797	Not Available[3]	Not Available[3]
Administrative[2] Cost Per Placement	$ 54	$ 4,775	$5,936	$13,425

[1]Overall costs are computed by adding direct operating costs of contractors and all wages or allowances paid to clients.

[2]Administrative costs include only contractors' operating expenses and excludes participant wages.

[3]Balance-of-State program managers were unable to provide accurate information.

Source: JLARC review of Balance-of-State contracts.

Enrollment rates compare planned levels of participation with actual numbers of clients regardless of how long they stayed in a program or why they left. Placement rates represent the total number of clients who got fulltime unsubsidized jobs right after their CETA training.

The program that has the best overall enrollment rate is work experience, but placement rates are low. On-the-job training programs had the highest post-CETA placement rate of 44 percent and the lowest cost per placement. Manpower service programs ranked in the mid-range regarding placement rates and administrative costs.

While placement rates and costs are important indicators of program effectiveness, they should not be the sole means of judging program success. Other factors need to be considered such as termination rates, type of skills taught, and ease of program expansion. Furthermore, each program must be reviewed in terms of fulfilling secondary goals like performing client outreach, providing subsidized jobs, and fostering better relations between the government and the private sector.

On-the-Job Training

The OJT program has the greatest potential for providing immediate placements in unsubsidized jobs. This is due primarily to the program's design which encourages contractors to hire those clients who successfully complete their training. Low comparative overall costs are another positive feature of OJT. Recent federal emphasis to increase the private sector's involvement in training the disadvantaged also makes the OJT program an attractive alternative, since nearly all OJT contracts are with private businesses and industries. The program has several drawbacks, however, primarily in the areas of low enrollment rates and a high proportion of negative terminations.

Positive Features. The OJT program outperforms other types of programs in the areas of placement rate and costs per placement. Overall costs of $1,882 per placement are considerably lower than those of other programs, primarily because nearly all contract expenditures offset a portion of the wages paid to clients while they are being trained. Most OJT contractors bear all administrative costs themselves, unless they provide other supportive services beyond basic counseling. There are very few of these contracts in the Balance-of-State area.

The comparison of administrative costs per placement in Table 9 further illustrates the positive aspects of the OJT program. This cost figure represents all the direct administrative costs associated with individual contracts. It does not include wages and stipends paid to clients. The OJT program had negligible administrative costs of $54 per placement. There are indirect administrative costs for the OJT program, however, in the form of salaries paid to Balance-of-State staff who provide substantial administrative assistance to contractors. These costs total roughly $120,000 per year. This cost averages about $133 for each OJT client in FY 1981.

In addition to having the highest placement rates and lowest costs, OJT programs appear to offer the most immediately marketable skills. Of the 25 OJT contracts reviewed by JLARC, 21 provided training in areas recognized by the U. S. Department of Labor as occupational skills. OJT programs also have the advantage of generating taxable wages out of nearly all program funds. A CETA client in an OJT program is considered a fulltime employee from the first day of training, thereby receiving wages that are subject to income and employment taxes. Another positive feature of the OJT program is the working relationship forged between government and the private sector. Recent federal emphasis on the involvement of business and industry in solving social problems points to the continued need for this dialogue.

Program Weaknesses. There are, however, several drawbacks to the OJT program. Principal among these is that OJT is a small program with limited potential for expansion. The number of client slots is low. In FY 1980, only six percent of training program enrollments in Balance-of-State were in the OJT program. Most contracts are for one or two clients, and in periods of economic downturn, few new slots can be expected. JLARC reviewed several contracts where layoffs required the termination of the contract.

In addition, OJT contracts have actual enrollment rates of about 50 percent of planned figures, the lowest of the three programs. The main reason for this is that OJT contractors have the option to reject CETA referrals who do not meet their qualifications. The severe impact that this can have on enrollment rates is seen in the following case:

> *A large manufacturer entered into a contract to provide training to 60 CETA participants. The contractor reported that 100 CETA eligible participants were referred to the company on one day. Most of them failed to meet basic qualifications. The company hired only three participants under the contract.*

Another drawback of OJT programs is the high rate of negative terminations. As Table 10 shows, nearly 50 percent of all OJT terminations were due either to voluntary separation or to dismissal as compared to less than 20 percent in other programs.

Negative terminations appear to be more of a problem in large OJT contracts. JLARC reviewed several large OJT contracts that had high client turnover rates. Subsequent interviews with clients indicated that employers would dismiss or reprimand CETA clients for the slightest infraction. When clients were fired or quit, the employer would hire new ones from the large local pool of CETA eligibles. In these cases, employers were assured a steady stream of federally subsidized laborers without hiring them at company expense.

Table 9

REASONS FOR TERMINATION IN CETA PROGRAMS

Reason for Termination	Program: OJT	Program: Work Experience	Program: Manpower Services
Placement	49%	32%	34%
Other Positive Termination (Returned to school, transferred to another program)	5	39	45
Negative Termination (Fired, refused to continue)	46	18	18
Other Termination (Moved, illness)	0	11	3

Source: Balance-of-State termination information on clients in the JLARC follow-up.

The success of an OJT program is largely dependent on the client's completing the training and being hired on a fulltime basis by the employer. Therefore, it is important that employers make reasonable efforts to retain clients.

Balance-of-State staff should take steps to ensure that appropriate clients are referred to OJT positions, that contractors make reasonable efforts to retain clients, and that needed supportive services, such as counseling, transportation, or child care are available to clients. The program should be monitored by requiring contractors to submit specific reasons for client terminations on monthly status reports. When actual terminations exceed planned figures, or when a pattern of high negative terminations begins to emerge, regional contracting staff should meet with the contractor to develop corrective strategies. Until problems are corrected, vacant slots should not be filled. Supportive services could be provided by the contractor as part of the contract, by CETA staff, or through a supplementary contract with another type of provider.

Work Experience

Work experience programs provide clients with short term employment in the public and private nonprofit sectors. Based on JLARC's contract reviews and client interviews, it appears that most work experience programs resemble the public service employment programs that existed between 1975 and 1981. Both types of programs have provided wages and benefits to clients, have involved unskilled, entry level jobs, and have involved public sector contractors.

Program Goals. While work experience has the lowest placement rate of all training programs, placement may not be the primary goal of clients. In the JLARC survey of clients, 60 percent of the people in work experience programs participated because they needed an immediate income. Many contractors view work experience programs in the same way, as the following illustrates:

> *A Virginia university ran a work experience program in FY 1981 that focused on people over age 55. The types of work experience jobs included day care workers, menders, and dormitory workers on the university campus. The program cost $300,000; three people were placed in unsubsidized jobs.*
>
> *Balance-of-State staff told JLARC that program operators did not view the program as placement-oriented, and that the program was really serving as an income supplement program for older people.*

In this case, CETA funds provided income maintenance to people who were falling between the cracks of other public assistance programs which generally focus on single-parent families, the elderly, or the disabled.

Another way that work experience programs resemble public service programs is that clients work in jobs which provide public services at no cost to the public agency. In the FY 1980 and 1981 work experience contracts reviewed by JLARC staff, the CETA jobs of custodian, sanitation worker, and teacher's aide closely resembled jobs in public service programs. Some localities relied on these work experience positions to provide needed services, as the following example illustrates:

> *In FY 1980, a large community action agency placed 128 clients in work experience jobs that were primarily for clerical or custodial services. Worksites included the local public utilities office, police and tax departments, public libraries, and parks.*

Enrollment Rates. Work experience programs have good records of reaching and enrolling people. In the 22 work experience contracts reviewed, enrollment rates ranged from 40 percent to more than 200 percent with nine contracts exceeding 100 percent of planned figures. The main reason for these high rates is the effective outreach mechanisms that many community based contractors employ. Effective outreach should not, however, excuse these organizations from achieving a good performance record in terms of placement, costs, and accountability.

High Placement Costs. The placement costs of work experience contracts were substantially higher than OJT and manpower programs because of the low placement rate and high fixed costs. Work experience contracts have certain fixed administrative costs in such categories as staff salaries, rent, utilities, and equipment.

In some cases the high cost is attributable to the special needs of clients who are difficult to place. In other cases, contractors appear to use all funds despite low enrollments.

Contract costs can be affected by the types of contractors operating programs and the special needs of different client groups. The 22 work experience contracts reviewed had four types of providers: State agencies, community action agencies, local governments, and other private nonprofit organizations such as private schools and rehabilitation centers. As Table 11 shows, the range of costs varied by type of contractor.

Table 10

PLACEMENT COSTS BY TYPE OF CONTRACTOR
FOR WORK EXPERIENCE PROGRAMS
N = 22

Type of Contractor	Number of Contracts	Range of Costs Per Placement	Mean Cost Per Placement*
State Agency	4	$4,612 - 13,020	$10,456
Community Action Agency	7	5,911 - 21,782	12,405
Local Government	5	5,900 - 56,730	19,482
Private, Non-Profit	6	6,530 - 57,016	23,911

*Mean cost per placement of all contracts in sample = $16,797.

Source: JLARC review of contracts.

In the JLARC sample, placement costs ranged from a low of $4,612 to a high of $57,016. State agencies had the lowest mean cost per placement of $10,456 and the lowest range of costs. The most cost effective contracts had the greatest emphasis on employment situations.

At the other extreme were private nonprofit groups with a mean cost per placement of $23,911. Three of these contracts were operated by private agencies that dealt with target groups such as alcoholics, the physically handicapped, and ex-offenders -- those that usually require intensive counseling and are sometimes hard to place. In these contracts, the employment component did not receive the primary emphasis. The following cases further illustrate contract differences that led to the wide range of costs.

Cost Per Placement of $4,612

This work experience contract for 15 people was run by a local VEC office. Regular work assignments and some counseling were provided. Clients did not have severe physical or mental handicaps. Nine placements were made with a total contract cost of $41,510. Existing VEC staff provided counseling and job referral.

* * *

Cost Per Placement of $57,016

This contract costing $285,000 was with a private counseling center. The program was designed to provide intensive one-to-one counseling over an 18-month period to displaced homemakers, ex-offenders, and recovering alcoholics. The contract cost included a $45,000 fixed fee subcontract with a private consultant for a worklife institute. Five of 25 participants were placed in unsubsidized jobs.

The typical nature of the work experience contract with the VEC helped keep costs down. As the second case illustrates, the specialized training and services, the severely disadvantaged client groups, and the expensive subcontract resulted in high costs.

Balance-of-State managers need to develop a focus for the work experience program. Right now it presents an array of services to a broad cross-section of clients, many with severe disabilities. In some cases, these circumstances have led to high costs and low placements.

Work experience programs in the Balance-of-State area should emphasize employment goals and be focused on clients who are not served by other human service agencies like the Department of Health and the Department of Mental Health and Mental Retardation. Primary client groups should include economically disadvantaged adults who do not currently receive public assistance, who are physically and mentally capable of working, and who want to work.

Employment activities rather than specialized counseling should be the program focus. Work experience contractors should be charged with job development responsibility. They should locate employers who agree to hire clients that have successfully completed their work assignments. A pilot project with such a requirement is currently being tested in the Abingdon region. Balance-of-State staff should monitor program results carefully and replicate successful aspects throughout the program.

Program costs can also be affected by low client enrollments. Administrative costs usually remain the same regardless of the number of participants. When actual enrollment and placement figures fall short of projections, yet the cost of operations remains constant, costs per placement increase, as seen in the following contract from the JLARC sample.

A Board of Supervisors ran a work experience contract for $96,779. The contractor planned to enroll 32 but actually had only 20 total enrollments. Eighteen of these did not complete the program, and only one was placed. Still, the contractor spent 93 percent of planned administrative funds. The cost of getting one placement was $56,730.

Balance-of-State staff should develop a reasonable ratio of contractor staff to clients for work experience programs. This ratio should be monitored on a monthly basis. When client terminations result in a reduced ratio that drops below a certain point, Balance-of-State staff should do an indepth assessment of problems, and, if necessary, terminate the contract.

Manpower Services

Most manpower service programs do not propose to teach occupational skills or provide work experience. Instead, they are designed to help people find and keep jobs by providing counseling, employability assessment, and job search assistance. About one-third of the clients are placed in jobs immediately after CETA. The services could be provided more efficiently, however, by integrating services into other CETA programs and eliminating services that are already substantially provided by other agencies.

Types of Manpower Programs. In the sample of manpower service contracts reviewed by JLARC, there were two different types of manpower programs. The most common program provided two or three months of individualized testing, assessment, and counseling to help clients determine career goals and find jobs that meet those goals. These programs were generally run by private nonprofit contractors or State agencies.

Another type of manpower program involved group lectures on how to get a job and on self-directed job searches. These programs were run by private consultants. Programs usually ran from a few days to as long as three weeks and followed an outline similar to the following:

The first week is devoted to motivational lectures by human development experts from businesses and universities. The second week usually *concentrates on mechanical aspects of a job search such as interview techniques and resume writing. Clients are frequently videotaped in simulated interview situations. The third week emphasizes a self-directed job search where clients use telephone directories and newspapers to develop lists of potential employers. Clients spend the rest of the week making phone calls to employers.*

In both types of programs, clients are paid an hourly allowance for attending. Contractors were usually paid a fixed profit fee.

Unnecessary or Duplicated Services. The services offered in both types of programs are important for clients who have not been successful in finding a job. Sometimes, however, clients are referred to these programs when they do not need the services, as the following case illustrates:

JLARC surveyed 25 former clients in a short term job search contract. Five of these clients indicated that they were familiar with job search techniques before they were referred to the contract. Two additional clients indicated they had received similar training in another CETA program.

JLARC noted duplication of services in two manpower service contracts valued at about $800,000. These contractors were reimbursed for assessment, counseling and placement services that were already available through a $2.3 million contract with local employment offices.

Given recent funding cutbacks, unnecessary or duplicated services should be eliminated where possible. Two actions by the Balance-of-State will ensure that needed services are efficiently provided. First, the Balance-of-State should require all work experience and classroom training programs to have a component which focuses on job search skills such as resume writing, interviewing, and locating potential employers. This component should be available to all clients. This training should be provided directly by the contractor over the course of the contract period. If the contractor needs help in developing or presenting this training, CETA regional offices should provide technical assistance.

Secondly, the Balance-of-State should restrict contracts for client assessment, testing, and counseling services to places where local employment services are not offered. And clients with physical handicaps or other severe barriers to employment should be referred to State or local agencies that routinely deal with these client groups.

Classroom Training

Classroom training programs are an important component of the Balance-of-State CETA operations. A positive feature of the classroom training program is that it provides structured occupational skills training according to courses of instruction that meet State-approved standards. This feature gives the State a certain measure of control over program operations. In order to assess costs and client outcomes in this program, JLARC reviewed a random sample of 31 classroom training contracts.

Program Characteristics. Classroom training operators included public schools, community colleges, vocational skills centers, and proprietary schools. Most courses were less than a year in length and offered instruction in occupational skills such as welding or electronics or in service jobs such as nurse's aides and travel agents. In some community colleges, people were involved in associate degree programs in accountancy, data processing, and nursing.

Classroom training programs place about 30 percent of their clients. However, costs are considerably higher than other programs. Tuition costs in contracts reviewed by JLARC ranged from $400 for a 36-week course in practical nursing to $5,700 for 88 weeks of training as a travel agent. The average administrative cost per placement of $13,425 was the highest for all programs. And the overall cost per placement is higher than $13,425 because client allowances of $2.55 an hour have not been added. These figures were not readily available from the Balance-of-State.

Program Effectiveness. The success of a classroom training program is determined to a great extent by the type of program and contractor. The two principal types of contracts for classroom training programs are individual referral and class-size contracts. Individual referral contracts are agreements between educational institutions and the Balance-of-State for the institution to accept a specified number of CETA clients as students in regular courses, as shown in the following example:

> *An individual referral contract with a proprietary business school paid tuition for two CETA clients to take a one year program in accounting. The clients attended regular classes with other students.*

Class-size contracts are agreements for educational institutions to provide training courses specifically for CETA clients, as seen in this case:

> *A community college operated a CETA contract to provide a welding course to 14 CETA clients. These clients were the only members of the class.*

The JLARC review of classroom training contracts noted differences between the placement rates of the two types of activities and types of contractors. As Table 12 shows, approximately 31 percent of the participants who terminated from class-size programs were placed in jobs, in comparison with 16 percent from individual referral programs. Individual referral contracts with community colleges and proprietary schools have had particularly low placement rates--only 20 of 166 participants who terminated from programs have been placed.

Table 11

PLACEMENT RATES OF CLASSROOM TRAINING ACTIVITIES AND CONTRACTORS FY 1980

	Number of Contracts	Participants Terminating	Participants Placed	Placement Rate
INDIVIDUAL REFERRAL				
Community Colleges[1]	6	95	8	8%
Proprietary Schools	11	71	12	17%
Private Non-Profit Centers	2	3	1	33%
Public Schools	2	14	8	57%
Overall	21	183	29	16%
CLASS SIZE				
Community Colleges	1	15	5	33%
Private Non-Profit Centers	3	122	13	11%
Vocational Skills Centers	1	1,507	479	32%
Other Public School Programs	3	96	34	35%
Overall	8	1,740	531	31%

[1]Complete information was not available for two additional contracts.

Source: Balance-of-State and Department of Education records.

According to Balance-of-State program staff, individual referral contracts have had low placement rates for several reasons. First, clients have not always been adequately screened by local employment offices to determine if they are prepared for and interested in an occupational skill program. Consequently, dropout rates from individual referral programs are high--120 of 183 terminees did not complete the course in which they originally enrolled.

Secondly, individual referral contracts have not been adequately monitored by the central office staff charged with oversight responsibility. During the course of this review, Balance-of-State management took a significant step toward improved oversight by assigning responsibility for contract monitoring and participant follow-up to regional operations centers.

The type of contractor also appears to have an impact on classroom training outcomes. As Table 12 indicates, placement rates differ by the type of contractor operating a program. Vocational skills centers and public schools had placement rates ranging from 32 to 57 percent. On the other hand, most contracts run by community colleges, proprietary schools, and private nonprofit schools had low placement rates. Three contracts run by community colleges and three operated by proprietary schools had no placements at all.

According to Balance-of-State staff, skills centers and adult education programs in public schools have long histories of successfully training disadvantaged individuals. Courses are tailored to the comprehension level of poorly educated clients, and instructors are highly experienced in working with the disadvantaged. Also, instructors maintain close contact with local industries to ensure expedient placements of clients in training-related jobs.

Conversely, community colleges often require CETA clients to follow standard college curricula that include such mandatory courses as technical writing, government, psychology, and physical education. These requirements appear to be a contributing factor of high rates of failure, dropout, and course changes. Of 115 clients terminating from classroom training programs run by community colleges, only 10 actually completed the coursework.

The Balance-of-State staff need to examine the use of classroom training funds. CETA funds for individual referral programs leading to a degree or certificate should be used sparingly, only after other training alternatives have been considered. Continuation of individual referral contracts should occur only if adequate client screening and regular follow-up mechanisms are implemented.

Balance-of-State staff should award contracts to those contractors that show evidence of high placement rates and efficient operations. Vocational skills centers should be among contractors considered for continued funding.

Employment-Generating Programs

Employment-generating programs are supported by funds earmarked for use in the private sector. These funds are awarded by the Balance-of-State's Private Industry Council. The council is appointed by the Governor and consists of representatives of local economic development organizations, private businesses, and industries.

Many of the programs funded by the council focus on creating jobs rather than on placing people in jobs. Employment-generating programs seek to create new jobs for the disadvantaged by helping business improve production and reduce costs.

JLARC reviewed four of the seven employment generating contracts that operated in 1981. As Figure 9 indicates, these programs have been costly, yet they have generated few jobs. In the contracts that provide advice to businesses, contractors propose to help managers improve production and reduce costs, thereby leading to the creation of new jobs that can be filled by CETA clients. Few new jobs have been reported. Even in contract C where jobs have been reported, it is difficult to prove a causal relationship between new jobs claimed by the contractor and the actual activities of the program.

Table 12

SCOPE OF EMPLOYMENT GENERATING CONTRACTS
IN THE BALANCE-OF-STATE
FY 1981

Contract	Type of Activity	Contract Expenditures	Number of CETA Jobs
A	Advice to Small Businesses	$ 24,364	Unknown
B	Advice to Small Businesses	51,601	Unknown
C	Seminars for Businessmen	28,464	39
D	Economic Development Plans	230,000	0

Contract D proposed to approach job creation through long-range planning:

> *This contractor prepared economic development plans at a cost exceeding $230,000. The contractor proposed to create 1500 new jobs over five years in two rural locations. Local officials who regarded the plans as misleading and greatly exaggerated withdrew their endorsement of the project. No jobs have been created and the eventual implementation of the plans is uncertain.*

Job creation through improved business practices makes good sense. Currently, however, other State agencies such as the Division of Industrial Development and the Virginia Community College System perform job development as an important part of their missions.

The Balance-of-State prime sponsor should focus funding on programs that directly benefit clients by awarding employment-generating contracts only if the services cannot be provided by other agencies. And contract awards should be based on evidence of the contractor's capability in providing the service.

THE FUTURE OF CETA IN THE BALANCE-OF-STATE

The CETA program at the federal and State levels has reached a major crossroads. Severe funding cutbacks have already occurred, and the future of the program is uncertain. As only the first of the major federal programs to undergo sharp reductions, CETA will serve as a prototype for State officials who will have to wrestle with other funding shortfalls in the coming months.

The diminished scope and funding of CETA comes at a time when worsening economic conditions make the need for the program even more critical. Unemployment rates for clients previously served by CETA continue to escalate. Principal groups affected include disadvantaged adults who are not receiving welfare and want to work, yet have difficulty finding and retaining employment. Disadvantaged youth are also affected by the loss of programs that provided important exposure to work settings and a steady wage.

Funding limitations will preclude maintaining all existing programs and goals. State officials will have to decide whether to cut programs to match available federal dollars or to supplement federal funds with other revenue sources. Regardless of funding levels, the program must be refocused to ensure that the most critical employment and training needs of the disadvantaged are addressed efficiently and effectively.

Program Options

Based on this review of current CETA programs, several options for program redirection are available to State officials. These options are not mutually exclusive and are open to combination and refinement. Options include (1) maintaining the existing goals of CETA, (2) concentrating on programs that provide job experience, (3) eliminating duplicative programs, (4) implementing a subsidized jobs program, and (5) providing alternate funding sources for CETA. The following discussions of each option include a hypothetical example developed by JLARC staff to illustrate possible ways of implementing the options.

1. Maintain the comprehensive goals of CETA but target funds to contractors who can demonstrate efficient and productive program results.

Policymakers must choose among a wide range of organizations that compete for CETA funding. While several types of contractors have established good records with CETA clients, not all of these are well suited to running all types of programs.

A recent federal initiative has attempted to increase the involvement of private sector contractors. There are obvious benefits to enlisting the private sector to provide on-the-job training because clients learn while they are in training and are being prepared for an available job. But some manpower service programs operated by the private sector, on the other hand, are among the most expensive, and at times they duplicate services offered by public agencies. Private profit-making organizations have higher costs than do community colleges and nonprofit groups that run similar programs.

Use of the private sector should emphasize on-the-job training, but more cost effective means are available for other programs. Channeling funds to public and nonprofit agencies would also reduce the impact of funding cuts and continue support of productive programs.

Another way to foster effective programs is to tie funding to performance. A proportion of CETA funds could be reserved for contractors who have high placement rates, reasonable costs, and low numbers of non-positive terminations, as seen in JLARC's hypothetical example:

> *An appliance manufacturer in Southwest Virginia hires eight CETA clients for an on-the-job training program in small engine repair. The contractor hires seven in permanent jobs for a placement rate of 87 percent. The cost per placement is $980. All seven are still employed by the firm six months later. Since these performance indicators are better than the State average, the contractor is given preference for additional funding.*

2. <u>Concentrate funding in programs that provide actual job experience for youths and adults such as on-the-job training and work experience programs.</u>

The JLARC survey of CETA clients showed that most applicants regard CETA as a job, source of income, or means to a job. It is in meeting these needs, at least on a temporary basis, that CETA appears to be most successful. CETA might most usefully focus on improving programs related to these needs to enhance job stability for clients.

CETA would focus primarily on OJT, skill-related classroom training, and work experience. Program flaws such as high negative terminations for OJT and low placements for work experience should be addressed through redesign of contractual requirements to include job development and supportive programs.

Classroom training programs should consist of skill-oriented programs that lead to unsubsidized jobs. But CETA should continue contracts for individual students in general degree programs at community colleges and proprietary schools only when other training options are inappropriate.

Ideally, programs should provide intensive training activities in a compressed time period so that clients are not out of the job market for an extended time, as JLARC's hypothetical example suggests:

> *A United Way agency provides a series of one-month work experience programs. Clients work in children's and adults' day care centers five hours a day performing maintenance, custodial or clerical duties. For three hours each day they receive individual counseling in work attitudes and job search skills. Each client is assisted by a job developer in identifying and contacting potential employers. Clients receive an allowance of $3.00 an hour. Before they leave the program they receive written evaluations from their work supervisors and counselors.*

3. Reduce the number of contracts that duplicate the responsibilities of other State agencies.

Although job generating and rehabilitative programs are part of the overall goals of CETA, they are often costly and duplicative of the programs of other public agencies. To reduce costs and narrow the focus of CETA, program areas that overlap with the responsibilities of other State and local agencies should be terminated. For example, industrial development authorities are responsible for job development, the Department of Welfare for provision of social services, and mental health and substance abuse agencies for long term rehabilitative programs.

A program area that should be considered for continuation is support of sheltered workshops. These workshops serve as transitional or long term work experience for people who cannot be competitively employed because of a mental or physical disability. The workshops rely on funding from public sources such as CETA, local and State mental health and welfare agencies, and the Department of Rehabilitative Services. JLARC's hypothetical example illustrates how CETA funds could supplement other fund sources:

> *A sheltered workshop is awarded $36,000 in CETA funds to train eleven physically handicapped clients and place three in unsubsidized jobs. CETA funds supplement Title XX funds from the Department of Welfare, United Way funds, and private funds from a local donor. The CETA funds are used primarily to hire a new instructor and buy woodworking equipment. Because of the increased funding, the workshop is able to train 20 percent more clients than were trained the previous year.*

4. Recognize the countercyclical intent of CETA and reconsider the need for short term jobs through work experience or other means.

Work experience can be viewed as a form of economic counter-cyclical assistance similar to the now defunct public service employment program. It is a relatively easy program to expand or contract. In the current period of rising unemployment it provides clients with a temporary income and an employment reference. It permits local government contractors to expand services within their jurisdictions at a time when localities are also feeling the pinch of fiscal belt-tightening.

While cost per placement is high, cost per enrollment is relatively moderate in work experience programs. Costs could be further reduced by careful selection of contractors and contractual requirements for aggressive placement activity. The ultimate goal should continue to be unsubsidized placement.

These programs could provide a short term safety net to disadvantaged clients who lose their jobs due to a depressed economy, as suggested in JLARC's hypothetical example:

> *Extensive layoffs have occurred at a seafood processing firm. Although a new fertilizer factory has moved into the area, it will not be open for several months. Disadvantaged clients laid off from the seafood firm are enrolled in a two-month work experience program run by a local board of supervisors. The program is designed to operate until the new factory opens. Clients perform maintenance and custodial tasks for county buildings and are paid $2.55 an hour.*

5. <u>Consider providing additional revenue sources for some parts of CETA.</u>

Because of recent funding reductions and federal proposals to turn CETA over to the states for administration and financing, the State may need to develop additional revenue sources. It may do this by encouraging greater private sector initiatives through tax and wage incentives, providing direct State aid, or requiring local matches for State funds.

Given recent cuts in welfare benefits and high unemployment rates, an important use of public funds would be to support work and classroom programs targeted to economically disadvantaged youth and adults who want to work and have the ability to perform entry level jobs. All programs should be carefully monitored to ensure high levels of performance and efficiency.

One way to ensure that public funds are used for effective programs is to tie incentives to performance, as in this hypothetical JLARC example:

The local CETA office contacts a new manufacturer to solicit its involvement as an on-the-job training contractor. CETA staff propose to reimburse an increasing proportion of clients' wages. The firm agrees to this arrangement and hires four clients for a six-month program in machine operation. The firm receives reimbursement of 20 percent of client wages in the first three months; the proportion increases by 10 percent in each of the next three months. In the sixth month, the firm receives 50 percent of client wages. By linking reimbursement to retention rates, this contract attempts to ensure adequate training and experience for clients.

Whichever program options are selected, economies could be achieved through the selection of contractors with records of success and redesigned program requirements that stress placement in unsubsidized jobs.

High Level Consideration Needed

The challenges facing the State regarding the training and employment of the disadvantaged go beyond the purview of the VEC and the Secretary of Human Resources. The complex issues of rising unemployment, decreased federal funding, and increased State accountability for program performance require broad based and high level decisionmaking.

The Governor should appoint a blue ribbon commission to consider all of the options and program specific recommendations in this report, to monitor and respond to federal actions, and develop and weigh other options for State initiatives. The commission could be composed of the appropriate Governor's secretaries, key agency representatives, members of the General Assembly, and representatives of business and industry. Such action will be important in order to maintain the viable and most necessary aspects of manpower development for economically disadvantaged citizens.

CONCLUSION AND RECOMMENDATIONS

CETA's history of rapid growth and then sudden retrenchment presents the State with difficult choices. Faced with major funding cutbacks, State officials will have to focus the program to get the most with limited revenues. Regardless of the focus, funds should be targeted to programs and contractors that are effective at training and placing clients and that operate efficiently.

Recommendation (1). The on-the-job training program should be monitored by requiring contractors to submit specific reasons for client terminations on monthly status reports. If patterns of negative termination emerge, vacant slots should not be refilled until problems are corrected. Supportive services should be provided by the contractor as part of the contract, by CETA staff, or through a supplementary contract.

Recommendation (2). Work experience programs should be focused on economically disadvantaged clients who are not served by other human service agencies, who are capable of working, and who want to work. Work experience contracts should stress work activities for clients and job development rather than specialized counseling.

Recommendation (3). The Balance-of-State should require all work experience and classroom training programs to have a component which focuses on job search skills. This training should be provided directly by the contractor, or by CETA regional staff when necessary. This training would reduce the need for costly and duplicative individual contracts for job search programs.

Recommendation (4). The Balance-of-State should not award contracts for client assessment, testing, and job counseling services where these services are provided by local employment offices. Clients with severe handicaps should be referred to State or local agencies that routinely deal with these client groups.

Recommendation (5). CETA funds for individual referral programs leading to a degree or certificate should be used sparingly, only after other training alternatives have been considered. Individual referral contracts should be continued only if adequate client screening and regular follow-up mechanisms are implemented.

Recommendation (6). Balance-of-State staff should award classroom training contracts to contractors who show evidence of high placement rates and efficient operations. Vocational skills centers should be among contractors considered for continued funding.

Recommendation (7). The Balance-of-State prime sponsor should focus funding on programs that directly benefit clients by awarding employment-generating contracts only if the services cannot be provided by other agencies. Contract awards should be based on evidence of the contractor's capability in providing the service.

Recommendation (8). The Governor should appoint a blue ribbon commission to consider options for the future scope and funding of CETA. The commission could be composed of the appropriate Governor's secretaries, key agency representatives, members of the General Assembly, and leaders of business and industry.

IV. PROGRAM ADMINISTRATION

The Balance-of-State CETA program is administered by the employment training division of the VEC. Since the program began in 1975, the division has had to deal with constant federal changes in regulations and funding levels. Federal pressure to increase enrollments and spend funds resulted in the establishment of programs that could be easily expanded or replicated.

During this period of rapid program expansion, the CETA division placed more emphasis on attracting and keeping contractors than on managing and monitoring program and contractor performance. Nevertheless, as the designated administrative agency for the Balance-of-State, the division is responsible for ensuring that federal funds are used appropriately. Moreover, as an agency of State government, the division is also accountable to the Commonwealth for the effective and efficient expenditure of funds.

A primary reason for careless management practices in the past was extensive turnover and layoffs at both top management and staff levels. This unstable situation did not facilitate program continuity and accountability. During FY 1981, however, under the direction of a new associate commissioner of CETA and a new acting commissioner of the VEC, the CETA division made significant progress in restructuring organizational responsibility and authority. Important first steps were also taken to strengthen program accountability and management information.

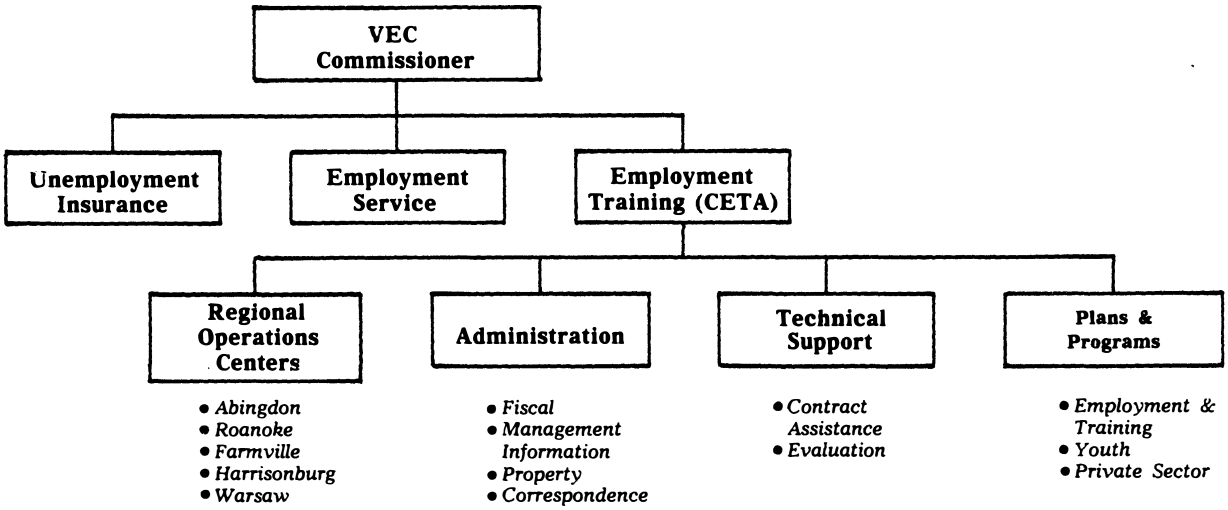
Program accountability will be even more important in light of recent funding reductions and federal proposals that would give the State more responsibility for statewide CETA operations. Key administrative activities that need to be addressed in order to improve accountability include the awarding of contracts based on assessments of needed services and performance standards, increased documentation of program operations, and more effective use of oversight and accountability mechanisms.

AWARDING CETA CONTRACTS

The geographically dispersed nature of the Balance-of-State area requires a decentralized administrative system to manage field activities. The VEC has developed an organizational structure to address this requirement (Figure 10). While general program policies and procedures are developed in the central office, the regional operations centers are responsible for awarding and monitoring contracts on a daily basis. Regional centers are located in Abingdon, Roanoke, Farmville, Harrisonburg, and Warsaw.

Figure 10

ORGANIZATION OF THE CETA DIVISION OF THE VEC



Regional operations centers follow a multi-stage contract selection process to determine how CETA funds will be spent. The initial step is a lengthy period of needs assessment by regional planners. Once client and employer training needs are identified, regional staff and local area manpower planning councils (AMPCs) determine what types of programs will be offered to meet those needs in each AMPC geographical area. The federal procurement process is then implemented to advertise for program proposals and award contracts. Although the process itself is sound, it does not always ensure that all programs effectively meet client and employer needs because of the influence of some AMPCs, and the inappropriate use of discretionary funds.

Involvement of Area Manpower Planning Councils

AMPCs became official advisory bodies to CETA in 1975. The role of the AMPCs is to ensure that local community needs are identified and addressed during the contract procurement process.

Structure of AMPCs. Seventeen AMPCs function in the Balance-of-State area. AMPC boundaries conform to those of local planning district commissions. The Abingdon, Roanoke, and Farmville regions each have three AMPCs; the Harrisonburg and Warsaw regions have four. Each AMPC has approximately 21 locally appointed members of the public sector, labor, and client groups for a total of roughly 350 members. Many council members are also CETA contractors.

In a JLARC random sample of 33 adult training contracts run by nonprofit organizations, 25 contracts totalling $4.9 million were run by organizations with representatives on local and State advisory councils (Table 13). Statistical projections suggest that more than one-half of all adult training contracts run by nonprofit agencies were operated by people affiliated with an AMPC. As Table 13 indicates, a substantial proportion of high dollar contracts is run by council members. Of the nine contracts reviewed with values over $200,000, eight were run by organizations represented on advisory councils.

Table 13

CONTRACTS OPERATED BY ADVISORY COUNCIL MEMBERS
FY 1980 and 1981

Dollar Value of Contracts	Number of Contracts in Sample	Contracts Operated by Council Members or Alternates	
		Number	Percent
Less than $50,000	6	5	83%
$50,000 - $100,000	11	8	73
$100,000 - $200,000	7	4	57
More than $200,000	9	8	89

CETA programs involve substantial sums of money. Contract funds can be used to support services to clients as well as the administrative costs of an organization, as shown in the following example:

> *In 1980, a nonprofit agency represented on an AMPC had a work experience contract valued at $90,000. The contract budget showed that 33 percent of proposed expenditures were for staff salaries. An additional 19 percent of contract expenditures were for operating expenses, rent, equipment, and utilities.*

In light of drastic program cuts in all other areas of CETA operations, costs could be reduced by consolidating the seventeen existing AMPCs into five councils defined by the boundaries of Balance-of-State's five regions. Council membership could be limited to two or three representatives from each current AMPC. This membership would maintain local input but reduce the size of the councils. Consolidation may also serve to eliminate some of the current concern of Balance-of-State staff over the role of contractors on the AMPCs.

Role of AMPCs. AMPCs are supposed to advise regional staff about funding decisions, but the Balance-of-State staff is ultimately responsible for selecting contractors and awarding contracts. Some AMPC members perceive their role, however, as one of authority. For example, AMPC members unhappy with regional decisions recently considered filing grievances and implementing legal action to overturn award decisions.

In some AMPCs, individual contractor interests influence AMPC actions. AMPC records and interviews with Balance-of-State staff indicated that planning and contract decisions were sometimes based primarily on the needs of contractors rather than on client or community needs. Although AMPCs do not have any authority in the actual awarding of contracts, they can exert influence over awards by shifting funds among program categories during the planning process. As the following examples illustrate, this shifting can substantially benefit the contractor.

> *Minutes from an AMPC meeting show that there were insufficient funds in the manpower services category to fund all the service proposals received for FY 1980. One of the two services proposals not funded had been submitted by an organization represented by the chairman of the AMPC. The AMPC voted to move funds out of the work experience category and into the manpower services category so that both proposals would be funded. The chairman abstained in the actual vote.*

* * *

> *In another AMPC, regional planners identified a need to decrease classroom training and increase work experience in the economically depressed area. At the urging of an AMPC member representing a local community college, the AMPC voted to re-evaluate the cuts in classroom training. The council endorsed two of the members' training proposals before official solicitation of proposals had begun, an act contrary to CETA procurement policy.*

* * *

> *AMPC members and staff from a regional office discussed funding a job assistance service program for FY 1980. Regional office staff opposed the program because similar services were already being provided by local employment offices and other contractors. Staff believed that on-the-job training would be a better alternative. However, the full AMPC voted to fund the service program. The contract was eventually awarded to a member of the AMPC, who had originally proposed the job assistance program.*

The role of AMPCs needs to be clarified to ensure that advice on local needs is retained but that accountability for funding decisions is firmly assigned to Balance-of-State staff. Currently, Balance-of-State staff are in the process of reaffirming the advisory nature of AMPCs. Balance-of-State staff should state this role clearly in a written policy and enforce it in the future.

Contract Awards by Central Office Staff

Although most authority and responsibility for contract awards have been decentralized to the regional operations centers, the central office is responsible for awarding contracts that encompass more than one region and certain contracts with other State agencies. In addition, the central office will occasionally pool unobligated regional funds and award special contracts with these funds. Although JLARC found no formal policies on the intended use of these funds, they are most often used to support statewide contracts or augment the resources of regional operations centers.

JLARC reviewed five contracts awarded by the central office. In two of these contracts central office decisions regarding contract awards have resulted in a costly duplication of existing services.

> *The central office awarded a $182,000 contract to a private, nonprofit organization that proposed to market and administer on-the-job training programs to private business. This proposal clearly duplicates the existing responsibilities of CETA contracting staff in the five regional offices, whose salaries approximate $120,000 annually.*

Other central office contract awards not only have been duplicative but also have fallen short of proposed goals, due to the lack of regional oversight. In the following example, the contract duplicated many services provided by local employment offices as part of a $2.3 million agreement with the Balance-of-State.

> *In FY 1981, the central office awarded a $375,000 contract to a private consulting firm to provide placement services and motivational seminars to people who had been terminated from the defunct public service employment program. Each regional office had to allocate a share of its program funds to this contract.*
>
> *The contract was performance-based, which meant that specified results had to occur before payment was made. The firm received $200 for each client who enrolled, $200 for each client who was placed in an unsubsidized job, and $200 for each placement that lasted for 90 days.*
>
> *This contract duplicated some services routinely provided by the local employment offices. It also duplicated the types of activities offered*

to many of these clients in FY 1980 by another consulting firm. Central office staff did not provide close oversight of the contract, and several problems resulted. Rather than conduct training seminars, the firm contacted clients by telephone only and encouraged them to keep looking for jobs. The firm claimed 200 placements, but recent findings indicate that the firm may have taken credit for placements it had nothing to do with.

In this example, many of the services were unneeded in the first place and were largely ineffective in the final analysis.

In a third contract, CETA funds supported a low-priority program:

An unsolicited proposal was received in the Harrisonburg region for a program of rehabilitative services to disadvantaged, handicapped people. The regional office did not award a contract, maintaining that such services were already being provided in the area and that other programs were needed more at that time.

The proposal was then submitted by the prospective contractor to the central office. The central office used Balance-of-State discretionary funds to fund the proposal.

The CETA division should adhere to established policies regarding decentralization of all contracting authority to the regional offices. Any special contracts awarded by the central office should be based on demonstrated need identified by regional staff.

INFORMATION FOR CONTRACT SELECTION

The contract selection process is intended to ensure that contracts receiving CETA funds present the most effective and efficient way of providing needed services. All contract proposals are subjected to a lengthy, multi-level review that includes examination of enrollment and placement goals, program descriptions, and costs. These measures are intended to provide standards for comparison among proposals and to be used as benchmarks of actual performance once contracts are operating.

However, contract proposals in their current form do not provide Balance-of-State staff with adequate information to predict or measure performance. Principal deficiencies in proposal information include unenforceable measures of program goals and inadequate and unreliable outcomes and cost information.

Measuring Program Goals

All contract proposals submitted to the Balance-of-State prime sponsor are supposed to contain an overview of the program goals and specific ways of measuring goal attainment. These measures are intended to allow the prime sponsor to assess the effectiveness of current contracts and to make future funding decisions. However, the information presented in contract proposals is often so vague that it cannot be used for any meaningful assessment of actual or future program performance.

Lack of Specific Goals and Measures. One problem with measuring outcomes is the vague nature of program goals. Eighteen of the 22 work experience contracts in the JLARC sample listed such general goals as the following:

> "[This program will] enhance employability through employment and training."
>
> "[This program will] increase chance of success in future employment by exposing clients to various occupational opportunities."
>
> "Participants will become useful and productive citizens."
>
> "Disadvantaged homemakers will be prepared for the job market by participating in self-knowledge seminars."

The upshot of this lack of measurable objectives is that Balance-of-State has no way of knowing what it is supposed to get, and actually does get for the money, as the following example illustrates:

> *In FY 1980, Balance-of-State awarded a services contract for $183,000 to a private consultant. The contract was for a series of three-day personal development and employability training seminars. The contract proposal states the following program goal: "[This training] provides the participant and the contractor with a highly professional, extremely effective training program that gets results and exemplifies assertiveness training at its best."*
>
> *The following topics represent those listed in the proposal:*
>
> - *What are my strengths?*
> - *Your self image is your price tag*
> - *The five steps to enthusiasm*
> - *How fear of failure causes failure*
> - *How to distinguish between real fear and unreal fear*

- *Understanding how serving is a personally profitable activity*

In this example, the contractor mentions "results" but never says what they are. No outcomes are mentioned, only topics of discussion. What is not stated is how the experience is expected to enhance employability and what measures can be applied. Lacking objectives regarding change or improvement in participants' circumstances, the Balance-of-State has no basis for enforcing contract performance. While the above contract enrolled 800 clients, Balance-of-State staff do not know how many placements resulted from the training.

In some cases, measurable results are stated but are long term projections. Unless CETA staff works with contractors to develop more realistic, short term objectives, immediate performance cannot be measured or enforced, as in this example:

> *In FY 1980, the Balance-of-State prime sponsor awarded a $402,000 contract to an out-of-state consultant. Part of the proposal included the creation of economic development plans that would lead to 1,500 new jobs and 50 new enterprises over a five-year period. The cost for these plans was $230,000.*

No criteria were established to assess the feasibility and quality of the plans. Although the economic development plans were completed, local officials who reviewed the plans referred to them as misleading and greatly exaggerated. Nevertheless, the firm received the full sum of $230,000.

Improving Contract Information. Balance-of-State staff should require realistic, measurable goals as part of every contract proposal. Broad goal statements, such as "clients will become useful and productive citizens," should be related as competencies that clients will achieve as part of this training, such as "learn to repair an engine," "learn to write a check," and "know how to complete a job application." Contracts should be awarded only to providers who establish and adhere to measurable goals and comply with requirements to document participant achievements.

Measures of Proposed Outcomes

In addition to stating program goals, contractors are required to predict three types of outcomes: enrollment rates, termination rates, and placement rates. These outcome measures are important for tracking the number of people flowing through the CETA system, but they do not capture sufficient information related to the quality or management of CETA programs.

Enrollment Rates. Total CETA enrollments are an important performance measure for the Balance-of-State prime sponsor. Enrollments do not provide much information about contract performance, however. For instance, the contractor does not report how long a participant stayed in a CETA program. A person is counted as a participant whether he or she stayed in a CETA program one day or one year. Since information on participant tenure is not readily usable, it is not known how many of the participants who get unsubsidized employment were actually in CETA long enough to have benefited from the program.

Also, a client's being counted as an enrollee does not necessarily mean that he or she actually received services from the contractor. JLARC identified several cases where enrollees were contacted solely by telephone once or twice during the contract period yet were counted as enrollments.

Termination Rates. Positive and negative termination rates are two key measures required by the Department of Labor. Because the Balance-of-State is required to report only aggregate figures, however, these rates are also of limited value in addressing program performance. A positive termination is defined by federal regulations as a participant's exit from the CETA program because the client was placed in an unsubsidized job, transferred to another CETA program, returned to school, entered the military, quit for health or family reasons, moved from the area, or had transportation problems. A termination is considered negative if a client refused to continue, was fired, was unable to be located, exceeded program or wage limits, or was found ineligible. Because of the variety of reasons for types of terminations, aggregate figures are misleading indicators of a contract's effectiveness.

A program may have a high positive termination rate but a low placement rate. Similarly, total figures on non-positive terminations do not serve as adequate indicators of program problems, as the following example indicates:

> *Eighteen clients participated in an on-the-job training program with a large manufacturer. Total termination figures showed five placements and thirteen negative terminations.*
>
> *A further breakdown by JLARC staff of the negative termination rate showed the following reasons: nine were fired; three refused to continue; and one terminated for an unknown reason.*

The high percentage of firings raises at least two questions: (1) Was the contractor sufficiently able to deal with the disadvantaged clients? (2) Had clients' abilities and interests been adequately assessed before they were referred to the contractor? Clients indicated to JLARC that the contractor spent little time actually training them, that working conditions were poor, and that clients were fired without notice.

Placement Rates. Placement rate is the principal indicator of a program's success in achieving the overall CETA goal of putting disadvantaged people to work. As one Balance-of-State manager said, "The key to CETA's survival is high placement rates." A placement is counted only if the client terminates from CETA because he or she has been hired for an unsubsidized job. Although the Balance-of-State prime sponsor has followed federal guidelines for calculating placement rates, the resulting figures do not give an accurate story about placements.

In some cases placement rates tell an exaggerated story of program success, as the following case illustrates.

> *JLARC interviewed a former CETA client who had been counted as a "placement" by Balance-of-State. During the course of the interview, the client indicated that he had enrolled in CETA one day and gotten a job on his own the next day. He had never actually attended any CETA training.*

In this case, the CETA program was not at all instrumental in making the placement. In addition, federal regulations permit an enlistment in the military to be counted as a placement. Moreover, contractors sometimes report placements incorrectly. During a recent monitoring visit, the monitor discovered that a contractor was counting as "placements" people who had completed training for graduate equivalency diplomas (G.E.D.) regardless of whether they got a job.

In other cases, actual placements are underrepresented by program placement rates:

> *During the JLARC follow-up of clients, several people indicated that they had found jobs within several days of terminating from the CETA program. For CETA reporting purposes, however, they were not counted as placements.*

Examples like these challenge the meaningfulness of Balance-of-State's placement rates as indicators of program success.

The Balance-of-State should require contractors to report more specific performance data on the currently required monthly status reports. Included should be detailed breakdowns of length of program participation and specific types of terminations for all clients. CETA staff should not refund contracts that have failed to comply with this requirement.

In addition, the evaluation unit in the Balance-of-State Central Office should regularly follow-up on a sample of clients to get a more complete picture of placement rates.

Proposed Costs of Programs

Contract proposals must contain cost information which shows projected expenditures in six cost categories that are defined in Balance-of-State regulations, as follows:

- Administration. All indirect and direct costs associated with the operation of the program.
- Allowances. Stipends paid to participants while they attend training programs.
- Participant Wages. Wages paid to participants in adult and youth work programs.
- Participant Fringes. Costs of health insurance, workmen's compensation coverage, and other benefits to participants.
- Training Costs. Costs incurred for instruction of participants in either a work environment or classroom.
- Services. Costs of providing employment and training services to participants.

All proposals are reviewed by regional staff to ensure that administrative costs do not exceed a ten percent limit set by Balance-of-State regulations, that costs for personal and non-personal services in training and service categories are reasonable, and that all calculations are mathematically accurate. The staff is unable to accurately assess cost efficiency, however, because of inadequate cost information and lack of guidelines for evaluating the reasonableness of costs.

Inadequate Information. In order for the Balance-of-State staff to make decisions about reasonableness of costs, it must have detailed cost information. JLARC found that the Balance-of-State prime sponsor, however, does not require all contractors to present sufficiently detailed information about how the money will be spent. This deficiency was noted most frequently in programs other than on-the-job training.

> *A proposal for an employment-generating program costing $402,000 listed a $64,500 amount in a services category called "unspecified other." There was no indication in the proposal of intended use for these funds.*

* * *

> *The proposal for a manpower services contract gave a total cost of $183,750. All costs were lumped in the "training" category. The contractor stated that this amount covered all instructor fees, meals, rooms, and travel as well as costs of*

rent, equipment, and materials. However, the proposal provided no breakdown of total costs into these sub-categories.

In these cases, the Balance-of-State had no way of knowing how large sums of money were to be spent. It was also not possible to assess reasonableness of costs or make comparisons among proposals.

Lack of Subcontract Information. Contractors frequently subcontract with private consultants and community colleges for training and services. Although substantial portions of contract funds may be spent on subcontracts, the Balance-of-State does not enforce federal regulations regarding competitive bidding and contractor standards of conduct. Furthermore, the Balance-of-State does not require detailed breakdowns of subcontracted funds. As a result, the Balance-of-State cannot account for subcontracted amounts or ensure the appropriate use of these funds as the following case illustrates.

A private consulting firm was awarded three summer youth contracts in FY 1981 that cost $221,264. Approximately $173,000 of this amount was awarded to a subcontractor who provided the training for a flat fee. The subcontractor was actually a subsidiary of the contractor: both corporations had the same directors and corporate officers.

There are two problems with this contract. First, the subcontract arrangement appears to violate federal contractor standards of conduct which prohibit a contractor from awarding funds to any organization in which the contractor has a financial interest. In addition, there is no detailed breakdown of subcontracted funds to ensure fund accountability.

The Balance-of-State prime sponsor should require all contract proposals to provide a breakdown of cost categories for the primary contract and subcontracts. Detailed costs should be provided in the six cost categories. A proposal that does not provide these breakdowns should not be considered for funding.

In addition, Balance-of-State staff should require contractors to provide documentation of competitive bids for subcontracted services. Staff should ensure that all subcontracts are free from the appearance of conflict of interest. This should be done by means of a pre-award check on corporate affiliations of all involved parties.

Reasonableness of Costs. Even where adequate cost data exist, questions still arise as to the reasonableness of an amount. The Balance-of-State contracting manual defines a cost as reasonable "if in its nature or amount, it does not exceed that which would be incurred by any ordinary, prudent person in the conduct of competitive business."

The manual does not provide any cost parameters for staff to follow. Because there are no specific guidelines for determining reasonableness of costs, the evaluation of costs becomes very subjective. In four contracts reviewed by JLARC, for example, the hourly cost of providing employment skills counseling, such as resume writing and interview techniques, ranged from $2.00 to $234 (Table 14). In contracts C and D, the fixed fees of $100 and $234 were guaranteed, regardless of the number of clients who actually enrolled. This means that hourly costs in contract C could have ranged from $100 if only one client attended, to less than one dollar if more than 100 attended. During the proposal review process, Balance-of State staff questioned the high costs of counseling in contracts C and D shown in Table 14. However, there is no evidence that additional negotiation took place. Contracts were subsequently awarded for the requested amounts.

Table 14

RANGE OF COSTS FOR EMPLOYMENT SKILLS COUNSELING

Contract	Type of Contractor	Cost Per Hour	Reimbursement Method
A	Community College	$2.00	Tuition Cost Per Client
B	Private Educational Institution	$7.50	Counseling Fee Per Client
C	Private Consultant	$100	Fixed Fee for Group
D	Private Consultant	$234	Fixed Fee for Group

Source: JLARC review of contracts.

In other contracts reviewed by JLARC, the ranges of administrative, training, and services costs led to wide variations in overall planned cost per participant. Many costs in these categories were questioned by CETA staff as they evaluated contract proposals, such as the following:

- A utility cost of eight percent of the total contract amount;
- $6,300 proposed for participant transportation;
- A $200 per day consultant's fee for assertiveness training to disadvantaged homemakers;
- A $28,000 salary paid to the director of a small non-profit corporation;

- A $45,000 subcontract for three "Worklife Institutes" that covered assertiveness, communication, time management and values affirmation.

These examples provide no evidence that any process was consistently applied to determine reasonableness of questioned costs. Instead, individual decisions were made to approve each amount.

Balance-of-State staff should develop reasonable cost parameters for evaluating contract proposals. Proposals that exceed these parameters should not be funded until costs conform to the guidelines or documented justification for excessive funds is presented.

CONTRACT MANAGEMENT

Effective contract management requires adequate information about contract activities to ensure that contractors are adhering to conditions of the contract and that participants are receiving necessary services. Documentation of activities is important for verifying contract costs. Key elements for managing CETA contracts include recordkeeping, management information systems, and certification of costs. The Balance-of-State prime sponsor needs to take steps to address deficiencies in each of these areas.

Recordkeeping and Management Information

Accurate, usable records regarding contract staff, participants, and expenditures are important for verifying contract activities, tracking participants, and evaluating overall contract performance. Key records that are supposed to be maintained by the Balance-of-State prime sponsor include monthly enrollment and expenditure reports and participant intake and termination forms. These records are not always available or effectively used by Balance-of-State staff.

Gaps in Recordkeeping. In more than one-third of the 89 contracts reviewed by JLARC, participant, contractor, or cost records were either inaccurate, incomplete, or missing altogether. Records in certain classroom training contracts were in particularly bad shape when the JLARC review began. JLARC sampled 23 contracts in the individual referral category. This type of contract permits CETA clients to enroll in regular courses at community colleges and proprietary schools. CETA funds pay their tuition and provide them with allowances while they are in school. As a result of careless recordkeeping, Balance-of-State staff did not know how many clients were involved in these contracts, how long they had been enrolled, or what type of courses they were enrolled in. Moreover, termination information was missing on many participants who had actually been out of the program for some time. After several years of administrative neglect, individual referral records were recently reconciled by program staff.

Contractors also have problems with recordkeeping even though they receive training from Balance-of-State staff. Fiscal auditors and Balance-of-State staff sample contractor records during periodic reviews of contract operations. Reports from fiscal auditors and Balance-of-State staff document extensive deficiencies in records that are supposed to be maintained in contractors' offices. Fiscal auditors noted incomplete or missing participant and staff records, including the most essential reports of time and attendance in approximately 30 percent of the 350 contracts audited in 1980. Preliminary reports from 1981 fiscal audits and federally mandated compliance reviews show a similar percentage of contracts with poor recordkeeping.

Accurate information is essential for running the CETA program efficiently and effectively. Contractors should be held accountable for accurate records, and the condition of contractor records should be considered in any refunding decisions. Compliance should be monitored by regional contract officers on a sample basis.

Using Information for Program Management. The Balance-of-State prime sponsor gathers enormous amounts of program data, mostly in response to federal requirements. Much of this information could provide program managers with useful information about participants and programs. For example, timely information could be generated about enrollments, placements, and terminations in individual contracts and programs. Special groups of clients could be targeted for follow-up activities to assess program effectiveness. However, the automated information system currently in use is inadequate to be of much use to managers.

A computerized information system on participant data is especially inadequate. When the JLARC review began, data entry backlogs existed for two years' worth of participant information, and the computerized information is still not current. As a result, a manual system is still used by Balance-of-State staff. This system involves keeping participant records in the regional offices and in several central office locations. Balance-of-State staff expressed frustration over the lack of easily accessible information for managing programs.

The computerized data are currently of little value to managers. For example, Balance-of-State staff cannot readily match participants to the contracts which would be useful for such purposes as following up on client progress and verifying placement and enrollment information.

> *In order to conduct a follow-up of CETA participants, JLARC staff asked Balance-of-State staff to generate a list of all participants in the 50 pre-selected contracts from FY 1980.*
>
> *Balance-of-State staff made initial attempts to generate the list from the computerized information system. While all fifty contracts had at least one participant, only seven contracts ap-*

peared on the computer list. Not one of these seven contained the correct number of participant names. Additional attempts to develop the list from computerized information had similar poor results.

Eventually, the data had to be collected from manual records in regional operations centers and in several cases from the original contractor.

A seemingly routine gathering of basic data took approximately six weeks to complete because of poor recordkeeping and inadequate information systems.

To be of use to program managers, CETA program information must be accurate, it must be in usable form, and it must be easily accessible. Balance-of-State staff should request the Department of Management Analysis and Systems Development to assist in resolving problems with the automated information system.

Fiscal Controls

Prime sponsors are required to develop financial management systems which ensure that auditable and otherwise adequate records are maintained to support the expenditure of CETA funds. Over the past year, the Balance-of-State prime sponsor has made considerable progress in designing and implementing a computerized information system that tracks contractor and program expenditures on a daily basis. This system permits central and regional staff to make better use of all available funds. The financial tracking system is a major step toward ensuring accountability for funds. However, it needs to be supplemented by appropriate documentation for contractor expenses, as noted by the Auditor of Public Accounts.

Lack of Cost Documentation. The Balance-of-State prime sponsor does not require contractors to submit any documentation of costs such as invoices, purchase orders, and time and attendance records for clients and staff. According to Balance-of-State staff, such documentation would result in excessive paperwork for staff. The only document presently required for reimbursement of costs is a monthly expenditure report that lists the six major cost categories and line item subcategories.

This level of documentation does not provide managers with important information on use of funds. As the following case illustrates, inappropriate reimbursements can be made as a result of incomplete information:

Balance-of-State policy requires that contractors obtain prior approval for all equipment purchases with an aggregate value of $300. An out-of-state consulting firm bought more than $20,000 of office equipment without obtaining approval.

Because cost documentation is not required to support requested reimbursements, the equipment was paid for by CETA funds. This misuse of funds was caught by a CETA monitor at the end of the contract period. The Balance-of-State is now attempting to rectify the problem.

The Balance-of-State contract manual states that contractors must retain sufficient records that can be easily reviewed by compliance monitors and fiscal auditors. However, not all contractor records are readily accessible. In the contract noted above, a monitor was unable to document costs of a $402,000 contract because most records were kept at the contractor's out-of-state home office.

It appears that inadequate fiscal controls are a serious and widespread problem among Balance-of-State contractors. Reports by fiscal auditors and other Balance-of-State staff identified multiple concerns in as many as 63 percent of the contracts audited in FY 1980 and 1981. Key concerns included the following:

- Administrative costs were not supported by source documents, time sheets, or calculations.

- Back-up records were not maintained at all or were in such poor condition that no audit trail existed.

- Contractors had weak or non-existent internal controls for cash receipts and disbursements.

- Internal policies for billing, record-keeping, and payroll were either non-existent or misunderstood.

- Mathematical errors existed.

Fiscal auditors reported that a few contracts were virtually inauditable because no documentation exists.

Concerns of the Auditor of Public Accounts. The State Auditor of Public Accounts is responsible for ensuring that federal funds are managed appropriately by State agencies. In a July 1981 letter to the Acting Commissioner of the VEC, the State Auditor of Public Accounts reiterated the concerns of fiscal auditors regarding fiscal controls over CETA funds. A key concern of the auditor, the lack of adequate documentation of costs, still has not been satisfactorily resolved by the VEC.

As a result of careless fiscal controls by contractors, fiscal auditors have questioned costs totaling more than $3.5 million since 1976. As of December 18, 1981, outstanding questioned costs were $242,000. If this amount is disallowed by the U.S. Department of Labor and is not repaid by contractors, the State is liable for repayment of funds.

The Balance-of-State needs to develop and enforce appropriate fiscal controls to ensure the integrity of CETA expenditures. Several steps need to be taken.

1. The Balance-of-State should require contractors to submit documentation for expenditures to the central office.

2. The Balance-of-State should develop desk audit procedures to be applied to contractor financial documentation on a periodic basis.

3. Funding should not be continued for contractors who fail to supply required documentation.

Ensuring Contract Performance

When contract operations are unsatisfactory, the Balance-of-State prime sponsor can take several types of administrative actions. If circumstances warrant, the contract can be modified to adjust contract provisions. If a modification is not justified by the Balance-of-State prime sponsor, then enforcement mechanisms should be implemented. These mechanisms include orders to suspend or terminate contract operations prematurely. These administrative tools have not been used as effectively as they could be. As a result, CETA funds have been wasted on contracts that did not perform according to specifications.

Use of Administrative Mechanisms. The principal mechanisms for ensuring contractor performance include the following:

1. *Contract modification* is a legally recognized change in the original provisions of the contract. It is usually applied to the contract value or the number of planned enrollments.

2. A *stop work order* immediately suspends all contract operations. Costs incurred while the order is in effect are not reimbursed by the Balance-of-State. Such an order is applied when fraud or abuse are suspected.

3. A *termination for convenience* is a permanent termination of all or part of contract activities. It is used when it is determined that continuation of the contract would not produce results commensurate with further expenditures.

4. A *termination for default* is a permanent termination of all or part of contract activities that is applied if the contractor fails to comply with terms of the contract.

In the contracts reviewed by JLARC, the modification method was used most frequently. In most of these contracts, modifications were used to adjust planned expenditure and/or enrollment figures to conform with actual activity. In some contracts, modifications should have occurred sooner than they did. In contracts with minimal or no activity, expenditure levels were not modified for several months, thereby encumbering sizeable funds, as the following example shows:

> *A large manufacturer was awarded an OJT contract in FY 1980 for $208,220 to train sixty CETA participants. This goal was never achieved. After three months, enrollments and funding obligations were decreased to twenty-five participants and $119,725. Only three participants were ever enrolled. In March 1981 the number of participants was set at three and obligations at $9,647. It took nine months to free unused funds for other programs.*

In the past two years, Balance-of-State has rarely used enforcement methods. Two "stop performance" orders were issued in each year, but there were no terminations for default. This is due primarily to the reluctance of contract officers to enforce contract provisions. According to contract officers interviewed by JLARC, this reluctance stems from pressure by the central office to keep contracts running.

Failure to enforce contracts allows contracts of questionable value to continue as the following example illustrates:

> *In FY 1981, a private, out-of-state corporation was awarded a contract for $402,000. The contract had two objectives: (1) formulation of economic development plans for several areas in Virginia and (2) development and operation of autotutorial centers for CETA clients. The Balance-of-State staff documented a number of problems with the firm's fulfillment of contract objectives.*
>
> *Local officials raised concerns about "misleading," "greatly exaggerated," and "unfactual" information in the business plans produced by the firm and in the contractor's monthly progress reports.*
>
> *The autotutorial centers opened nearly three months behind schedule. Placement information from the centers contained discrepancies. Throughout the term of the contract, Balance-of-State staff indicated that required contract information was not delivered when promised.*

Balance-of-State staff stated that performance was marginal. On at least three occasions, the contract officer notified the firm that it would be charged with default if specific performance was not forthcoming by a certain date. No enforcement action was taken.

Although the contractor had been cited for non-performance, by the end of the contract period, the firm had received the full value of the contract.

Because of the high cost of the contract and problems with contract operations, the Balance-of-State's fiscal auditors should audit expenditures by this contractor as soon as possible.

Improving Contract Administration. While contractors should be given reasonable opportunity to perform according to the contract, repeated noncompliance should not be overlooked. Without appropriate enforcement, taxpayers' dollars are wasted on expensive programs with marginal or negative results. The Balance-of-State needs to take a firmer stand regarding modifications and enforcement of contract provisions.

Balance-of-State should take several steps to encourage appropriate contract administration by contract officers:

1. Policy should be developed to require contract modification or closeout for contracts with insufficient activity within 45 days of the effective date.

2. All contracts should state specific tasks, activities, or levels of achievement for clients.

3. Contract files maintained by CETA staff should contain adequate documentation of all contract activities including all correspondence, records of telephone conversations, enrollment and expenditure reports, and other types of progress reports.

4. Fiscal auditors should audit expenditures in all contracts where problems have been identified.

5. Contracts should be terminated when reasonable performance is not forthcoming.

CONTRACT OVERSIGHT

The complex system of multiple contracts operated by numerous agencies and organizations requires an administrative framework that can effectively manage and oversee all activities. Overall responsibility for overseeing the system rests with the Balance-of-State prime sponsor. The Balance-of-State must ensure that contracts are operated efficiently and effectively, that accountability for funds and participants is clearly established, and that programs are implemented according to federal law.

The Balance-of-State has developed several ways of overseeing contract operations. At the regional level, contract officers are assigned responsibility for ongoing oversight of contracts. Two State level oversight groups mandated by federal legislation include an independent monitoring unit which carries out compliance reviews and a fiscal audit unit which does post-audits of contractor records and accounts. Although these mechanisms are in place, oversight is incomplete and fragmented.

Ongoing Oversight by Contract Officers

Contract officers located in regional offices have the most frequent contact with organizations that run CETA contracts. As a result, the responsibility of ensuring day-to-day compliance falls to the contract officer. Although contract officers provide the only ongoing oversight of contracts, they have had limited success in ensuring effective performance. This is due primarily to the position's conflicting roles and responsibilities which should be redefined.

Dual Roles. Contract officers have a dual role of assisting with and monitoring contract operations. The most recent job description for contracting officers specifies the following duties:

1. providing technical assistance to contractors including interpretation of federal regulations, and response to operational concerns;

2. maintaining official records pertaining to the contract;

3. investigating and resolving contractual problems including disputes or ambiguities rising from contract language; and

4. monitoring contract performance to ensure that funds are expended appropriately and that overall performance is effective.

In addition to these official responsibilities, JLARC found that contracting officers perform a wide variety of duties unrelated to the contract functions. Some contract officers fill contract slots by finding clients themselves or persuading local employment offices to increase referrals. Contract officers sometimes mediate in disputes between clients and employers. Contract officers assigned to on-the-job training programs also complete monthly financial and participant records for many contractors. They also market the program to potential contractors.

According to some contract officers interviewed by JLARC, their close association with contractors makes it difficult for them to criticize program operations or question program costs which they have implicitly endorsed through their activities. The following case illustrates the concerns of contracting officers.

> *A contract officer is responsible for a large on-the-job training contract with a manufacturer. The contract, which has been renewed for several years, continues to show high turnover rates, with many terminations as a result of firing.*
>
> *The contract officer assigned to the contract told JLARC he was reluctant to discuss high turnover rates with the employer. This reluctance was based on his concern that the contractor might not renew the contract.*

Another area where contracting officers may be compromising their oversight responsibilities is in the preparation of records for contractors. Balance-of-State staff and fiscal auditors believe the preparation of official expenditure reports by contract officers is unsound. Such a practice could put the State in an untenable situation if fraudulent expenditures were found by auditors.

Redefining Roles. Contracting officers should not have dual roles of contract assistance and oversight. The Balance-of-State should develop clear and appropriate responsibilities for contract officers that emphasize a contract monitoring role. Consistent with that role is the provision of technical assistance in the form of regulation and policy interpretation. However, recordkeeping and client counseling are responsibilities of contractors and should not be performed by contract officers.

In keeping with the emphasis on contract monitoring, the VEC should develop alternatives for the marketing of on-the-job training contracts. For example, this responsibility could be assigned to Balance-of-State planners in regional operations centers who routinely assess the needs of private employers in the area during the annual planning cycle.

Role of the Independent Monitoring Unit

Federal regulations require each prime sponsor to establish a monitoring unit which is independent of any unit being monitored. In the Balance-of-State this function is carried out by an 18-person Independent Monitoring Unit (IMU). The unit has two broad responsibilities: (1) the periodic monitoring of contractor compliance with federal regulations through on-site visits and record reviews, and (2) the assessment of program services and management practices.

The IMU is the only organizational unit in the Balance-of-State with the sole responsibility of contract oversight while a contract is operating. Therefore, it must carry out a crucial role in ensuring that CETA funds are used efficiently and effectively. As it currently operates, however, IMU's effectiveness is compromised by the large number of unmonitored contracts, the superficial nature of the review, and several gaps in the process.

Unmonitored Contracts. Federal regulations stipulate that the IMU must monitor CETA contracts according to specific criteria. JLARC found that the IMU has not completed a substantial number of the required reviews.

Regulations require all contracts with a value of $50,000 or more to be monitored at least once during the contract year. JLARC's review of IMU monitoring logs indicated that in FY 1981 the IMU did not monitor 15 contracts that met this criterion.

The dollar value of unmonitored contracts is substantial. JLARC matched high dollar contracts that should have been monitored with actual monitoring records for FY 1980 and 1981. More than 36 percent, or $43 million, of all funds that should have been monitored according to law were never monitored (Table 13).

Table 13

AMOUNT OF FUNDS NOT MONITORED
1980 and 1981
(millions of dollars)

	1980				1981			
Type of	Monitored		Not Monitored		Monitored		Not Monitored	
Contract	Am't	%	Am't	%	Am't	%	Am't	%
Regional	$34.0	72.7%	$12.8	27.3%	$32.4	86.4%	$ 5.1	13.6%
Statewide	4.8	27.9	12.4	72.1	5.1	28.3	13.0	71.7
Total	$38.8	60.7%	$25.2	39.3%	$37.5	67.5%	$18.1	32.5%

Included in this group are several contracts that were valued at over one million dollars such as a $2.3 million contract with the Employment Service Division of the VEC in 1980 and 1981 and a $2.2 million contract with the Department of Education in 1981.

Monitors attributed the number of uncompleted reviews to a broadened role for IMU staff that included evaluations of CETA management systems. IMU staffing levels were not increased when this additional responsibility was assigned.

The Balance-of-State prime sponsor needs to ensure that required monitoring reviews are carried out according to law. Top priority should be assigned to completing reviews on time.

Gaps in Reviews. A second deficiency with the IMU's current practices is its emphasis on superficial compliance details rather than broader effectiveness issues. Instead of probing areas like appropriateness of training programs, staff-to-participant ratios, and costs, monitoring reviews focus on the presence and completion of forms like civil rights letters, certificates of eligibility, and employability development plans.

Balance-of-State monitoring staff and fiscal auditors acknowledge two gaps in the current monitoring process: lack of an in-depth assessment of program quality and lack of a fiscal review. The need for a fiscal component in the monitoring process is especially important. The only comprehensive review of fiscal practices is done by fiscal auditors on a post-audit basis; such reviews may occur as long as two years after operations have ceased. Many problems identified during audits cannot be resolved because contracts have ended.

Improving Contract Oversight. The Balance-of-State prime sponsor should restructure its oversight processes to maximize the use of staff, to adequately assess contract quality and to fill in gaps in oversight. Five actions need to be taken:

1. Improve ongoing oversight activity at the regional level. Contract officers should visit contractors' offices on a regular basis. As part of these visits, contract officers should review a sample of participant records, interview participants, and observe general contract operations.

2. Assign top priority to the completion of required reviews by the independent monitoring unit.

3. Perform annual fiscal audits of contracts. Fiscal auditors retained by the CETA Audit Unit should perform annual in-depth audits of contracts while contracts are in force.

4. Develop additional measures of contract progress. Central office evaluation staff should develop methods for assessing progress such as follow-up assessments with terminated clients and unannounced visits to worksites.

5. Expand the use of the Comprehensive Employment and Training Service in the Department of Education. Contract officers should seek the opinion of Department of Education curriculum specialists when evaluating contracts that provide skills training.

Employment Services Contract

On-going oversight of contract operations is important to ensure that contractors perform as required and that funds are appropriately spent. A high cost contract that did not receive sufficient oversight by Balance-of-State staff was operated by the employment services division of the VEC.

Local employment offices operated by the employment services division provide certain types of employment services to Balance-of-State clients. Although the employment services division and the CETA division are organizationally part of the VEC, employment services are purchased by means of a formal contract between the two divisions. For FY 1981, the contract was valued at just under $2.3 million.

Because VEC staff does not require adequate outcome measures and failed to monitor the contract, employment services are often ineffective, costly, and duplicative.

Contract Provisions. Under the terms of this contract, local employment offices are supposed to provide a package of services to potential CETA participants. These services include eligibility determination, assessment of individual needs, referral to appropriate CETA or non-CETA jobs, job placement assistance, and follow-up services for certain participants. These services are the key first step in ensuring that CETA participants get matched up with the appropriate training program. Job placement for CETA clients is provided through a memorandum of understanding between the CETA division and the employment services division.

In FY 1981 the contract called for employment offices to refer 60,000 CETA-eligible individuals to CETA contract slots. It was anticipated that about 20,000 of these individuals would be enrolled by Balance-of-State contractors.

Contract Effectiveness. Like all other contractors, the employment services division is responsible for carrying out contract provisions in an effective and efficient manner. Based on a variety of indicators, however, it appears that the contract has not been satisfactory:

- Two-thirds of the OJT contractors interviewed by JLARC indicated that VEC assessments and referrals were inadequate. They cited examples of unqualified and uninterested clients being referred to their programs.

- Balance-of-State staff in each of the five regional operations centers indicated that inadequate assessments by VEC offices was a major problem in contract operations.

- The annual prime sponsor assessment conducted by the U.S. Department of Labor indicated that little effective assessment is occurring in the Balance-of-State area.

The extent to which local employment offices fell short of meeting performance targets is shown in Table 14. As the table shows, only 45 percent of planned referrals were carried out. JLARC was unable to determine how closely the enrollment target was met because of reporting gaps. The employment services division reported enrollments only for April through September 1981, not for the whole year as required by the contract.

Table 14

CLIENT CERTIFICATION AND REFERRAL BY LOCAL VEC OFFICES
FY 1981

	Plan	Actual	Percent of Plan
Applicants Certified Eligible	No target	28,045	N.A.
Applicants Found Ineligible	No target	7,118	N.A.
Referrals	56,488	25,284	45%
% Referrals Later Found Ineligible	2% max.	.1% (Jan.-Sept.)	N.A.
Enrollments (Total Hired)	20,633	7,885 (April-Sept.)	N.A.

Source: FY 1981 contract between employment services division and Balance-of-State.

The contract between the employment services division and the Balance-of-State does not contain performance standards for several key employment service activities. And further, some of the performance standards are either very general or are not measured in any report submitted to the Balance-of-State prime sponsor. For example, the contract stipulates that

- eligibles shall receive initial CETA need assessment services.

  -No standards are set for the minimum quality of these services.

- eligibles will receive counseling as needed, including testing.

  -No standards are set for the types or quality of counseling and testing to be offered.

-*No target is set for the number of people to receive testing.*

-*No information is required specifying the number of people who actually receive testing.*

- referrals to CETA program openings must be made within three days of notification of openings.

  -*No report to the prime sponsor indicates how rapidly referrals are made.*

Incomplete data and lack of measurable objectives make these performance standards unenforceable.

The need to establish and enforce performance standards to measure the effectiveness of the employment services contract was originally stated in a 1979 report by the Balance-of-State's Independent Monitoring Unit. Its review concluded that "performance standards for all CETA outputs be published and that instances of failure to meet these standards be reviewed when invoices (received by CETA) are presented for services received, so that CETA does not pay for services that have not been properly rendered." As of FY 1981, lack of performance standards still limits the prime sponsor's control over the services it received from the employment services division.

Costs of Employment Services. The Balance-of-State prime sponsor obligated $2.3 million in FY 1981 for the purchase of employment services from the VEC. Cost overruns, inaccurate staff time calculations, and duplication of services indicate that Balance-of-State funds are not being used effectively.

Examination of budget expenditures for 1981 showed that while expenditures for services to participants were below the amount planned for in the contract, certain operating costs were above the planned amount. Costs for communications, premises rent, premises expenses, and "other" exceeded the planned figure by 30 to 450 percent. No documentation for these increases existed in the contract file.

In some cases, VEC staff time may be inappropriately charged to CETA. A 1979 monitoring report of the contract noted that staff time for non-CETA duties was being charged to CETA.

A clerk-typist at a VEC local office indicated that between 50 and 75 percent of her time is spent on non-CETA related functions. These functions include completing unemployment insurance claims and performing receptionist duties. However, 100 percent of her time for the period in question was charged to CETA.

The monitoring report found many instances in which the time recorded on time sheets differed from the time recounted by the staff during interviews. The Balance-of-State prime sponsor must monitor local office operations to increase its control over what services will be provided and insure accurate cost accounting.

Duplication of Services. As a result of Balance-of-State staff's dissatisfaction with the performance of local VEC offices, two high cost contracts were awarded to private consultants to provide placement services to CETA clients. These contracts, described below, duplicated services that the local employment offices were already providing for CETA clients either through the $2.3 million contract or the memorandum of understanding.

> *In FY 1980, the Balance-of-State had a $490,000 contract with a private consulting firm. For every CETA eligible that it located, the firm received $250. If the individual was placed and stayed on the job for two weeks, the firm collected $800.*
>
> *Employment service staff referred to this as a "bounty" contract. The duplicative nature of the contract was the subject of much dispute between CETA staff and employment service staff.*
>
> * * *
>
> *In FY 1981, Balance-of-State had a $375,000 contract with a second consulting firm. The contract called for the firm to help place former public service participants in unsubsidized jobs. According to employment service staff, the firm sometimes brought ex-participants back to the local employment offices for placement.*

In a period of limited resources, contract awards of more than $800,000 to duplicate an existing service are highly questionable.

Oversight of the Employment Services Contract. The employment service contract has the highest dollar value of any service contract awarded by the Balance-of-State prime sponsor. As such, it should be closely monitored to ensure that funds are being expended according to the contract provisions.

In FY 1979, the Balance-of-State Independent Monitoring Unit found that performance reports were often missing or inadequate, staff time allocations were incorrect, equipment was improperly tagged or used for other activities, and numerous participant forms contained errors or were missing. Many of these problems were noted in monthly reports filed in FY 1980 and 1981.

The employment services contract should be monitored on a regular basis. The review should focus on productivity measures such as actual time spent on assessment, number and caliber of referrals, and compliance with reporting requirements. The location of both contracting parties in the same agency raises questions about the objectivity of any in-house review and the implementation of recommendations. The Commissioner of the VEC should have an independent, external audit group perform annual reviews of the employment services contract.

Options for Restructuring Employment Services. The present contractual arrangement for delivering employment services in the Balance-of-State area is currently under review by the acting Commissioner of the VEC, and the Commissioner's office is attempting to reforge the relationship between employment services and the Balance-of-State prime sponsor. The preliminary report of the Commissioner's task force indicates that a single employment and training division might concentrate all intake, assessment, and placement services in the equivalent of an employment services section. The section replacing the CETA division would be involved only in increasing the job readiness of individuals referred to it. These individuals would subsequently be sent back to the employment offices for job placement.

Regardless of changes in organizational structure, the established network of local employment offices appears to be the most efficient and easily accessible way to deliver employment services to clients. The VEC Commissioner should oversee a new contractual arrangement between the Balance-of-State and the employment services division that accomplishes the following:

1. provides detailed outcome measures as targets for employment services staff;

2. requires quarterly operational reviews by a review team that is independent of both divisions, such as the planned internal audit unit that will report directly to the VEC Commissioner; and

3. assigns enforcement responsibility for the contract to the Commissioner.

Recent Action to Improve Employment Services. On February 1, 1982, the VEC Commissioner assigned assessment and referral of CETA clients to Balance-of-State staff in the five regional operations centers. This new arrangement should provide greater oversight and accountability for employment services to CETA clients.

The Commissioner of the VEC should monitor this new process closely to ensure that clients and employers receive timely and effective services.

CONCLUSION AND RECOMMENDATIONS

Given decreasing funds and multiple participant needs, the Balance-of-State needs to take steps to improve the selection and management of contracts and to ensure appropriate expenditures of CETA funds. Improvements include a contract selection process based on client and employer needs and performance standards. Improved program accountability can be addressed through better documentation of contract operations and more effective use of oversight and evaluation mechanisms.

Recommendation (9). The Balance-of-State prime sponsor should consider consolidating the existing seventeen AMPCs. One alternative could be to consolidate them into five councils defined by the boundaries of Balance-of-State's five regions. Council membership could be limited to two or three representatives from each current AMPC.

Recommendation (10). Balance-of-State staff should clarify and enforce the advisory role of AMPCs. Only Balance-of-State staff should be responsible for allocating funds among programs and awarding contracts.

Recommendation (11). The Balance-of-State central office staff should adhere to established policies regarding decentralization of all contracting authority to the regional offices. Any special funds awarded by the central office should be based on demonstrated need identified by regional staff.

Recommendation (12). The Balance-of-State prime sponsor should require realistic, measurable goals as part of every contract proposal. Contracts should be awarded only to providers who establish and adhere to measurable goals and comply with requirements to document participant achievements.

Recommendation (13). The Balance-of-State prime sponsor should require contractors to report more specific performance data regarding enrollments and terminations on monthly status reports. CETA staff should not re-award contracts that have failed to comply with this requirement. In addition, Balance-of-State staff should conduct client follow-ups to get a more complete picture of placement rates.

Recommendation (14). The Balance-of-State prime sponsor should require all contract proposals to provide a breakdown of cost categories for the primary contract and subcontracts. Detailed costs should be provided in all cost categories. A proposal that does not provide these breakdowns should not be funded.

Recommendation (15). The Balance-of-State prime sponsor should require contractors to provide documentation of competitive bids for subcontracted services. Staff should ensure that all subcontracts are free from the appearance of conflict of interest. This should be done by means of a pre-award check that includes corporate affiliations of all involved parties.

Recommendation (16). Balance-of-State staff should develop reasonable cost parameters. Proposals that exceed these parameters should not be funded until costs conform to guidelines or until documented justification for excessive funds is presented.

Recommendation (17). Contractors should be held accountable for accurate records. The condition of contractor records should be considered in any re-award decisions. Compliance should be monitored by regional contract officers on a sample basis.

Recommendation (18). The Balance-of-State prime sponsor should request the Department of Management Analysis and Systems Development to assist in resolving problems with the automated information system.

Recommendation (19). Balance-of-State staff should develop and enforce appropriate fiscal controls to ensure the integrity of CETA expenditures. Adequate contractor documentation for expenditures should be submitted to the central offices, and the Balance-of-State staff should periodically make desk audits of a sample of contractors' records. Funding should not be continued for contractors who fail to supply required documentation.

Recommendation (20). Balance-of-State staff should take several steps to encourage appropriate use of enforcement tools by contract officers:

1. Policy should be developed to require contract modification or closeout for contracts with insufficient activity within 45 days of the effective date.

2. All contracts should state specific tasks, activities, or levels of achievement for clients.

3. Contract files maintained by CETA staff should contain adequate documentation of all contract activities including all correspondence, records of telephone conversations, enrollment and expenditure reports, and other types of progress reports.

4. Fiscal auditors should audit all contracts where problems have been identified.

5. Contracts should be terminated when reasonable performance is not forthcoming.

Recommendation (21). Balance-of-State staff should develop clear and appropriate responsibilities for contract officers that emphasize an ongoing contract oversight role. Recordkeeping and client counseling are responsibilities of contractors and should not be performed by contract officers.

Recommendation (22). Balance-of-State staff should develop alternatives for marketing on-the-job training contracts.

Recommendation (23). The Balance-of-State prime sponsor should restructure its oversight processes to maximize the use of staff, to adequately assess contract quality, and to fill in gaps in oversight. Five actions need to be taken:

1. Improve ongoing oversight at the regional level. Contract officers should visit contractors' offices on a biweekly basis. As part of these visits, contract officers should review a sample of participant records, interview participants, and observe general contract operations.

2. Assign top priority to the completion of required reviews by the independent monitoring unit.

3. Perform annual fiscal audits of contracts. Fiscal auditors retained by the CETA Audit Unit should perform annual in-depth audits of contracts while they are in force.

4. Develop additional measures of contract progress. Central office evaluation staff should develop methods for assessing progress such as follow-up assessments with terminated clients and unannounced visits to worksites.

5. Expand the use of the Comprehensive Employment and Training Service in the Department of Education. Contract officers should seek the opinion of Department of Education curriculum specialists when evaluating contracts that provide skills training.

Recommendation (24). The VEC Commissioner should oversee a new contractual arrangement between CETA and the employment services division that accomplishes the following:

1. Provides detailed outcome measures as targets for employment services staff.

2. Requires quarterly operational reviews by a review team that is independent of both divisions, such as the planned internal audit unit that will report directly to the VEC Commissioner.

3. Assigns enforcement responsibility for the contract to the Commissioner.

APPENDIXES

Appendix A

HOUSE JOINT RESOLUTION NO. 268

Offered January 19, 1981

Requesting the Joint Legislative Audit and Review Commission to study the effectiveness of the existing Comprehensive Employment and Training Administration programs administered by State agencies.

Patrons-Baliles and Sisisky

Referred to the Committee on Appropriations

WHEREAS, a report was made in October, nineteen hundred and eighty by the Secretary of Human Resources, listing the number, scope, and cost of all employment, unemployment, and manpower programs administered by State agencies; and

WHEREAS, the report showed that over eighty-six million dollars in funds from the Comprehensive Employment and Training Administration (CETA) were spent by State agencies last year; and

WHEREAS, another approximately forty-five million dollars in CETA funds is going directly to local prime sponsors; and

WHEREAS, an average of less than twenty-five percent of participants in CETA training programs administered by the State are actually placed in jobs; and

WHEREAS, the cost for placement under CETA can average up to ten thousand dollars per placement, and can range upwards to thirty-five thousand dollars per placement; and

WHEREAS, the unemployment rates of those for whom CETA funds are designed to assist, such as the hard-core unemployed, minorities, persons without a high school education, younger workers and the poor, continue to rise; and

WHEREAS, there has been much public discussion on the wasteful and inappropriate use of CETA funds; now, therefore, be it

RESOLVED by the House of Delegates, the State concurring, That the Joint Legislative Audit and Review Commission is requested to do an indepth review and audit of the effectiveness of existing CETA programs administered by State agencies.

The Joint Legislative Audit and Review Commission is requested to complete its study and present its findings, conclusions and recommendations to the nineteen hundred eighty-two General Assembly.

Appendix B

TECHNICAL APPENDIX SUMMARY

JLARC policy and sound research practice require a technical explanation of research methodology. The technical appendix for this report is available on request from JLARC, Suite 1100, 910 Capitol Street, Richmond, Virginia 23219.

The technical appendix includes a detailed explanation of the methods and research employed in developing this study and covers the following areas:

1. Effects on Public Agencies. JLARC staff used several methods to assess the effects of CETA funds on public agencies. Key methods included (1) an analysis of expenditure levels over a six-year period, (2) a review of 30 contracts with local agencies, and (3) a telephone survey of 30 local and 5 State agencies.

2. Impact on Clients. The assessment of the program's impact on clients had several facets. These included (1) a telephone and mail survey of a sample of former CETA clients and (2) a review of Balance-of-State program statistics.

3. Program Effectiveness. Several types of training programs were compared for effectiveness on the basis of enrollment and placement rates, costs, and other outcomes. Data were gathered from a sample of CETA contracts.

4. Program Administration. The review of program administration by the Balance-of-State included (1) a review of policies and procedures, (2) an analysis of CETA contracts, and (3) interviews conducted at the central office and five regional operations centers.

Appendix C

Agency Responses

As part of an extensive data validation process, each State agency involved in JLARC's review and evaluation effort is given the opportunity to comment on an exposure draft of the report.

Appropriate technical corrections resulting from the written comments have been made in the final report. Page references in the agency response relate to the exposure draft and may not correspond to page numbers in the final report.

COMMONWEALTH *of* VIRGINIA

Virginia Employment Commission

Ralph G. Cantrell
XXXX Commissioner

703 East Main Street

P. O. Box 1358
Richmond, Virginia 23211

March 29, 1982

Mr. Ray D. Pethtel
Director
Joint Legislative Audit and Review Commission
Suite 1100
910 Capitol Street
Richmond, Virginia 23219

Dear Mr. Pethtel:

In response to your letter of March 3, 1982, concerning the exposure draft report on the CETA program, we sincerely appreciate the opportunity for the review and opportunity to provide comments.

The report reflects a detailed, indepth analysis of a very complex system and resulted in an excellent, comprehensive and informative document. It indicates a thorough research on the part of the drafters of not only the regulatory and procedural requirements for administering the CETA program in the Balance of State Virginia, but also reflects an understanding and appreciation for the circumstances and environment in which the program has been administered. We are especially appreciative of the observations and recommendations which will assist us in further improving the administration of the program in the future.

The following are a few specific comments.

1. On page 74, under Item 4 of Program Operations, it should be understood that if Work Experience programs are offered as a stop-gap subsidized activity between unsubsidized jobs, they cannot be funded with federal funds under current CETA regulations. Work Experience programs as currently authorized are specifically prohibited if used in a manner similar to the now discontinued Public Service Employment programs. Any CETA funded Work Experience activity must contribute to an individual's identified needs in becoming qualified for unsubsidized employment and/or meeting an identified training need for advancing the eligible CETA client from a currently qualified occupational skill to a more technical or higher paying unsubsidized position.

   If programs are offered as in the example on page 75, they would have to be funded from other than CETA resources.

2. On page 45 and in several places throughout the report, reference is made to CETA contracts covering services or activities which are considered a "duplication" of those provided by State agencies through other funding sources. We classify those CETA contract services or activities as a "supplement" or "extension". To illustrate, had it not been for the CETA funded contract, the services or activities would not otherwise have been available to those CETA qualified eligibles through normal channels because of limited resources. The CETA funded contracts, to the best of our knowledge, have not "duplicated" identical services or activities to the same clients. It has only extended the services or activity to a larger number of clients. In addition, the term "duplicated" is used when, in fact, such services were not either a "duplication" or "supplement". For example, on page 85 in discussion of the $375,000 contract, it is stated the service "duplicated" that routinely provided by the local employment office. Most of the contracted services were for motivation, job seminars, job search techniques, job preparation training, self-confidence building, etc. which are not services routinely or exceptionally provided by local employment offices. It is recommended the report be edited to more specifically identify when the services were a "supplement" and that "supplement" not be used when the services were not otherwise provided.

3. In reference to page 130 under Enforcement of Contract Provisions, the JLARC staff member has been advised that a contract modification is not considered an enforcement mechanism. Suggested changes have been provided and it is understood that contract modification and enforcement mechanisms will be clarified in the final report.

4. In the section entitled Use of Discretionary Funds on pages 84 through 86 and recommendation number 11 in the summary section, it should be reworded as the Balance-of-State prime sponsor does not have discretionary or special funds. There is no policy that all funds are to be decentralized for contract awards. Funds for activities that overlap into more than one Regional Operations Center area, and all Title VII, are contracted for at the central office from the regular grant to the Balance-of-State prime sponsor.

5. In addressing Measuring Program Goals on pages 87 and 88, an example of a $183,000 services contract is cited. The report states that, while the contract enrolled 800 clients, the Balance-of-State did not know how many placements resulted from the training. The purpose of this contract was not placement, but was to provide CETA participants, enrolled in Work Experience program contracts with other Balance-of-State contractors, with motivational, self-confidence building and job search techniques that would enhance their abilities to sell themselves to prospective employers when applying for unsubsidized jobs. These participants were "dual enrollees" while enrolled in the three-day personal development and employability training seminar and, upon completion, returned to their primary work experience training activity. Their placement result is a matter of record from the work experience program.

6. On page 94, under Lack of Subcontractor Information, we believe the accuracy of the statement "....clearly violates federal contractor standards of conduct...." is questionable. Code of Federal Regulations, Title 41, part 29, Section 70.216-4, while applying standards of conduct to "recipients," it does not state that such standards apply to "subrecipients." While we acknowledge that such standards could also be applied to subrecipients, there is a question that if by nct doing so, we are in violation of the regulations or the law.

We enthusiastically endorse the 24 recommendations for improving the Balance of State delivery system. In most cases, the Balance of State staff has completed or has on-going projects that will implement the recommendations substantially as stated. For example, policy statements were issued in August 1981, that clarified the role, responsibility and authority of the Area Manpower Planning Council (AMPC) members. Requests for Proposals and contracts now more specifically identify measurable and quantitative objectives; contract performance is being monitored on a not less than monthly basis to ensure compliance. Fiscal controls and documentation procedures are being revised and additional instructional manuals have been issued or are in preparation for the use of contractors, contracting officers and other staff personnel.

In reference to recommendation number 24, the Virginia Employment Commission (VEC) implemented a change which is considered to be even more effective than the stated recommendation. The VEC terminated the contractual arrangement between the Employment Training Division (CETA) and the Employment Service Division effective February 1, 1982.

A limited amount of personnel were transferred to the Employment Training Division effective that date and they assumed all responsibility for intake, certification, initial assessment and referral which were the services previously provided by the Employment Service Division under the contractual arrangement. In addition, the Employment Training Division assumed full responsibility for indepth assessment and preparation of the Employability Development Plan (EDP) on all CETA applicants before they are placed into training program slots. The EDP responsibility was previously fragmented between Employment Service personnel, contractors and the Employment Training Division Regional Operations Center personnel. By consolidating that function with other intake and assessment responsibilities, it should materially improve the quality and effectiveness of the EDP's and result in placement of CETA clients in more appropriate training.

It is anticipated the assignment of this responsibility to the Employment Training Division will result in eliminating all the problems identified with the previous contractual arrangement.

If we can be of any further assistance or provide additional information concerning this report, please let me know.

Sincerely,

Ralph Cantrell

Ralph G. Cantrell
Commissioner

cc: Dr. Joseph L. Fisher

COMMONWEALTH of VIRGINIA
Virginia Employment Commission

Ralph G. Cantrell
XXXXX Commissioner

703 East Main Street

P. O. Box 1358
Richmond, Virginia 23211

April 6, 1982

Mr. Ray D. Pethtel
Director
Joint Legislative Audit and Review Commission
Suite 1100
910 Capitol Street
Richmond, Virginia 23219

Dear Mr. Pethtel:

Since our March 29, 1982 response to the exposure draft on the Balance-of-State (BOS) Comprehensive Employment and Training Act (CETA) program, the staff has analyzed the 24 recommendations in depth. My staff did not have an opportunity to review the staff briefing outline before the April 5, 1982 meeting and thus become aware of the "findings" as stated. We belive at least one was misleading as presented. Our comments are contained in recommendation number 19 below. It is suggested that the recipients of the report needing or requiring information concerning this agency's actions to implement the recommendations be advised as follows.

Recommendation #1 - Action Planned: The BOS recently implemented a single comprehensive monthly reporting system that replaced several reports. The superseded reporting system was also inadequate in collecting some essential data elements for evaluating contractor performance. As soon as the new reporting system is fully understood and operational, some refinements are scheduled and the data pertaining to client terminations will be added to the monthly reporting system at that time. Supportive services are being provided in the FY 1982 contracts by the contractor or from other Employment Training Division staff resources where appropriate.

Recommendation #2 - Action Planned: The Secretary of Human Resources has established specific goals for serving current public assistance recipients of other human services agencies. If priority is to be focused on the economically disadvantaged clients not receiving public assistance, then the intake guidance will be amended accordingly. The FY 1982 planning guidance for Work Experience contracts stresses meaningful work activities, job development and general counseling rather than specialized counseling.

Recommendation #3 - Action Planned: The FY 1983 planning guidance will require that Work Experience and classroom training programs have a component that focuses on job search skills. This training will be provided as part of the contractor requirements or by other Employment Training Division resources as deemed appropriate.

Recommendation #4 - Action Complete: The Employment Service Division local offices no longer offer client assessment, testing and job counseling due to the reduction in funding for employment services. Program guidance from the Employment Training Division directs that severely handicapped clients be referred to State or local agencies that routinely deal with those client groups.

Recommendation #5 - Action Complete: Stringent guidelines were developed and published in August, 1981 concerning the use and approval of funds for Individual Referral programs. Performance standards are now required and individuals are monitored against those standards through periodic progress reports.

Recommendation #6 - Action Planned: Records are being maintained that will indicate performance of current and past contractors as to their effectiveness in obtaining high placement rates and efficient operations. During FY 1983, those records will be used in the competitive process in determining which contractors will receive awards. When possible within the competitive process, awards will be granted to those that have proven above average or outstanding performance. Vocational skill centers have been and will continue to be considered for funding.

Recommendation #7 - Action Planned: Federal guidelines contain specific instructions concerning a portion of the Title VII funds to be utilized on employment generating activities. It is anticipated that the CETA Reauthorization will eliminate this requirement or, at a minimum, make it less restrictive. The FY 1983 planning guidance from the BOS will emphasize programs that directly benefit clients to the maximum extent possible within the federal and state guidelines. The selection process for awarding contracts will mandate evidence of a contractor's capabilities as part of the proposal in order to qualify for the award.

Recommendation #8 - Action Planned: This agency will await guidance from the Governor and/or the Secretary of Human Resources in implementing any action relative to this recommendation. The agency has developed proposals that could be made available to any commission or group designated.

Recommendation #9 - Action Planned:

The VEC has developed a proposed plan for reducing the number of Area Manpower Planning Councils and advisory structure for CETA funded programs. This plan, if approved, would be available for implementation as soon as the CETA Authorization for FY 1983 is firm and State officials decide on a delivery concept for employment and training programs.

Recommendation #10 - Action Complete: The BOS issued policy statements in August, 1981 which clarified the roles, responsibilities and authority of the Area Manpower Planning Councils. In accordance with these policy statements and procedures, the final decision concerning the programs to be funded and the awarding of contracts to program operators on a competitive basis, rests with the BOS staff.

Recommendation #11 - Action Complete: The BOS central office decentralized all contracting activity to the Regional Operations Centers (ROC) except for those activities that overlap into more than one ROC area and the Title VII CETA funds, which are administered in cooperation with the one statewide BOS PIC.

Recommendation #12 - Action Complete: Guidance has been issued to ensure that FY 1982 contract proposals and any contracts resulting therefrom have specified measurable goals and objectives the contractors are to accomplish. A contractor's prior performance on any current or past contract is an essential element in determining contract awards.

Recommendation #13 - Action Planned: The BOS recently introduced a new monthly reporting system that requires specific performance data regarding enrollments and terminations. Contractor performance reported on these monthly reports play a vital role in determining future awards to those contractors within the mandated competitive process. Poor performance on prior or current contracts will be the basis for denial of additional awards. The BOS is in the process of developing an improved client follow-up system that will provide reliable data concerning placements. The results of this follow-up will be used in constructing training programs so as to maximize the use of those that are most effective.

Recommendation #14 - Action Planned: The FY 1983 contract proposal package will provide for a requirment for a breakdown of major cost categories and, if appropriate, data on any planned subcontracting. The breakdown of the major cost categories will be required to the extent of being able to identify detailed cost categories. Proposals that do not meet the requirements of the Request for Proposal have been and will continue to be rejected on the basis of not being responsive.

Recommendation #15 - Action Planned: The BOS staff is developing a Contractor's Manual which will provide information for the submission of proposals. Proposals will include subcontracting information. Approval by the BOS staff members of subcontracting organizations should eliminate any problems concerning conflict of interest. The BOS Request for Proposal package will also be revised to require that proposers include in the proposed submission, the proposer's intent to subcontract with appropriate mechanisms for selecting those subsontractors.

Recommendation #16 - Action in Process: The BOS is developing a concept for the formulation and use of cost parameters that can be applied during the proposal evaluation process. These cost parameters will be available to apply in the FY 1983 program implementation.

Recommendation #17 - Action in Process: Provisions are in all FY 1982 contracts to ensure that contractors will be held accountable for accurate and complete records. If, during the audit process, it is determined these records are incomplete, inaccurate or not available, the associated costs will become subject to being disallowed. The condition of contractor records identified through the monitoring and auditing will be a matter of record in consideration of extension of current contracts or award of new contracts. In addition, the regional Contracting Officer will check for compliance with contract provisions as they pertain to the accuracy and completeness of required records during their periodic visits.

Recommendation #18 - Action in Process: The BOS, through the Governor's Employment and Training Council (GETC) representatives, have made known to the Department of Management Analysis and Systems Development, the problems associated with the automated information system. Periodic meetings are now being held with the GETC representatives and, when necessary, the Department of Management Analysis and Systems Development, who are the Contracting Officers, will be consulted.

Recommendation #19 - Action in Process: The BOS staff is reviewing the instructions and guidance for documentation of expenditures and the requirements for submission of documentation to the central office prior to authorizing any payments. This agency takes exception to the "findings" as stated in the staff briefing to the JLARC members on April 5, 1982. The report states on page 102 under lack of cost documentation that the BOS does not require submission of such items as invoices, purchase orders, and time and attendance records. It further states that reimbursement is made on monthly expenditure reports. The "finding" implies that invoices, purchase orders, and time and attendance records are not required to be maintained by contractors. The report information is accurate but the "finding" is inaccurate. We will have a task force to determine what documentation is feasible and required to be submitted to the central office before payment is authorized. That appears to be the issue. Desk audit procedures, as to the appropriate fiscal controls being used by contractors, will be an item to be checked during each monitoring visit. Problems associated with maintenance of records will be reported to the Contracting Officer who, in turn, will initiate proper action.

Recommendation #20 - Action Planned:

1. Policy is now included in the recently issued Contracting Manual concerning contract modifications.

2. Program guidance will be developed and implemented in the FY 1983 planning guidance to ensure specific tasks, activities, and level of achievement for clients is included in the contract performance.

3. Guidance was published during the last part of FY 1981 concerning the requirement to adequately document the contract folder on all activities concerning that contract.

4. The monitoring instructions and the contracting officers' guidance requires that where fiscal problems are identified that appropriate actions will be taken to include a complete and detailed fiscal audit when appropriate.

5. Current operating procedures within the BOS require that actions be taken to terminate contracts when such actions are deemed appropriate by the contracting officer and agency staff.

Recommendation #21 - Action Complete: The BOS finalized and published a Contracting Manual in November, 1981 that clearly defines the contracting officer's role and responsibilities. Contracting officers are aware of the responsibility for record keeping and client counseling and who should perform those appropriate functions.

Recommendation #22 - Action Planned: The BOS staff will develop suitable alternatives for marketing On-the-Job Training contracts for FY 1983 implementation.

Recommendation #23 - Action Planned:

1. The recently issued Contracting Manual contains guidance and instructions on making contractor visits. During the visits, the contracting officers have the responsibility to ensure that all aspects of the contract are being properly administered. Due to an austere staffing level, it is not possible to implement a bi-weekly scheduled visit to each contractor; however, every effort will be made to visit contractors on a not less than monthly basis.

2. The Monitoring Section has been given top priority for completion of the mandated monitoring requirements. In FY 1981, they met 95.7 percent of the mandated requirement and it is anticipated that they will meet 100 percent of the requirement in FY 1982.

3. The Monitoring Section has been authorized an Auditor position which will be used when monitoring high dollar contracts. The CETA Audit Unit is not manned at a level that will permit audits of all high dollar contracts; however, if fiscal problems are detected by the Monitoring Section Auditor, a complete indepth audit will be performed on those specific contracts.

4. The BOS is developing client follow-up procedures which will be placed into effect during FY 1983. To the extent possible, central office staff will make announced and unannounced visits to contractors and worksites within available resources.

5. The program guidelines for FY 1983 will include provisions for contracting officers coordination with Department of Education curriculum specialists when appropriate in providing skills training. This is currently being done in FY 1982 programs.

Recommendation #24 - Action Complete: The VEC implemented an organizational change effective February 1, 1982 that terminated the contractual arrangement between the Employment Training Division (CETA) and the Employment Service Division. This organizational change placed responsibility for all previous contract requirements in the Employment Training Division. This arrangement is more cost-efficient, responsive to contractor and client needs and unquestionably will result in an improved program effectiveness.

In summary, seven of the recommended actions are complete, four have action in process and thirteen are in the planning stages for implementation. The agency will maintain a follow-up on each of those in process or planned to ensure that they are fully implemented as soon as resources and other constraints will permit. With the exception of recommendation #8 which is not within the jurisdiction of this agency, it is anticipated that all recommendations will be fully implemented during FY 1983 program implementation.

We hope you will find the information provided useful in responding to inquiries concerning this report. If we can provide further assistance or information, please let us know.

Sincerely,

Ralph G. Cantrell

Ralph G. Cantrell
Commissioner

cc: Dr. Joseph L. Fisher
Secretary of Human Resources

COMMONWEALTH of VIRGINIA

Governor's Employment & Training Council

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Joseph L. Pilant
Chairman

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George H. Scherer
Executive Director

March 15, 1982

Mr. Ray D. Pethtel, Director
Joint Legislative Audit and Review
  Commission
Suite 1100, 910 Capitol Street
Richmond, Virginia 23219

Dear Mr. Pethtel:

Enclosed are my comments on your exposure draft on the CETA program. Except in one instance, I have directed my remarks at the total system. Thank you for the opportunity of review and comment.

Sincerely,

George H. Scherer

George H. Scherer

GHS/viw

COMMENTS
ON
JLARC EXPOSURE DOCUMENT

1. GENERAL It must be clearly understood that the evaluation of CETA in this document only reflects conditions in the Balance-of-State. The prime sponsor system is based on local perceptions of employment and training needs and program design is a local response to these needs. There is no one best and universal solution to employment and training in Virginia. What works best in Warsaw, Virginia would be a disaster in Richmond. Without question, cost effectiveness should and does play an important part in local decision-making. But local conditions may dictate a relatively low or negligible reliance on OJT, and major emphasis on classroom training or some other strategy. In short, the bottom line for prime sponsors is the long-term benefit to the community and the client in terms of economic self-sufficiency, reduced reliance on welfare, and increased taxable income. The strategy for the accomplishment of these goals does not lend itself to centralized planning and implementation as the Federal government has painfully learned through past experience. Unless the Administration proposal for a highly centralized state program is passed by Congress and this is unlikely, the central focus for the planning/administration of any future employment and training effort will remain with the local government.

2. SPECIFIC COMMENTS

a. "The Future of CETA" (Pages 1 - 2). The information outlined here appears to be principally based upon a panel discussion by Congressional staff at a Prime Sponsor Forum in October, 1981. Unfortunately, some wrong conclusions were drawn from this discussion and subsequently, three separate bills have been introduced in Congress. In addition, the Administration will introduce its own bill this month (March). The three Congressional bills vary in the level of state involvement. Congressman Hawkin's bill (Community Partnership for Employment and Training Act) generally retains a status quo role for the states i.e., advisory role and limited funds for Statewide programs under the control of the governor. Congressman Jefford's bill (Labor Force Investment Act) makes some cosmetic changes in the state's role, but its authority is not substantially increased. Senator Quayle's bill (Training for Jobs Act), on the other hand, has provided for an increased role for the state in terms of program oversight and review. Funding to the localities would be by state "pass-through". Nevertheless, all three bills retain provisions for decentralized local planning and administration. In other words, the states will not dictate who is to be served or the program mix. The administration's bill eliminates the current Prime Sponsor system and centralizes authority with the governor. It is highly restrictive in terms of targeting (AFDC recipients and out-of-school youth/young adults, 18 - 25 years old) and significantly reduces flexibility in program design. The National Association of Counties and Conference of Mayors favor the Hawkins bill, while the National Governors' Association leans towards the Quayle bill. Since the Administration's bill has just been formally introduced, it is premature to gauge the level of support from the public interest groups. Items of interest to JLARC in the three pending pieces of Congressional legislation are summarized below:

Role of the State

A state role is retained. However, whether it will be expanded or remain in a basically "status quo" capacity must await the outcome of the legislative process.

- Role of local government

  All bills retain the local structure for the planning and administration of local programs.

- Increased role of the private sector

  There is greater emphasis on participation by the private sector in the planning and administration of programs. However, the degree of involvement in terms of private sector accountability for fiscal and programmatic issues versus local government's responsibilities is, in some cases, still unclear.

- Performance standards

  Performance standards for adults would be based on increased earnings and reductions in cash welfare payments. Youth performance standards may be locally developed by the program administrator. Youth standards would be based on employment competencies recognized by the local council and on placement/retention in employment. It should be noted that these performance standards would be a logical extension of the performance standards and benchmarks establish by the Department of Labor for prime sponsors in the current fiscal year (October, 1981 - September, 1982) under Title II B.

- Titles

  Under Mr. Quayle's and Mr. Hawkins' bills, funds will be made available to the States and localities under one title. In the case of the localities, at least 50% of these funds must be used for youth programs.

- Displaced Workers

  Displaced workers are defined in legislation as those who have been laid off through permanent plant closings or technological change. Provisions have been made for providing funds to the states to train displaced workers. However, a state match will be required.

- Tie-ins with Other Programs for Joint Planning

  Provisions have been made for joint planning with other agencies. Particular emphasis is placed on joint planning at the local level with the VEC.

- Funding

  Mr. Quayle recommends $3.8 billion for FFY 1983. Mr. Hawkins price-tag is $5 billion and the administration authorizes $1.8 billion. Current level is $3.023 billion.

b. "Legislative Framework" (Pages 3 and 5)

Draft states "CETA promoted decentralization of program management by giving major control to state and local delivery agents." Actually, this authority was granted to state and local governments. Likewise, the portion on the PSE buildup (page 5) implies fraud and abuse in the use of these funds on a major scale. In reality, less than 1% of all PSE programs were subject to charges of fraud and abuse and none surfaced in Virginia. Unfortunately, the media and the general public still equate PSE with CETA. Hence, the origin of the myth of poor management under CETA.

c. "Participants and Programs" (Page 6)

It would be more appropriate to state that CETA was designed to serve the structually unemployed i.e., the economically disadvantaged, unskilled and long term unemployment. These individuals may or may not have followed the traditional sequence of high school graduation to full time job. Moreover, the "safety net" analogy would be inappropriate in this case.

d. "Employment and Training Programs" (Page 7)

Recommend the statement beginning "Some programs..." be changed to read: "Supportive services such as child care and transportation counselling are also authorized." This change provides greater clarity.

e. "Program Administration" (Page 9)

Recommend deletion of the word "citizen" from advisory councils. In general usage, citizen imples a member of the general public. These councils have agency people, labor union representatives, business people, and community based organization representatives as part of the membership.

f. "Governor's Employment and Training Council (Pages 11 - 12)

The description of the responsibilities of the Council is inadequate. It is suggested that the duties of the Council outlined in the statute (copy attached) be substituted. Also, it should be noted that the Council administers the Governor's Special and Youth Grants as well as the Indian Grant. Estimated amount for each year of the next biennium is $4.7 million.

g. "TABLE 1" (Page 14)

Table is in error. Portsmouth was a part of the Southeastern Tidewater Program, not POMP.

h. "Statement on Funding of the GETC" (Page 14)

Statement is in error. The GETC does not receive six percent off-the-top of the State CETA grant. Special Grants to all governors represents 10% of all Title II funds and are allocated to the states by formula. Youth funds represent 5% of all Title IV A funds and are also allocated by formula. It should be noted that the supplemental vocational education funds under the Special Grant are still the ultimate responsibility of the GETC, not the Department of Education.

i. "Expenditure Rates" (Page 15)

"Use or lose it" statement is not quite accurate. Prime sponsors are authorized to retain (carry-over) a portion of the previous year's allocation. For FY '82, this represented 20% of the total allocation for FY 1981.

j. "Table 3, CETA Funds Awarded to State Agency Contractors FY 1981" (Page 37)

Chart needs clarification to ensure that it is understood funds are from all prime sponsors.

k. "Department of Education" (Page 38)

Statement is in error. The Division administers CETA supplemental vocational education funds for the state. These funds supplement vocational educational activities of the prime sponsors. Moreover, the skill centers are principally funded by the prime sponsors, not the State Department. Only three are located in the Balance-of-State and normally attendance is from within the prime sponsor or surrounding area. Finally, the skill centers are run by the local school system under contract with the individual prime sponsor.

l. "Remaining Funds" (Page 39)

The $341,000 awarded to VCU represented three contracts, not one. Similarly, funds awarded to VPI - SU were for multiple contracts.

m. "Program Effectiveness" (Page 45)

Report states: "Due in part to staff cutbacks and constantly changing requirements, prime sponsors have not devoted sufficient time to systematic program assessment and client follow-up." This is a highly subjective statement and prime sponsors would disagree with the assessment.

n. "Table 12" Placement Rates of Classroom Training Activities" (Page 67)

Chart is in error. Skill centers are run by local school systems.

o. "Program Option" (Pages 72 - 74)

(1) If the intent is to develop options for the Balance-of-State, these options provide excellent food-for-thought. If, however, the intent is to consider options on a Statewide basis, full consideration should be given to the consequences. State government has no claim on omniscience and is in no better position to say what is needed on a local basis than its Federal counterpart. Local decision-making is generally more effective than centralized planning and direction.

(2) While it is agreed duplication should be avoided, state agencies do not always possess the funds or personnel to provide the requested services. Then too, prime sponsors sometimes find it may be cheaper and more effective to purchase these services elsewhere or perform them in-house. As for economic development, many localities are heavily involved in these efforts e.g., Peninsula Economic Development Council, and view employment generating services as an adjunct to on-going job creation efforts.

(3) It is still unclear as to how much effect tax and wage incentives have on employment and training. As for local or state matches, would these really be forthcoming under the current effort to avoid raising taxes? Some quarters have suggested a tax similar to FUTA on employers and employees to fund these programs. But with today's givens, people would view this as another tax burden on the middle class.

p. "High Level Consideration Needed" (Page 76)

(1) The Governor's Employment and Training Council exists to advise the Governor through the Secretary of Human Resources on all employment and training matters. Excluding the cabinet and General Assembly

members, its composition already corresponds to the blue ribbon commission envisioned in the JLARC study. Moreover, the Council staff has historically been actively engaged in the formulation of recommendations to meet the challenges of new legislation and does so on an on-going basis. On February 10, 1982, the GETC approved a position paper on employment and training in the eighties (copy attached). This paper assumes a state-local system and outlines basic positions on major areas of interest. The paper was forwarded to the Secretary for his consideration at the appropriate time in the legislative process.

(2) The GETC fully intends to form a task force on implementation of new legislation in Virginia after legislative passage. It is anticipated all issues will be fully debated and concrete, recommendations will be forwarded to the Governor through Secretary Fisher. However, given the state of flux in Congress, it would be premature and improper to formulate a strategy prior to passage of new legislation.

(3) Employment and training legislation is by its very nature a complex creature. Moreover, it requires a working knowledge of the issues, and it is not subject to the easy, quick fixes normally proposed by the blue ribbon type commission described. Accordingly, it would be preferable to use the collective expertise of the GETC in the development of recommendations. However, if it is considered absolutely essential to use the Commission, it is suggested that it be used as an oversight organization for the GETC recommendations. It is also suggested any blue ribbon commission include local government representatives.

r. Using Information for Program Management" (Pages 99 - 100)

The GETC funds the Manpower Management Information System on a Statewide basis. While it can sympathize with the problems the Balance-of-State

(BOS) has with the system, most are self-inflicted wounds. Therefore, the following information on the system in the BOS and elsewhere is furnished.

(1) Balance-of-State did not begin entering data until March of 1981. At that time they were informed to concentrate on entering current data. They elected to concentrate concurrently on history and current data. This has complicated the process of establishing a useable data base.

(2) In preparing the Model Manpower Information System Requirements Definition, the Department of Management Analysis and Systems Development interviewed all prime sponsors. As a result of the interviews with BOS, two special requirements for BOS were isolated:

- The inclusion of a Regional Operation Center (ROC) Number as a sub-field of the Prime Sponsor Number.
- The inclusion of a contract number field on all BOS participant records.

In addressing the first requirement, Prime Sponsor Codes were established for each of the ROC offices. Secondly, the contract number was included as a data entry item on the Participant Intake Form which establishes a participant record. During the software development and testing phase, BOS requested that the contract number field be included on all transactions. At that time, software had been written, CRT screen formats had been developed and the CETA MIS forms had been designed and ordered. This modification would have represented a major system revision and would have substantially delayed the operation date. The GETC's Technical Steering Group decided to make this modification a priority for FY '82.

(3) Initially, all data for BOS participants were entered by CRTs in the Central Office. The BOS offices were not linked by data communication lines to the Central Office until the third quarter of FY '81. Moreover, during FY '81, BOS had not established a useable computerized data base for FY '80. Difficulties in establishing a data base are experienced if data is missing or the input forms are not in the participant file folders. If the data base is incomplete there is no way that correct and useable information can be generated.

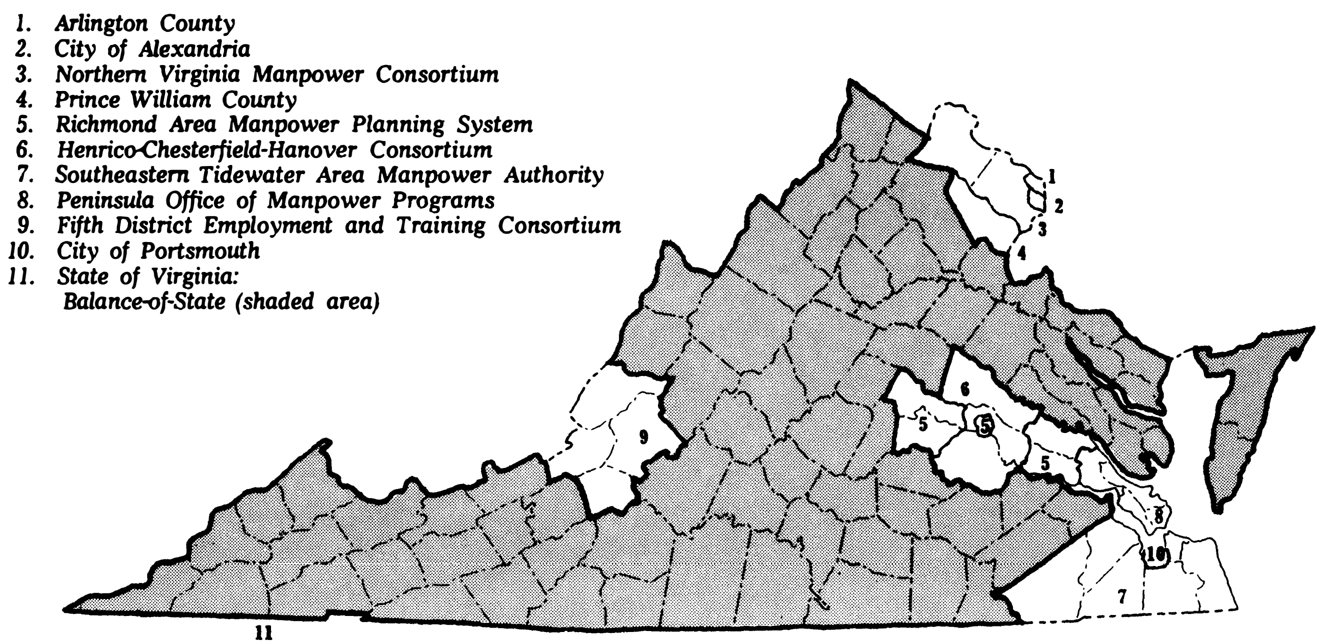
(4) In summary, FY '81 was the start-up year for the Statewide CETA Automated Management Information System. By the end of FY '81 all prime sponsors that participated in the statewide system, except for BOS, used the automated system to generate quarterly and annual Department of Labor reports and internal management reports.

Appendix D

AN OVERVIEW OF VIRGINIA'S PRIME SPONSORS

Eleven prime sponsors administer the CETA program in the Commonwealth. In FY 1982, CETA funds in Virginia will total about $50 million. Each prime sponsor receives funding and general program guidance directly from the U. S. Department of Labor (DOL). The largest prime sponsor, both in geographical size and funding levels, is the Balance-of-State prime sponsor operated under the authority of the Governor. The other ten prime sponsors are accountable to heads of local governments or local policy boards. The State has no operational, programmatic, or funding responsibilities for local prime sponsors. As the map shows, six of the local prime sponsors are consortia and four are composed of single units of local government.

VIRGINIA PRIME SPONSORS



Source: JLARC presentation of Governor's Employment and Training Council information.

House Joint Resolution 268 passed by the 1981 General Assembly directed JLARC to perform an indepth review of the CETA program run by the Balance-of-State prime sponsor. The staff exposure draft of that review was transmitted to the Commission on April 5, 1982. The Commission requested that JLARC staff develop an orientation to the local prime sponsors' activities. This overview is in response to that request.

In order to develop an overview of local prime sponsor operations, JLARC staff visited each local prime sponsor for one day. During the visit, staff interviewed local directors to learn about prime sponsor operations and training programs. In addition, several contract or program files were randomly selected and reviewed by JLARC staff. The information on local prime sponsors reported in this overview is based on a limited and non-generalizable review of contracts and other program records.

This section of the report presents a brief overview of program scope and operations for each prime sponsor. This is followed by a summary of findings regarding administrative features, management processes, and performance indicators.

CITY OF ALEXANDRIA PRIME SPONSOR

General Information

Area Served: City of Alexandria, about 15 square miles

Size of Total Population: 105,000

Size of Target Population: 18,000

Number of Clients in FY 1981: 976

CETA Funding in FY 1982: Approximately $1 million

Operations

The CETA program in Alexandria is located in the Department of Human Services in the city government structure. A fulltime staff of 17 provide training and services. The Alexandria Commission on Employment is involved in planning the prime sponsor's programs. Final funding decisions are made by city council.

Most CETA funds are allocated to classroom training programs operated by the public schools in Alexandria and Arlington. The programs offer training in clerical skills, word processing, computer operations, and building maintenance. A small program combining work experience and on-the-job training is operated for clients in sheltered workshops.

Unique Features of the Prime Sponsor

Extensive training in English as a second language is available to the large local population of Indo-Chinese.

Alexandria also operates a job counseling service for senior citizens.

ARLINGTON COUNTY PRIME SPONSOR

General Information

Area Served: Arlington County, approximately 24 square miles

Size of Total Population: 153,000

Size of Target Population: 7,000

Number of Clients in FY 1981: 1,015

CETA Funding in FY 1982: $1.4 million

Operations

The CETA program in Arlington County is part of the county's department of personnel. The Arlington County prime sponsor operates with a staff of 6.5. In addition to managing training programs, the staff also assesses clients for programs and determines CETA eligibility. Staff and advisory councils make recommendations regarding funding awards, but the county board of supervisors makes final funding decisions.

About 85 percent of all funds are for programs operated by the Arlington County Public Schools. Currently, the schools run five classroom training programs for adult clients: automotive repair, clerical skills, building trades, printing, and English as a second language. A small OJT program is marketed by a private firm in the metropolitan area.

A work experience program for in-school youth is also run by the public schools. In this program, 50 youth work in school facilities after regular classroom hours.

Unique Features of the Prime Sponsor

Each program proposal is formally reviewed by a subcommittee of advisory board members. Proposals are rated in four areas: 1) the local need for proposed skills; 2) the reasonableness of projected cost per placement; 3) past CETA performance in Arlington County and in other prime sponsor areas; and 4) staff capability. Deficiencies in any one area can be cause for denial of funding.

The prime sponsor staff performs a follow-up on 100 percent of terminated clients after three months and 50 percent after six months.

FIFTH DISTRICT EMPLOYMENT AND TRAINING CONSORTIUM

General Information

Area Served: Cities of Roanoke, Covington, Clifton Forge; counties of Roanoke, Botetourt, Alleghany and Craig

Size of Total Population: Approximately 250,000

Number of Clients in FY 1981: 2296

CETA Funding in FY 1982: Approximately $2 million

Operations

The Fifth District Consortium was formed in 1974. The city of Salem was a member until October 1978. The consortium is governed by a policy board made up of elected officials or appointed representatives of seven jurisdictions. The board sets overall policies and makes final funding decisions.

A consortium staff of 21 provides overall program management; however, most of the training is purchased from outside contractors. Remedial education and occupational skills training receive greatest program emphasis. Community colleges and a community action agency provide the bulk of this classroom training. An extensive OJT program has been developed with businesses and industries in the area.

In FY 1981, most work experience worksites were with local school boards, local government agencies, federal agencies, and area health care providers.

Unique Features of the Prime Sponsor

All classroom training participants apply for Basic Education Opportunity Grants from the federal government to pay for tuition in classroom training programs.

In addition to the consortium staff's oversight efforts, advisory board members conduct on-site reviews of worksites used by the prime sponsor.

The consortium has a contract with Roanoke Area Dial-A-Ride to provide transportation for CETA clients to their training or worksites.

HENRICO-CHESTERFIELD-HANOVER CONSORTIUM

General Information

Area Served: The counties of Henrico, Chesterfield, and Hanover, approximately 1,152 square miles

Size of Total Population: 372,505

Size of Target Population: 11,198

Number of Clients in FY 1981: 1,352

CETA Funding in FY 1982: $1.4 million

Operations

The three counties within the consortium operate under an agreement signed by the executive officers of the three boards of supervisors. The agreement specifies that Henrico County will provide administrative support on behalf of all three. The consortium's operations are administratively located within the Henrico County government structure. Henrico County draws down all federal funds and issues reimbursement and wage checks for the consortium. Final funding decisions are made by the prime sponsor's staff, which numbers 29.

All adult programs are administered by prime sponsor staff except for some on-the-job training that is marketed by a nonprofit organization in Richmond.

The consortium concentrates its funds on individual referral training programs operated by community colleges and propietary schools. Students must show continued evidence of regular attendance and satisfactory achievement in order to remain enrolled.

There are currently approximately 36 work experience slots. Ten are with Henrico County, 9 with community colleges, and the remainder with federal government or nonprofit agencies.

Unique Features of the Prime Sponsor

Each CETA client in the consortium has a staff counselor who monitors client progress by holding counseling sessions approximately once a month. Clients must attend these sessions if they wish to remain in the program.

On-the-job training slots are developed for specific clients who have passed an extensive battery of tests and have completed an orientation program.

NORTHERN VIRGINIA MANPOWER CONSORTIUM

General Information

Size of Area Served: Fairfax and Loudoun counties including the cities of Fairfax and Falls Church, approximately 915 square miles

Size of Total Population: 700,000

Size of Eligible Population: 14,962

Number of Clients in FY 1981: 2,359

CETA Funding in FY 1982: $3.5 million

Operations

Under the consortium arrangement, final authority for awarding CETA funds rests with the boards of supervisors of both counties. Administratively, the programs are overseen by the Fairfax County Department of Manpower Services. A staff of 22 is responsible for the program.

Most programs are run in-house by the prime sponsor. The consortium operates two service centers that offer testing, vocational exploration, counseling, and job development. The consortium also operates the OJT and work experience programs. The only program still operated extensively by subcontractors is classroom training.

The principal type of training offered is skills training in a class setting. Public schools, proprietary schools, and private businesses are the principal providers. Currently, the consortium is purchasing training in electronics, clerical skills, and construction trades.

The work experience program was cut extensively last year. The few remaining jobs are in day care centers, centers for the handicapped, and public school administrative offices.

Unique Features of the Prime Sponsor

The consortium serves a large number of foreign-born clients through a regional center for the foreign-born. The center, which teaches language and occupational skills, has a placement rate of over 65 percent.

PENINSULA OFFICE OF MANPOWER PROGRAMS

General Information

Area Served: Newport News, Hampton, Williamsburg, Poquoson, York County, and James City County

Size of Total Population: 360,000

Size of Target Population: Approximately 25,000

Number of Clients in FY 1981: 1,855

CETA Funding in 1982: $3.5 million

Operations

The Peninsula consortium is an independent agency with a staff of eight located in Hampton. The consortium's executive board is composed of the city managers and county administrators of the involved jurisdictions. This board makes final funding decisions.

Most training is provided by independent contractors. The Virginia Employment Commission performs most client assessment and referral.

Program emphasis is on classroom training which is provided primarily by the Buckroe Vocational Skill Center and the Thomas Nelson Community College. The Peninsula consortium offers a consolidated OJT and work experience approach to training. Most of this training is provided by community-based organizations.

About 50 work experience positions are located in agencies of local government. Most are clerical or maintenance positions.

Unique Features of the Prime Sponsor

Each participant in the skills center training program must achieve specific skill levels every six weeks. Progress is assessed by tests and by instructor evaluations.

All contractors receive an in-depth review by monitoring staff at least once a year. Unannounced visits to worksites and subcontractors occur as often as six times a year. During these visits, records are randomly checked and clients are interviewed.

CITY OF PORTSMOUTH PRIME SPONSOR

General Information

The City of Portsmouth became a prime sponsor in 1981. Before 1981, Portsmouth had been served by the Southeastern Tidewater consortium located in Norfolk. Portsmouth's application for prime sponsor status was motivated by the city's desire to have greater control over the use of funds.

Size of Total Population: 106,000

Size of Target Population: 14,000

Number of Clients in FY 1981: 1,657

CETA Funding in 1982: $1.5 million

Operations

The CETA program is operated by a staff of nine located in the personnel department of Portsmouth city government. Final funding decisions are made by city council. However, the council relies heavily on the advice of the local manpower commission which has existed since 1969.

Due to recent funding cutbacks, Portsmouth is reducing its dependence on outside contractors. In FY 1982, all assessment, work experience, on-the-job training, and job development will be operated by the prime sponsor's staff.

Currently, various government agencies are worksites for work experience programs. These include the Portsmouth public schools, community service board, parks and recreation department, police department, public library, and day care center.

Unique Features of the Prime Sponsor

The Portsmouth Manpower Commission takes a very active advisory role. In addition to setting program priorities, the commission has developed funding priorities for contractors. For example, all contractor staff should live in Portsmouth. Also, contractors are expected to perform administrative activities as an in-kind contribution.

PRINCE WILLIAM COUNTY PRIME SPONSOR

General Information

Area Served: Cities of Manassas and Manassas Park and Prince William County, about 345 square miles

Size of Total Population: 166,000

Size of Target Population: 2,400

Number of Clients in FY 81: 797

CETA Funding in 1982: $1 million

Operations

The CETA program is located within the Prince William County Office of Manpower Programs. The prime sponsor's director reports to the deputy county executive. Final funding decisions are made by the area's manpower planning council and private industry council.

The Prince William prime sponsor contracts for all training programs. Program emphasis is on classroom training and OJT. Most classroom training is provided by the Northern Virginia Community College and two local proprietary schools. The prime sponsor staff performs job development for all participants.

Unique Features of the Prime Sponsor

The Prince William prime sponsor has been challenged by a lack of training organizations and industry in the area. The prime sponsor also had to take over client assessment activities after the local employment office was closed.

RICHMOND AREA MANPOWER PLANNING SYSTEM

General Information

Area Served: City of Richmond and the counties of Powhatan, Goochland, Charles City and New Kent, approximately 998 square miles

Size of Total Population: 251,377

Size of Eligible Population: 24,837

Number of Clients in FY 1981: 3,038

CETA Funding for FY 1982: $3.1 million

Operations

The Richmond Area prime sponsor is administratively located in the City of Richmond's Department of Personnel. A staff of 15 oversees program operations. All funding decisions are made by a policy council composed of the mayor of Richmond and chairmen of the county boards of supervisors.

All client assessment and training programs are operated by contractors. In this prime sponsor, the primary contractors have historically been community-based organizations. They operate work experience and classroom training programs. Most work experience jobs are in State agencies and in nonprofit organizations. The on-the-job training program is operated by a private firm which subcontracts with local businesses.

Unique Features of the Prime Sponsor

Due to recent budget cuts, the Richmond Area prime sponsor is evaluating the potential cost savings of operating programs internally rather than through contractors.

Each OJT participant must attend a one-week job orientation before beginning the actual training phase.

SOUTHEASTERN TIDEWATER AREA MANPOWER AUTHORITY

General Information

Area Served: Cities of Virginia Beach, Norfolk, Chesapeake, Suffolk, Franklin, and counties of Isle of Wight and Southampton

Size of Total Population: 800,000

Number of Clients in 1981: 4,092

Total Allocation for 1982: $6 million

Operations

The consortium of seven jurisdictions is an independent agency responsible to a policy board. The board makes all final funding decisions.

The consortium contracts for most of its programs through three large umbrella contracts with the VEC, Southeastern Tidewater Opportunities Project (STOP) and the local Opportunities Industrialization Center (OIC). Classroom training programs run by STOP and the OIC receive primary emphasis. Training includes a program in practical nursing operated by STOP. The Norfolk City School System also provides some skills training. The on-the-job training program is operated by the local VEC office.

Unique Features of the Prime Sponsor

In FY 1981, work experience jobs were predominately in nonprofit agencies such as the United Way and community action agencies. In FY 1982 a new work experience contract was developed with the Norfolk naval ship yards to provide up to 1,000 hours of work experience per client. This contract is the sole work experience program currently operating.

THE BALANCE-OF-STATE PRIME SPONSOR

General Information

Area Served: 77 counties and 21 cities not served by local prime sponsors; approximately 32,200 square miles

Size of Total Population: 2.1 million

Size of Target Population: 315,600

Number of Clients in FY 1981: 30,077

CETA Funding in FY 1982: $25.5 million + $5.5 million carry-in from FY 1981

Operations

Virginia's Balance-of-State prime sponsor is administratively located in the Virginia Employment Commission (VEC). The director of the prime sponsor reports to the VEC Commissioner. The Balance-of-State prime sponsor is currently under the purview of the Secretary of Human Resources, although legislation passed by the 1982 General Assembly will move the VEC and all its programs to the commerce and resources secretarial area in February 1983.

Area and state level advisory councils help plan program direction; however, final funding decisions for all programs rest with prime sponsor staff.

In order to provide more direct management of the widely dispersed area, the Balance-of-State prime sponsor has decentralized its operations to five regional operations centers located in Abingdon, Roanoke, Harrisonburg, Farmville and Warsaw.

The Balance-of-State prime sponsor contracts with outside organizations and institutions for nearly all training activities. In FY 1981, work experience and classroom training activities received the most emphasis. Community-based organizations, community colleges, and other State agencies were the principal providers.

Unique Features of the Prime Sponsor

In FY 1981, the Balance-of-State prime sponsor was directed by the Secretary of Human Resources to have 65 percent of all CETA participants be clients in human resources agencies. In FY 1982, the established target is that 25 percent be recipients of cash assistance, and 20 percent of all placements must have been cash recipients at the time of enrollment.

In FY 1981, the Secretary of Human Resources mandated that 30 percent of all Title VII funds be spent on employment generating services.

SUMMARY OF FINDINGS

I. SUBSTANTIAL ADMINISTRATIVE AND PROGRAMMATIC VARIATIONS EXIST AMONG PRIME SPONSORS IN VIRGINIA (Figure 1).

<u>Administrative Characteristics</u>

Six are located in larger departments of local or State government; two are separate government agencies; and three are independent agencies.

Most prime sponsors contract with outside organizations to operate programs.

Funding decisions are made by government executives, manpower councils or prime sponsor staffs.

Client eligibility is determined by prime sponsor staffs in most locations.

<u>Program and Provider Mix</u>

Classroom training is the primary training activity in nine prime sponsors. Richmond and the Balance-of-State have extensive work experience programs.

All local prime sponsors provide job counseling and motivation with in-house staff; the Balance-of-State contracts for these services.

Principal training contractors are public schools, community colleges and community-based organizations.

II. MANAGEMENT PROCESSES ARE DIFFERENT AMONG PRIME SPONSORS (Figure 2).

<u>Measurable Objectives</u>

All prime sponsors require program operators to provide measurable objectives for training programs.

Satisfactory objectives were evident in all files reviewed in local prime sponsors. Exceptionally well detailed objectives were noted in records of 3 prime sponsors.

<u>Progress Reporting</u>

Nine local prime sponsors require regular progress reports from program operators. Sampled reports reviewed by JLARC staff were complete in eight prime sponsors.

Cost Documentation

All prime sponsors require contractors to maintain appropriate cost documentation on site and to submit documentation for equipment purchases exceeding $300.

Only one prime sponsor requires actual cost documentation to be submitted for all requests for reimbursement.

One prime sponsor requires a list of supporting invoice numbers to be submitted.

In six prime sponsors, participant time sheets or other payroll documentation must be submitted before reimbursement.

No submission of cost documentation other than for equipment over $300 is required in three prime sponsors.

Oversight and Evaluation

Compliance monitoring of contractors is required by the U.S. Department of Labor.

According to files reviewed by JLARC, required monitoring was complete in nine prime sponsors.

Nine prime sponsors perform regular, documented oversight activities beyond the annual compliance and fiscal audits required by DOL.

Six prime sponsors performed follow-ups on terminated clients beyond the DOL mandate.

III. PERFORMANCE INDICATORS FOR ADULT TRAINING PROGRAMS DIFFER ACROSS THE STATE (Figure 3).

Placement Rates

In FY 1981 the average placement rate for all prime sponsors in Virginia was 34 percent.

Placement rates for individual prime sponsors varied from 58 percent to 27 percent.

Average Costs Per Placement

The average cost per placement for all prime sponsors was $6,021.

Average costs per placement for individual prime sponsors ranged from $3,237 to $10,098.

Figure 1

Description of Prime Sponsor Operations (FY 1981)

(The descriptive information on the ten local prime sponsors is based on orientation interviews with prime sponsor directors. The information on the Balance-of-State is based on a more extensive review.)

PRIME SPONSOR	*What is the organizational location of the prime sponsor's staff?*	*To whom does the prime sponsor director report?*	*Are programs run by contractors or by CETA staff?*	*Who does client intake & eligibility determination?*	*Who makes final funding decisions?*	*What types of training receive the greatest emphasis?*	*What types of contractors receive the most funding?*
ALEXANDRIA	*Dept. of Human Services, Alexandria*	*Dir. of Human Services*	*Contractors*	*Prime Sponsor Staff and Public Schools*	*Local Government Officials*	*Classroom Training*	*Local School Boards*
ARLINGTON	*Dept. of Personnel, Arlington Co.*	*Dir. of Personnel*	*Contractors*	*Prime Sponsor Staff and Public Schools*	*Local Government*	*Classroom Training, OJT*	*Local School Boards*
FIFTH DISTRICT CONSORTIUM	*Independent Agency*	*Policy Board, City of Roanoke*	*Contractors*	*Prime Sponsor Staff*	*Policy Board*	*Classroom Training*	*Community Colleges, Community-Based Organizations*
HENRICO-CHESTERFIELD-HANOVER	*Separate Agency within Henrico Co. government*	*Co. Manager Henrico Co.*	*Prime Sponsor Staff*	*Prime Sponsor Staff*	*Prime Sponsor Staff*	*Classroom Training*	*Community Colleges Proprietary Schools*
NORTHERN VA.	*Dept. of Manpower Services, Fairfax Co.*	*Deputy Co. Executive for Human Services*	*Prime Sponsor Staff*	*Prime Sponsor Staff*	*Local Government Officials*	*Classroom Training OJT, Work Exp.*	*Local School Boards, Private for Profit Businesses, Proprietary Schools*
PENINSULA	*Independent Agency*	*Executive Board*	*Contractors*	*Virginia Employment Commission*[1]	*Executive Board*	*Classroom Training, Work Exp., OJT*	*Vocational Skills Center, Local Government Agencies*
PORTSMOUTH	*Dept. of Personnel, City of Portsmouth*	*Dir. of Personnel*	*Prime Sponsor Staff*	*Prime Sponsor Staff*	*Local Government Officials*	*Classroom Training, Work Exp., OJT*	*Local School Board, Local Government Agencies*
PR. WILLIAM	*Separate Agency in County Government*	*Deputy Co. Executive*	*Contractors*	*Prime Sponsor Staff*[2]	*Manpower & Private Industry Councils*	*Classroom Training, OJT*	*Community College, Proprietary Schools, Businesses*
RICHMOND	*Dept. of Personnel, City of Richmond*	*Dir. of Personnel*	*Contractors*	*Community-Based Organization*	*Policy Board Comprised of Local Government Officials*	*Work Exp., Classroom Training*	*Community-Based Organizations*
SOUTHWESTERN TIDEWATER	*Independent Agency*	*Policy Council*	*Contractors*	*Virginia Employment Commission*	*Policy Council*	*Classroom Training, Work Exp.*	*Community-Based, VEC*
BALANCE-OF-STATE	*Virginia Employment Commission*	*Commissioner, VEC*	*Contractors*	*Virginia Employment Commission*	*Prime Sponsor Staff*	*Work Exp. Classroom Training*	*Community-Based Organizations, State Agencies, Local Government Agencies*

[1] *The Peninsula prime sponsor staff performs assessment in difficult cases.*

[2] *The Prince William prime sponsor took responsibility for assessment when the local VEC office was closed.*

Figure 2

JLARC Review of Operations (FY 1981)

(Operational findings for the Balance-of-State are based on a generalizable sample of contracts. Findings for the ten local prime sponsors are based on a limited, non-generalizable review of files and on orientation interviews with prime sponsor directors.)

		Progress Reports from Contractors or Program Operators		Submissions of documents such as invoices, purchase orders, and time sheets when request for reimbursement is made.				
PRIME SPONSOR	*Are there measurable objectives for contracts or programs?*	*Are reports required?*	*If yes, was information complete?*	*Is submission required?*	*If yes, was it complete?*	*Was annual monitoring requirement met?*	*Describe regularly scheduled and documented program oversight activities in addition to DOL mandates.*	*Describe regular client follow-up activities beyond the DOL mandate*
ALEXANDRIA	*Evident*	*Yes*	*Yes*	*Time sheets*	*Yes*	*No*[1]	*Periodic program evaluations by prime sponsor staff*	*Mail survey to terminees every six months*
ARLINGTON	*Evident*	*Yes*	*Yes*	*Time sheets*	*Yes*	*Yes*	*Bimonthly program monitor reports; weekly MIS technician reports*	*100% of terminees after 3 months; 50% after 6 months*
FIFTH DISTRICT CONSORTIUM	*Evident*	*Yes*	*Yes*	*Payroll registers, Travel vouchers, invoices, for reimbursement & advances*	*Yes*	*Yes*	*Monthly self-evaluation by contractors; monthly contractor meetings*	–
HENRICO-CHESTERFIELD-HANOVER	*Very Detailed*	*Yes*	*Yes*	*Yes, for all costs*	*Yes*	*Yes*	*Program and activity progress report every 30 days*	–
NORTHERN VA.	*Very Detailed*	*Yes*	*Yes*	*Time sheets*	*Yes*	*Yes*	*Monthly progress reports on contractors and clients*	*100% of terminees in performance-based contracts after 30 days and 6 months*
PENINSULA	*Evident*	*Yes*	*Yes*	*No*	–	*Yes*	–	*60% of terminees at 30-60-90 and 150 days*
PORTSMOUTH	*Very Detailed*	*Yes*	*Yes*	*Time sheets*	*Yes*	*Yes*	*Monthly discussion session with contractors*	–
PRINCE WILLIAM	*Evident*	*Yes*	*Yes*	*Time sheets*	*Yes*	*Yes*	*Weekly written validation of participant activities*	–
RICHMOND	*Evident*	*Yes*	*No*[2]	*Record of invoice or document numbers to support all costs*	–	*Yes*	–[3]	–[4]
SOUTHEAST TIDEWATER	*Evident*	*No*	–	*No*	–	*Yes*	*Quarterly rating of contractors by prime sponsor staff*	*100% followup of placements at 30-60-90 days*
BALANCE-OF-STATE	*Evident not always detailed*	*Yes*	*No*	*No*[5]	–	*No*[6]	*Quarterly performance reviews of every contract by prime sponsor staff*	*100% follow-up of classroom training participants every 30-60-90 days*

[1]Report was missing in 1 of 3 contracts reviewed.
[2]Reports missing in 1 out of 3 contracts reviewed.
[3]Quarterly contract evaluations will be conducted in FY 1982.
[4]In 1982, follow-up is being conducted on all terminees at 30, 60, 90, 180 days.
[5]Not required at central office, but required at contractor level.
[6]Reports completed for 98% of contracts.

Figure 3

Performance Indicators for Adult Training Programs[1]

FY 1981

(Performance information was provided by the Governor's Employment & Training Council, and has not been validated by JLARC staff)

PRIME SPONSOR	TOTAL ENROLLEES	TOTAL PLACED IN JOBS	PLACEMENT RATE	EXPENDITURES	AVERAGE COST PER ENROLLMENT	AVERAGE COST PER PLACEMENT
ALEXANDRIA CITY	378	97	38%	$ 539,817	$1,428	$ 5,565
ARLINGTON COUNTY	676	130	42%	797,461	1,180	6,134
FIFTH DISTRICT CONSORTIUM	1,020	237	34%	1,313,214	1,287	5,541
HENRICO-CHESTERFIELD-HANOVER CONSORTIUM	571	231	58%	747,664	1,309	3,237
NORTHERN VIRGINIA CONSORTIUM	818	246	50%	1,349,129	1,649	5,484
PENINSULA CONSORTIUM	1,162	255	33%	2,142,013	1,843	8,400
PORTSMOUTH	649	146	30%	1,076,461	1,659	7,373
PRINCE WILLIAM COUNTY	340	66	27%	316,871	932	4,801
RICHMOND CONSORTIUM	898[2]	198	32%	1,209,907	1,347	6,111
SOUTHEASTERN TIDEWATER CONSORTIUM	1,733[3]	319	28%	3,221,241	1,859	10,098
BALANCE OF STATE	15,668	3,344	33%	19,013,373	1,214	5,686
TOTAL	23,913	5,269	34%	31,727,151	1,327	6,021

[1]This figure presents performance data for Title II B only.

[2]This figure includes approximately 171 in-school youth for whom job placement was not a program goal. The inclusion of these youth in performance calculations lowers the overall placement rate and raises the average costs per placement.

[3]This figure includes approximately 335 in-school youth for whom placement was not a program goal. The inclusion of these youth lowers the overall placement rate and raises the average costs per placement.

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