

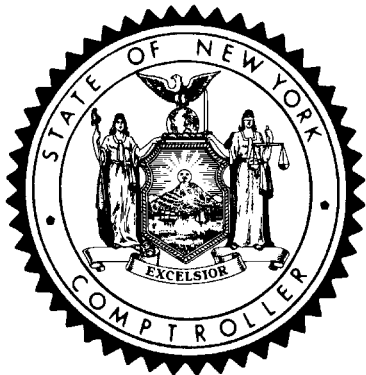
State of New York
Office of the State Comptroller
Division of Management Audit

DEPARTMENT OF LABOR

**JOB TRAINING PARTNERSHIP ACT
PROGRAMS**

**COMPARISON OF SELECTED SERVICE
DELIVERY AREAS**

REPORT 97-D-7



H. Carl McCall
Comptroller



State of New York Office of the State Comptroller

Division of Management Audit

Report 97-D-7

Mr. James J. McGowan
Commissioner
New York State Department of Labor
W.A. Harriman State Campus, Building 12
Albany, NY 12240

Dear Mr. McGowan:

The following is our report analyzing and comparing certain aspects of selected Service Delivery Areas in the Job Training Partnership Act programs.

This study was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

March 17, 1998

Executive Summary

Department Of Labor

Job Training Partnership Act Programs

Comparison Of Selected Service Delivery Areas

Scope of Study

In Job Training Partnership Act (JTPA) programs, Federal funds provide job-related training, counseling and other services to youths and adults with serious barriers to employment and to people who have lost their jobs due to mass layoffs or plant closings. In New York State, which receives more than \$260 million in JTPA funds annually, the programs are administered by 33 local Service Delivery Areas (SDAs) under the overall supervision of the Department of Labor (DOL).

We judgementally selected Suffolk County SDA, the City of Rochester SDA, and the Town of Hempstead SDA and gathered and analyzed data about the operation of their JTPA programs for the program year ended June 30, 1995 (the most recent data available at the time of our study). DOL typically experiences a lag of at least six months and as long as nine months between the end of the fiscal year in June and the time that DOL receives and validates fiscal and program data reported by the SDAs. Our study field work was performed during the period March 11, 1996 through January 23, 1997. Follow up work resulting from preliminary and draft reports of findings sent to DOL continued until October 3, 1997.

Our study sought to address the following questions:

- Are there variations in the operations of the SDAs that could affect JTPA program efficiency and effectiveness and therefore, require further DOL consideration?
- Should DOL gather and analyze similar data about the operations of other SDAs?

Observations and Conclusions of Study

Our analysis of the operations of the three SDAs identified a number of variances that raised questions which require further DOL consideration to fully assess the impacts on JTPA program efficiency and effectiveness. In addressing these questions, we believe it may be beneficial for DOL to analyze all SDAs in a manner similar to the approach taken in this study. DOL should then determine to what extent it should influence SDAs to make changes aimed at greater efficiency and effectiveness.

The percentage of clients who were employed when they either completed or dropped out of JTPA programs was almost the same at the Hempstead (51 percent) and Suffolk (49 percent) SDAs, and only somewhat lower (43

percent) at the Rochester SDA. However, the cost per client served varied at the three SDAs: \$3,349 at Suffolk, \$2,865 at Hempstead, and \$2,275 at Rochester. Moreover, according to DOL criteria, the most difficult-to-serve clients were generally in the Rochester SDA and the least difficult-to-serve clients were generally in the Suffolk SDA; consequently, there was little correlation between difficult-to-serve clients and the amount of money spent by the SDAs.

The primary JTPA program goal is to increase the employability of the clients, particularly clients who are most in need. We acknowledge this goal, but we also believe that, if SDAs operate as efficiently as possible, they will be able to serve additional clients for the same cost. We believe such cost-efficiency will become even more important as a result of recent changes in the nation's welfare system which require training for additional in-need clients.

We found that the mix of expenditures varied considerably at the three SDAs. For example, the Suffolk and Rochester SDAs spent about half of their JTPA funds training clients, while the Hempstead SDA spent only one-third of its funds training clients. However, compared to the other two SDAs, the Hempstead SDA spent a much greater percentage of its funds on payments to clients for transportation, child care and other forms of assistance that make it easier for clients to participate in JTPA programs. We believe DOL officials should investigate which mix of program expenditures at the SDAs maximizes JTPA program goals.

We identified program design and operation differences that could relate to differences in program effectiveness. For example, while clients at the Hempstead SDA each have their own case manager who assists them throughout the process, clients at the Suffolk and Rochester SDAs are served by different staff at each stage in the process. In addition, while the Hempstead SDA provided training to a lower percentage of its clients, but provided more training hours per client, the Rochester SDA provided training to a higher percentage of its clients, but provided fewer training hours per client. DOL should investigate whether such differences relate to program effectiveness.

Comments of DOL Officials

DOL officials state that the study caused them to think hard about the impact that local decisions have on an SDA's program. However, officials responded that the study does not go far enough and does not provide useful cost analysis. DOL officials also state that their comments are representative of the SDAs' concerns about the study.

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Introduction

Background

The Job Training Partnership Act (JTPA) was enacted by Congress in 1982 to fund the nation's primary job training programs. The purpose of JTPA is to prepare youth and adults facing serious barriers to employment for participation in the labor force. JTPA is to provide participants with training and other services that will result in increased educational and occupational skills, increased employment and earnings, and decreased welfare dependency.

There are five major JTPA "Titles" (i.e., programs). Titles I, IV and V address administrative and program planning issues. Title III is designed to assist persons who have recently lost jobs due to mass layoffs and plant closings, and emphasizes retraining and reemployment. Title II, the major JTPA program, provides a variety of educational and job training programs for economically disadvantaged adults and youth. Title IIA provides training activities for adults, Title IIB provides training to youth during the summer, and Title IIC provides year-round training activities to youth.

The U.S. Department of Labor (USDOL) funds the JTPA programs. The funds are allocated to the states based on the relative number of unemployed and economically disadvantaged individuals in each state. The New York State Department of Labor (DOL), which oversees most of the JTPA programs in New York State, receives more than \$260 million annually in JTPA funding, most of which it distributes to 33 Service Delivery Areas (SDAs) located throughout New York State. Each SDA, which may be a city, county, a combination of the two, or some other entity, develops a local plan for services, selects the contractors or service providers, and administers the programs' operation. In each SDA, there is a Private Industry Council that provides local policy guidance and oversight of SDA activities. Our study addresses operations in three SDAs: the Suffolk County SDA, the City of Rochester SDA, and the Town of Hempstead SDA.

USDOL has developed performance measures and performance standards for assessing the effectiveness of the JTPA programs. According to USDOL, the intent of the measures and standards is to "foster accountability and cost-effectiveness without placing undue constraints on the design decisions of SDAs." Individual SDAs are empowered to design programs that are appropriate to local needs as long as the programs meet the performance standards. During the USDOL program year ended June 30, 1995, there were JTPA primary performance measures for adults, youth, and dislocated workers. For adults, the measures were employment rate, weekly wage and employment rate of welfare clients. For youth, the measures were employment rate and employability enhancement rate (a measure of client work

habits and other characteristics that make them more employable). For dislocated workers the measure was employment rate.

USDOL sets the national standard for each performance measure based upon the national averages of the characteristics of the JTPA clients served. An individual SDA's performance standard may differ from the national standard. Factors that may affect an SDA's performance standards include the client's age, race, educational background, and work history, as well as local economic factors such as the unemployment rate and the percentage of families with incomes below the poverty level. An SDA that serves a greater percentage of clients possessing "difficult-to-serve" characteristics and/or with local economic conditions worse than the national averages will have performance standards that are lower than the national standards.

Response of DOL Officials to Study: In response to this study, DOL officials advised us that a change has occurred since the end of our fieldwork in the basis for the national standards. National standards are now based upon the actual performance that all SDAs in the country experienced during the preceding year. More specifically, all the SDAs are ranked in order by actual performance; then the USDOL identifies the national standard based upon a particular percentile ranking within the SDA population.

For example, during the program year ended June 30, 1995, the Suffolk County SDA served adult and youth clients who were less difficult-to-serve than the national averages. In contrast, the City of Rochester SDA served adult and youth clients who were more difficult-to-serve than the national averages. The Town of Hempstead SDA served adult clients who were more difficult-to-serve than the national average and youth clients who were less difficult-to-serve than the national average. For dislocated workers, all three SDAs served clients who were more difficult-to-serve than the national average.

According to DOL records, during the year ended June 30, 1995, both the Suffolk and the Hempstead SDAs met all seven of their performance standards. (In fact, the Hempstead SDA was recognized by the Federal government as operating an exemplary program.) The Rochester SDA met six of the seven performance standards, and it did not meet the standard relating to the employment rate for its youth clients. Rochester SDA officials told us that they served particularly difficult youth and recognized that because of their choice to serve that population, they would have difficulty meeting the youth performance measures.

According to DOL and SDA officials, JTPA programs provide other benefits in addition to increasing the educational and occupational skills of their

clients. For example, local economies benefit from the sales, real estate, and school district tax revenues generated from JTPA clients who enter employment. The State and national economies benefit from the increased State and Federal income tax revenues associated with JTPA client earnings. Also, the JTPA program contributes to decreased welfare dependency and savings on the cost of welfare entitlement programs as well as reduced unemployment insurance benefits. Finally, society as a whole benefits by lower school dropout rates and the reduced crime rates and criminal justice costs as a result of the SDAs providing services to at-risk youth and offenders.

Study Scope, Objectives and Methodology

We gathered and we analyzed data about the operation of JTPA programs in three judgementally selected SDAs (the Suffolk County SDA, the Rochester SDA, and the Town of Hempstead SDA) for the program year ended June 30, 1995. We addressed the Title IIA (adult), Title IIC (youth) and Title III (dislocated worker) programs. We did not address the Title IIB program because of uncertainty surrounding the continuation of this program. The data for the program year ended June 30, 1995 was the latest data available at the time of our study. DOL typically experiences a lag of at least six months and as long as nine months between the end of the fiscal year in June and the time that DOL receives and validates fiscal and program data reported by the SDAs. Our study field work was performed during the period March 11, 1996 through January 23, 1997. Follow up work resulting from preliminary and draft reports of findings sent to DOL continued until October 3, 1997.

One objective of our study was to identify to DOL variations in the operations of the SDAs that could affect JTPA program efficiency and effectiveness and, therefore, require further DOL consideration. Another objective of our study was to assess whether DOL should similarly gather and analyze data about the operations of all SDAs. In accomplishing our objectives, we interviewed DOL and SDA officials and reviewed records maintained by DOL and the SDAs. We also tested SDA expenditures to ensure that they were properly authorized and related to JTPA programs.

Response of DOL and SDA Officials to Study

A draft copy of this report was provided to DOL and SDA officials for their review and comment. DOL's comments, which according to DOL officials, also represent the SDA's concerns, were considered in preparing this report and are included as Appendix B.

SDA PROGRAM COMPARISONS

In overseeing JTPA programs, DOL can influence the decisions made by the SDAs, but it cannot mandate actions. In its oversight role, DOL collects data about the outcomes achieved and the expenses incurred by the SDAs. However, it does not gather and analyze JTPA data in the manner or for the purpose described in this study. The data which we gathered and analyzed for the JTPA programs operated by the City of Rochester, the Town of Hempstead, and Suffolk County included: total expenditures, the number of clients served, the number of clients completing or dropping out (terminations), and the nature of program structure (administration, training, service delivery, and allowance payment practices). Our analysis identified significant variations in the way the SDAs operated their JTPA programs. These variations raise a number of questions that the Department should address to identify those operational aspects of individual SDAs which have a high potential for enhancing JTPA program efficiency and effectiveness if utilized elsewhere in the State. In this regard, DOL should consider extending the data gathering and analysis we have performed to other SDAs throughout the State. The DOL should then consider influencing the SDAs to make operational changes that are likely to improve program efficiency and effectiveness.

Response of DOL Officials to Study: In responding to our study, DOL officials commented that although fiscal audits designed to be conducted within the bounds of the Comptroller's authority are useful, studies such as this one may create the perception that the Comptroller's Office is overreaching its authority to perform fiscal audits by attempting to extend itself into the area of participating in policy formulation.

Auditors' Comments: Unlike an audit, this study makes no recommendations for corrective actions. This study presents information and raises questions which we intend to add value to the agency management and other stakeholders concerned about government funded programs. In addition, the study explicitly frames its questions under the heading of "Topics for Further Consideration."

Total Expenditures and Number of Clients Served

Using SDA records, we determined the amount of JTPA funds spent from July 1, 1994 through June 30, 1995 at the Suffolk, Hempstead and Rochester SDAs. We also obtained information on the number of clients served during this period, the number of clients who terminated from the program (either completing the program or dropping out of the program), and the percentage of these clients who were employed as of the date of termination. The following table shows our results.

SDA	EXPENDITURES	NUMBER OF CLIENTS SERVED	NUMBER OF TERMINATING CLIENTS	PERCENTAGE EMPLOYED AT TERMINATION
Suffolk	\$16,105,941	4,809	3,119	49%
Hempstead	\$5,256,887	1,835	723	51%
Rochester	\$3,101,464	1,363	1,136	43%

We found that the cost per client served varied considerably at the three SDAs: \$3,349 at the Suffolk SDA, \$2,865 at the Hempstead SDA, and \$2,275 at the Rochester SDA. However, the percentage of clients employed at the date of termination was almost the same at the Suffolk and Hempstead SDAs, and was only somewhat lower at the Rochester SDA. In addition, since the most difficult-to-serve clients were generally in the Rochester SDA and the least difficult-to-serve clients were generally in the Suffolk SDA, there was little correlation between difficult-to-serve clients and the amount of money spent by the SDAs.

Response of DOL Officials to Study: In responding to our study, DOL officials disputed the calculation of the percentage employed at termination. DOL officials pointed out that the study calculations appear to incorrectly include individuals who received only an objective assessment because it was determined that additional training and services would be inappropriate. DOL officials also concluded that the study incorrectly included in the employment rate those youth who either returned to or remained in school if they did not also obtain a job. Finally DOL noted that employment is defined to include only employment of 20 or more hours per week. Based upon these observations, DOL officials concluded that the percentage of employed at termination should have been 59 percent for the Suffolk SDA, 82 percent for the Hempstead SDA and 43 percent for the Rochester SDA.

Auditor's Comments: We acknowledge that federal requirements may compel the states to exclude those individuals who received only an objective assessment from an SDA and youth who either returned to or remained in school if they did not also obtain a job. The exclusion of these groups of individuals undoubtedly serves specific purposes for information gathering and reporting for the federal government. However, we chose to include the

broadest gamut of services an SDA may provide to an individual in order to determine how many JTPA clients who receive those services actually obtain employment. This methodology recognizes that all JTPA services, not only those directly related to job training, are designed to help individuals gain employment. We believe that each method of calculation, while using different parameters, represents an equally appropriate way of analyzing JTPA results to identify potential opportunities for continuous improvement.

DOL officials told us that cost is not the primary issue in JTPA programs. The overall goal of the programs is to provide clients with the job training and skills necessary to secure long-term employment, and Federal officials are particularly concerned about whether SDAs use JTPA funds to provide services to those who are most in need of those services. We acknowledge the primary importance of this goal, but we also believe that the manner in which an SDA chooses to spend available funds will affect the number of clients the SDA is able to serve, and will, therefore, affect the ability of the SDA to meet the overall program goal. Moreover, as a result of recent changes in the nation's welfare system, additional people are likely to need job-related training. If the SDAs can operate more efficiently, they will be able to provide services to more of these people.

Response of DOL Officials to Study: In responding to this report, DOL officials clarified that it is not so much that cost is not the primary issue, but rather that it would be a mistake to make a policy choice as a result of evaluating a single attribute, such as cost, in view of the fact that the JTPA program serves a variety of objectives with outcomes that are described in terms of more than one characteristic. Officials pointed out that just three of the potential characteristics that must be considered are reducing local welfare roles, targeting dislocated workers and program cost. Regarding the study observation that by operating more efficiently, SDAs can provide services to more people, DOL officials replied that reaching more people does not necessarily result in maximum benefits in terms of maintaining employment for more than a few weeks or months. Officials commented that the weakness of the study is that it does not take into account all of the benefits and costs associated with increased efficiency. DOL officials further emphasized, however, that cost has been and continues to be an important issue and that the Department is currently conducting a rigorous analysis of JTPA program cost. DOL officials stated that they have been active participants in the "National Workforce Development Performance Measures Initiative," a study group put together by the United States Department of Labor to analyze measures that will be used to evaluate future Workforce Development Programs. Cost measurement for accountability is one of the more important and actively discussed topics of their study group according to DOL officials.

Auditors' Comments: Our study has acknowledged that the overall objectives and desired outcomes of the JTPA program involve more than just program

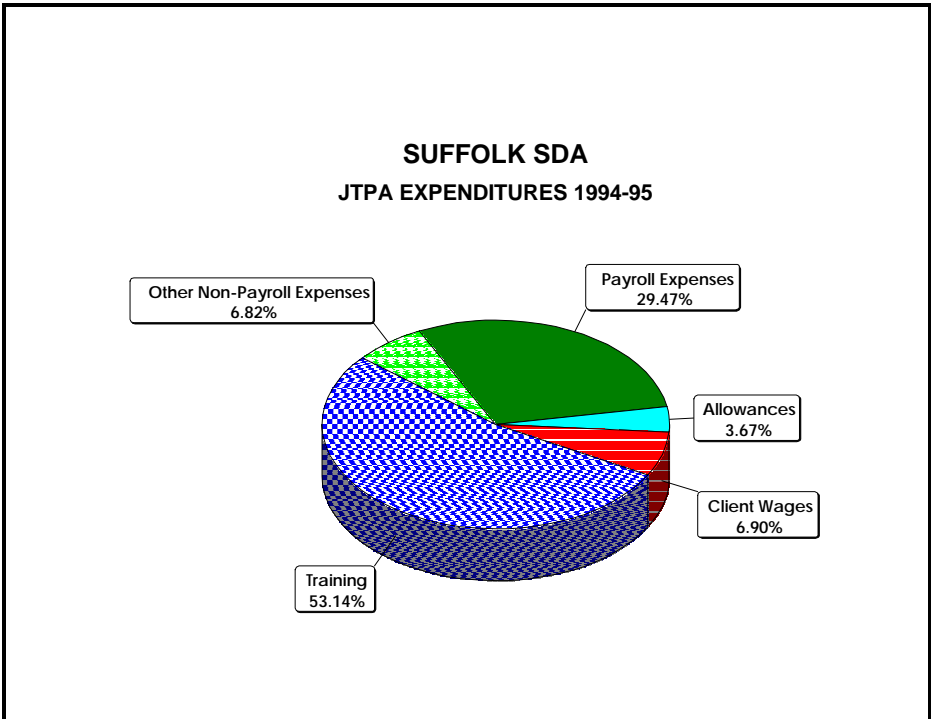
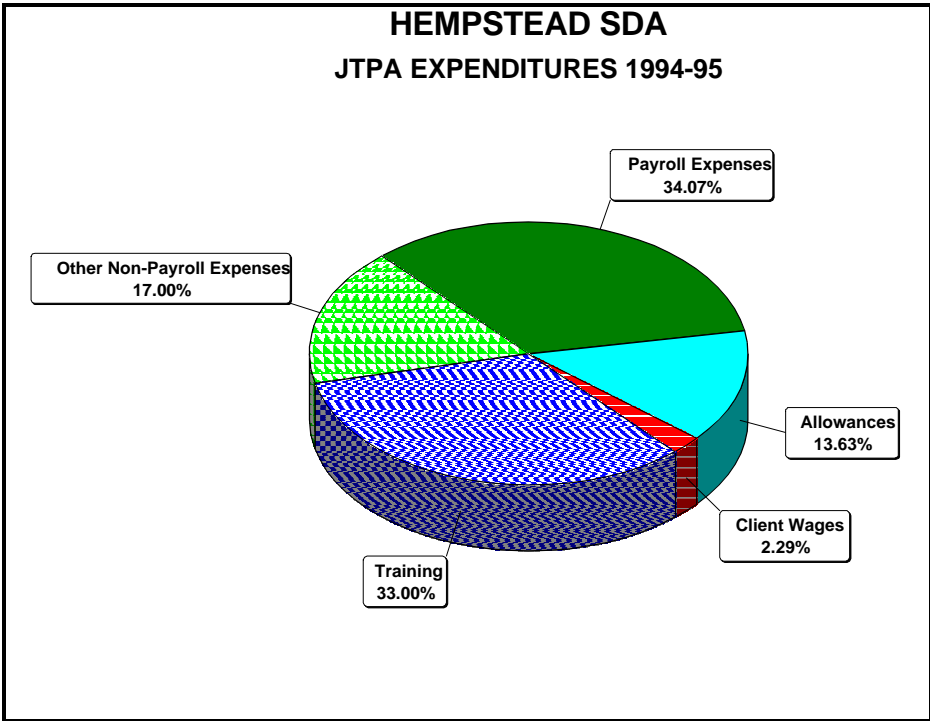
cost. In addition our study conveys that our objectives are not intended to imply completion of a comprehensive review of all issues associated with program efficiency. As our study language pointed out, our objective was to identify variations in the operations of SDAs that could affect JTPA program efficiency and effectiveness, and therefore, required further consideration by DOL. We intended that our study observations and the questions we raised as a result of such observations, would provide useful insights and the impetus for DOL to follow through with a more comprehensive examination. We believe that much of DOL's comments proceed without recognition of our stated objectives. In fact, in response to our study, DOL officials stated that one of our study objectives was to identify ways to increase program efficiency and effectiveness. Our study scope and objectives neither include nor imply such intentions. Nevertheless, we are encouraged that DOL reports that cost measurement for accountability is an important and active topic of discussion.

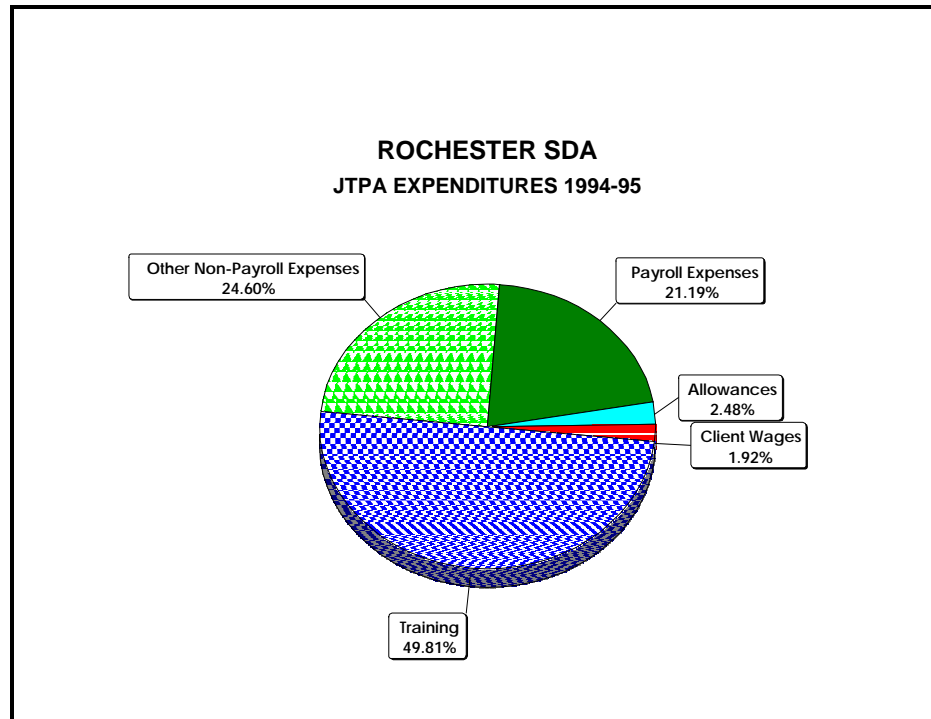
We reviewed the expenditures made by each SDA during the program year ended June 30, 1995 and assigned the expenditures to the following five categories for purposes of our analysis:

- payroll expenses (including fringe benefits);
- payments to outside vendors for training;
- wages and fringe benefits paid to youth clients for a work experience program;
- allowances paid to clients to cover transportation, meals, and other support costs; and
- other non-payroll expenses.

To provide some assurance that the expenditures were valid, we tested selected expenditures at the three SDAs, and we found that the expenditures were properly authorized and were related to JTPA programs.

The following charts show the percentage of funds spent by each SDA on each of the five categories during the year ended June 30, 1995.





As the charts show, the mix of expenditures at the three SDAs varied considerably. For example, the Suffolk and Rochester SDAs spent about 53 percent and 50 percent of their JTPA funds on training, respectively. In contrast, the Hempstead SDA spent only 33 percent of its JTPA funds on training. However, the Hempstead SDA spent 13.6 percent of its total funds on allowances paid to clients, while the Suffolk SDA spent only 3.7 percent and the Rochester SDA spent only 2.5 percent on allowances. (DOL officials told us that SDAs make allowance payments to prevent needy clients from dropping out of the program.)

Hempstead officials told us that their program is client service intensive, which may in part explain Hempstead's higher payroll costs (which accounted for 34 percent of Hempstead's costs, compared to 29 percent in Suffolk and 21 percent in Rochester). In addition, Hempstead officials told us that they spend relatively less on training because they take advantage of non-JTPA resources in the community, and therefore do not need to spend as much JTPA funds on training. (We did not try to confirm the claims of the Hempstead officials.)

We also note that the Suffolk SDA spent only 6.8 percent of its JTPA funds on other non-payroll expenses, while the Hempstead SDA spent 17 percent of its funds on these expenses and the Rochester SDA spent 24.6 percent of

its funds on these expenses. The Rochester SDA's other non-payroll expenses were mostly for auxiliary services to clients that the Suffolk and Hempstead SDAs provided with SDA employees. This fact may account, in part, for the lower percentage of payroll costs and the higher percentage of other non-payroll expenses at the Rochester SDA.

Response of DOL Officials to Study: DOL officials responded that they do not believe that the five categories of cost created by the study are useful or meaningful. Rather, DOL officials believe that what the public wants to know is what costs relate to direct services and what costs are administrative overhead. Officials indicated that training costs, for example, might show up in the study pie charts as a payroll expense at one SDA and as a payment to an outside vendor at another SDA depending on how the SDA conducted training. Officials felt that the study pie chart may inadvertently lead readers to think that Training Expenses are the only component that is a direct client expense and that Other Non-Payroll Expenses and Payroll Expenses are comprised only of overhead. In addition, DOL officials noted that the study did not account for other sources of funds, in addition to JTPA funds, which, if accounted for, may create a different understanding of how the SDAs operate.

Auditors' Comments: We acknowledge that one descriptive way to understand JTPA program costs is to divide them by direct expenses and administrative overhead expenses. However, a functional portrayal of JTPA program costs can be a useful and complementary means of cost categorization because it affords a more specific description of the nature of costs being incurred. We also acknowledge that a detailed breakout of the costs included in each of the categories used by the study as well as an accounting for other funding sources would reduce the potential for the misinterpretations. However, such an analysis was not intended within the scope of this study and the study does not draw policy or program conclusions based upon these graphic displays. Our objectives were to begin to show JTPA program costs from a different and more detailed perspective in the hopes of raising questions and stimulating thinking about how each expenditure type related to accomplishments of JTPA program goals. In addition, it should be noted that the section of our study concerning Program Structure provides certain details explaining training and allowance expenses at each of the SDAs.

Topics for Further Consideration:

1. Is there a correlation between investment per client and the client's likelihood of securing long-term employment?
2. What influence does the mix of program expenditures at the SDAs have on their ability to meet JTPA program goals?

Program Structure

We attempted to identify variations in program design and operation that might in part account for the differences in the cost per client served and the percentage of clients obtaining employment at the three SDAs. We believe that variations in the SDAs' administrative entity, methods for delivering services, approaches to training clients, and practices for paying allowances may contribute to these differences, though we conclude that further review and analysis by DOL is required to fully substantiate this.

Response of DOL Officials to Study: In response to our study, DOL officials commented that they have already studied the issue of administrative structure and that initial conclusions were contained in a report entitled "*Policy Development for New York's Workforce Development System*" which was provided to the Governor in February 1996. Officials added that they understood that there will be a need to ensure a statewide structure which will support the emerging needs of the State's employers and workforce. Officials indicated that the transition toward a broader, more integrated workforce development system is envisioned to bring in a variety of options and partners to provide clients with more informed choices. According to DOL officials, a key feature of the system is that it will serve as a single, regional resource that will provide the delivery of services.

Auditors' Comments: We recognize that the report entitled "*Policy Framework for New York's Workforce Development System*" is a significant first step to address the challenges that lie ahead for New York State to develop a fully integrated system designed to help employers meet their workforce needs and help unemployed and underemployed citizens of New York State attain the skills they need to gain access to and advance in the workplace. To address the issue of governance, the report proposes that a single governing body at the State level be established to provide agencies and local workforce development boards with clear direction on statewide workforce strategy and provide a strong governance structure for the integrated system. However, we note that the report does not specifically address the administrative organization of SDAs as described in our study.

Administrative Entity

The three SDAs we reviewed are administered by different kinds of entities. These administrative differences may account for some of the cost differences. The Suffolk County Department of Labor is the administrative entity and program operator for the Suffolk County SDA. In addition to administering the JTPA programs for all of Suffolk County, the Suffolk County Department of Labor administers the JOBS (Job Opportunities and Basic Skills) program and the Displaced Homemaker Program. As a result, the Suffolk County Department of Labor has funds available from all of these sources, as well as from Suffolk County, to cover its costs.

The City of Rochester is the administrative entity and program operator for the Rochester SDA. In addition to the JTPA programs, the City administers other government programs. As a result, the City can allocate its costs to other programs in addition to the JTPA programs.

In contrast, the administrative entity and program operator for the Town of Hempstead SDA is the Town of Hempstead Department of Occupational Resources, which administers only two programs: the JTPA and JOBS programs. As a result, the Hempstead SDA has fewer sources of funds for covering its costs than the Suffolk and Rochester SDAs. This may be one reason why the Hempstead SDA spends a greater percentage of its JTPA funds on payroll expenses than the Suffolk and Rochester SDAs.

Methods for Delivering Services

Clients in JTPA programs usually receive a variety of services. Initially, prospective clients are assessed for program eligibility, and if eligible, they are further evaluated to assess their basic skills, occupational skills, aptitudes and employability. The clients may then receive different types of job-related training, various types of counseling services, and assistance in locating, applying for and obtaining jobs. The SDA may provide these services with SDA employees or may contract out for these services. Under the JTPA law, an SDA is free to choose the method by which it provides these services to its clients.

We found that the three SDAs do not use the same method to deliver JTPA services. The Suffolk and Rochester SDAs assign certain functions to specialized units. For example, when a client enters the program at either one of these SDAs, the client's interests and abilities are assessed by the intake unit. When the client receives job training from a contractor, a different unit monitors the client's progress. In contrast, the Hempstead SDA utilizes a case manager approach, where all the JTPA services for each client are provided by a single individual, the case manager. This case manager works with the client from intake through termination from the program.

Furthermore, we found that the Rochester and Hempstead SDAs also contract for some of the services they provide to certain clients. In contrast, the Suffolk SDA provides nearly all of its services to clients using SDA staff.

Contractors provide job-related training and counseling services at all three SDAs. The Hempstead SDA contracts with an employment service to provide the SDA with some of its case managers. Since these case managers are treated no differently than salaried employees by Hempstead officials, we included the costs of these contractors in Hempstead's payroll costs.

Training

The following types of training are offered in JTPA programs:

- *Basic skills training* is designed to upgrade basic educational abilities to prepare the client for further training, future employment, or retention in present employment. Activities include remedial reading, remedial writing, remedial computational skills, study skills, and General Education Degree preparation.
- *Occupational skills training* is designed to upgrade existing skills or to provide clients with the technical skills and information required to perform a specific job.
- *On-the-job training* provides clients with the knowledge and skills necessary to perform a specific job while they are actually employed at that job. This training is given to clients who are referred to and hired by employers. The SDA reimburses the employers for the cost of the training and the lower productivity associated with the clients while in training.
- In *work experience training*, clients may perform community services (such as picking up litter) or be employed in other activities. This training provides clients with the opportunity to acquire general job-related skills and knowledge, including appropriate work habits and behaviors. The clients are paid by the SDA while they receive this training.

Not all clients in JTPA programs receive training; some clients receive only counseling or other services. When we reviewed information reported to DOL about the services provided to clients who terminated from JTPA programs during the year ended June 30, 1995, we found that the percentage of these clients who received training varied considerably in the three SDAs, as follows:

SDA	PERCENTAGE TRAINED
Rochester	90%
Suffolk	73%
Hempstead	64%

Using these percentages, we estimated the total number of clients who received training in each SDA during the year ended June 30, 1995 as well as the average number of hours of training received by each of these clients (the actual data was not available). We again found considerable variation in the average number of hours of training received by the clients, as follows:

SDA	ESTIMATED AVG. HOURS OF TRAINING PER CLIENT
Hempstead	291
Suffolk	264
Rochester	201

We conclude from this analysis that the Rochester SDA provided training to a higher percentage of clients, but provided fewer training hours per client, while the Hempstead SDA provided training to a lower percentage of clients, but provided more training hours per client.

To determine the average cost of contractor provided training per client in each SDA, we focused on basic skills training, occupational skills training, and on-the-job training. (We did not include work experience training in our analysis, because the payments relating to this type of training are made to the clients themselves in the form of wages.) For each SDA, we divided the total amount spent on these types of training during the year ended June 30, 1995 by the estimated number of clients receiving this training during that year (the actual number of clients was not available). We found considerable variation in the average amount spent per client, as follows:

SDA	ESTIMATED AVG. COST OF CONTRACTOR PROVIDED TRAINING PER CLIENT
Suffolk	\$3,605

Hempstead	\$2,386
Rochester	\$1,480

In an attempt to explain some of this variation, we reviewed the types of contracted training provided to the clients in each SDA during the year ended June 30, 1995. We found that most of the clients received basic skills training or occupational skills training, and very few of the clients received on-the-job training. According to DOL and SDA officials, basic skills training is much less expensive than occupational skills training. We determined that the Rochester SDA, which has the lowest average training cost per client, provided basic skills training (including work maturity and pre-employment skills training) to about 47 percent of its clients, while the Suffolk and Hempstead SDAs provided little work maturity and pre-employment training to clients and provided basic skills training to only 2 percent and 11 percent of their clients, respectively. Moreover, the Suffolk and Hempstead SDAs provided much more occupational skills training than the Rochester SDA. During the year ended June 30, 1995, the Suffolk and Hempstead SDAs provided occupational skills training to 65 percent and 47 percent of their clients, respectively, while the Rochester SDA provided occupational skills training to only 34 percent of its clients.

To confirm that occupational skills training is in fact more costly, we reviewed payments made by the Suffolk SDA to contractors for occupational skills training during the year ended June 30, 1995. We reviewed payments for 257 clients and found that, on average, the Suffolk SDA paid almost \$5,188 per client for occupational skills training. We therefore conclude that occupational skills training appears to be relatively more expensive than the other types.

Response of DOL Officials to Study: In responding to our study, DOL officials pointed out that local economic conditions are often the determining factor of the type of training that would be most useful. Officials also noted that from SDA to SDA the type of clients who are selected for training differs based upon local circumstances. In some locations, DOL noted that reducing welfare roles will be a top priority for determining training needs whereas in other locations, training for workers who already have solid work histories will be the priority. DOL also states that, in accordance with the standards to evaluate JTPA outcomes, what is important is how many became employed, achieved employability enhancements, retained employment and achieved competitive wages as opposed to counting how many individuals received training.

Auditors' Comments: We acknowledge the points made by DOL in response to the study. We believe that our study Topic for further Consideration

asking “Does the mix of training at the SDAs affect their ability to meet JTPA program goals” reflects a proper focus on reviewing and comparing training based on program expectations.

Allowances

In addition to providing training services to clients, the SDAs make support payments (allowances) to clients. These payments are intended to prevent eligible individuals from dropping out of JTPA programs by providing the individuals with transportation, health care, financial assistance, child care, various types of counseling, and meals while attending training. We interviewed SDA officials to obtain their philosophy on allowances and we reviewed SDA records to identify the amount paid to clients in allowances during the year ended June 30, 1995.

We found variations in the amounts paid to clients in allowances by the three SDAs, as follows:

SDA	ALLOWANCES PAID	ALLOWANCE PER CLIENT	PERCENTAGE OF TOTAL EXPENSES
Hempstead	\$716,000	\$390	13.6%
Suffolk	\$590,000	\$123	3.7%
Rochester	\$77,000	\$56	2.5%

Officials at the Suffolk SDA told us that most of their clients receive allowances. The officials pointed out that the SDA covers a large geographical area with little public transportation and the area has a high cost of living, which could result in higher than average allowance payments in Suffolk County. During the year ended June 30, 1995, the Suffolk SDA paid over \$590,000 in allowances, which represents 3.7 percent of the SDA’s total expenditures for that year. Using the client numbers provided by the SDA, the SDA paid an average of \$123 per client in allowances.

Officials at the Hempstead SDA told us that they prefer to use available JTPA funds to provide training to clients, rather than pay allowances. The officials told us their policy is to provide allowances only to those clients who are most in need. However, during the year ended June 30, 1995, the Hempstead SDA paid clients over \$716,000 in allowances, which represents 13.6 percent of the SDA’s total expenditures for that year. The Hempstead SDA paid, on average, about \$390 per client in allowances.

In contrast, the Rochester SDA paid \$77,000, or about 2.5 percent of its total expenditures, in allowances. Rochester officials told us that only clients who

had a particular need were given allowance payments. The Rochester SDA paid an average of \$56 per client in allowances.

The Hempstead SDA spent more than three times as much per client than the Suffolk SDA and more than seven times as much per client than the Rochester SDA on allowances. If this difference is to be considered appropriate, Hempstead clients would appear to be much more needy as a group than the clients in the Suffolk and Rochester SDAs.

Topics for Further Consideration:

3. Do the different types of administrative entities account, in part, for the cost differences among the SDAs?
4. Do the different methods for delivering services at the SDAs affect their ability to meet JTPA program goals?
5. Does the mix of training at the SDAs affect their ability to meet JTPA program goals?
6. To what extent do allowance payments actually reduce client drop-outs?
7. In addressing the previously identified topics, should DOL consider extending the data gathering and analysis we have performed to SDAs throughout the State.
8. To what extent and in what areas should DOL influence SDAs to make operational changes that are determined likely to enhance overall program efficiency and effectiveness?

Major Contributors to This Report

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JAMES T. DILLON

Executive Deputy Commissioner of Labor

November 4, 1997

Mr. Jerry Barber
Director of State Audits
Office of the State Comptroller
A.E. Smith State Office Building
Albany, New York 12236

Dear Mr. Barber:

My staff reviewed draft study report 97-D-7, provided with your letter dated September 3, 1997, that attempts to make a comparison of the respective costs associated with providing job training services through three Job Training Partnership Act (JTPA) Service Delivery Areas (SDAs). They have addressed the questions raised in your report (see attached response) and raise some important concerns about the data presented in the study.

The study served as a catalyst for Agency management to reexamine the issues related to the costs and benefits of the JTPA program from the unique perspective that the study presents. It also encouraged Department officials to think hard about the impact that local decisions regarding program design or operational structure have on the result of an SDA's program. However, after considerable analysis, we have concluded that it would be a mistake to rely on the data provided in the Comptroller's study in order to influence operating changes in local Service Delivery Areas. Furthermore, the study has failed to persuade us to see the benefit of gathering similar information about the operations of all SDAs.



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Appendix B

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Although the study raises the possibility of improving efficiency, it does not prove that improving efficiency alone will increase the benefits provided by the current program. Rarely does selecting the greatest efficiency provide the greatest redistribution of benefits.

Additionally, I feel compelled to clarify the comments attributed to Department officials that are included in the third paragraph of the draft study's observations and conclusions contained within the Executive Summary. With respect to the JTPA program, it is not so much that "cost is not the primary issue," but rather that it would be a mistake to make a policy choice as a result of evaluating a single attribute, such as cost, in view of the fact that the JTPA program serves a variety of objectives and their outcomes are described in terms of more than one characteristic.

For example, an SDA might be persuaded to reduce its cost per placement, despite the fact that the reduction could mean those placed are less likely to maintain employment for more than a few weeks or months. Such an outcome would satisfy your study's premise that operating more efficiently would reach more individuals, however, it also exposes the weakness of the study insofar as it fails to take into account all the benefits and costs associated with increased efficiency. The only truly fair method of study is to describe various outcomes among the SDAs in terms of more than one characteristic. For example, just three of the characteristics that must be considered are reducing local welfare roles, targeting dislocated workers, and the cost of the program. No one outcome will be best with respect to all attributes. As your own auditors told us, it would be too cumbersome and too complicated to conduct a study of that magnitude. Unfortunately, as the attached comments point out, this less ambitious study does not go far enough and does not categorize costs in such a way as to provide any useful analysis.

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I also wish to be clear that, notwithstanding my comments above, I recognize that cost is an important issue. The public can rest assured that the New York State Department of Labor has been analyzing this issue for a number of years. In fact, a rigorous analysis is currently underway.

Additionally, since the spring of 1997, we have been active participants in the "National Workforce Development Performance Measures Initiative," a study group put together by the United States Department of Labor to analyze the performance measures that will be used to evaluate future Workforce Development programs, like JTPA. The issue of cost measurement for the purpose of accountability is one of the more important and actively discussed topics of the work group.

Finally, although fiscal audits designed to be conducted within the bounds of the Comptroller's authority are useful, studies such as this one may create the perception that the Comptroller's Office is overreaching its authority to perform fiscal audits by attempting to extend itself into the area of participating in policy formulation. This is not a welcome development.

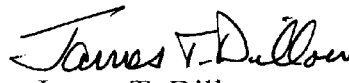
For example, the auditors' study describes on page 9 of the draft the different kinds of entities that were observed and at the end of the study poses the question, "Do the different types of administrative entities account, in part, for the cost differences among the SDAs?" When the Department studied that issue in combination with an evaluation of other attributes, we drew our own conclusions regarding the structure of the program and the SDA's administrative structure. Our initial conclusions are contained in a report that was sent to Governor George Pataki in February 1996. It is entitled "*Policy Framework for New York's Workforce Development System.*" We understand the need to ensure that there will be a statewide structure which will support the emerging needs of the state's employers and workforce.

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As we undergo a transition toward a broader, more integrated workforce development system, we envision a system that will bring in a variety of options and partners to provide clients with more informed choices. We have already concluded that a key feature of the system is that it will serve as a single, regional resource that will provide the delivery of services. This single regional resource will put in place an integrated workforce development system that will better prepare individuals facing serious barriers to employment with the skills they need to participate in the labor force.

If you have additional questions, please contact either Ms. Fredda Peritz, Director of Community Services Division, or Mr. Mark B. Mitchell, Director of Internal Audit.

Sincerely,


James T. Dillon
Acting Commissioner

Attachments

cc: Clinton C. Boone, Commissioner,
Department of Occupational Resources

John R. O'Donnell, Chief Deputy Commissioner,
Suffolk County Department of Labor

Jacque Whitfield, Director
City of Rochester SDA

Patricia A. Woodworth
Fredda Peritz
Mark B. Mitchell

New York State Department of Labor
Response to Audit Report 97-D-7
JTPA Programs: Comparison of
Selected Service Delivery Areas (SDAs)

Response to Executive Summary

The study's objective was twofold. First, it was intended to provide an analysis that identified variances among the Suffolk County SDA, the Rochester SDA, and Town of Hempstead SDA for the program year ended June 30, 1995. It was hoped that such an analysis might somehow identify ways to increase program efficiency and effectiveness. Additionally, it was intended to serve as a catalyst for the Department of Labor to assess whether it would be beneficial to gather similar information about the operations of all SDAs in order to analyze them in a similar manner.

It would be a mistake to rely on the data provided in the Comptroller's study in order to influence operating changes in local Service Delivery Areas. There are primarily two reasons for this conclusion.

First, the study relies too much on measuring cost without making any attempt to adequately recognize all of the concomitant benefits associated with that one attribute. The value of the JTPA program is that it provides the benefits of short-term and long-term training to adults and youths who have serious barriers to employment, as well as for people who have lost their jobs due to mass layoffs or plant closings. Although the study raises the possibility of improving efficiency, it does not show that improving efficiency will increase the benefits of the current program.

Although cost per placement information was at one time a performance standard required by the U.S. Department of Labor, during the late 1980s they dropped this performance measure when they realized that the critical long-term training needs of participants had been de-emphasized by SDAs in an effort to contain their cost per participant. Providing more complete skills training and occupational training was one of the benefits being sought by the program. The

USDOL put an end to cost per participant measures when they realized that this efficiency measure was actually reducing the intended benefits that would have been achieved by meeting the long-term training needs of the program's participants.

Second, many of the statements made in the study are based on a combination of either a partial understanding of the JTPA program, or as a result of data comparisons that have little value. As a result, much of the information presented may be misleading. Several examples are provided in the analysis below.

Response to the Introduction

In paragraph five of the section entitled "Background" the statement that national standards are based upon the national averages of the characteristics of the JTPA clients served needs further clarification. It appears that the study's description was based upon an earlier description that was obtained during the fieldwork portion of the review. The national standards are based upon the actual performance that all SDAs in the country experienced during the preceding year. More specifically, all the SDAs are ranked in order by actual performance; then the USDOL identifies the national standard based upon a particular percentile ranking within the SDA population. Each local SDA's standard is then adjusted from that standard based upon the characteristics of its JTPA clients.

Also, two paragraphs later, acknowledgment is made of the standards that are established by the USDOL; however, the study does not look at any cost measures in relation to these standards. Instead, it compares certain costs to other criteria that are inappropriate, as explained below.

Response to the Study Scope, Objectives and Methodology

The objectives of the study are to examine costs in three Service Delivery Areas (SDAs) and how costs are affected by differences in programs among the SDAs. Yet the study does not use the best method for examining costs -- a

cost-benefit analysis. Return-on-investment studies are an example of cost-benefit analyses that have been used with JTPA programs.

After performing a cost-benefit analysis and examining the SDAs' results on their performance measures, it would be worthwhile to examine the practices and processes used by the SDAs that have the best cost-benefit ratios and performance results. However, this is a significant undertaking that goes beyond the time and effort that was devoted to this study.

Response to Total Expenditures and Number of Clients Served

Effect of not excluding "objective assessment only"

The calculation of the percentage employed at termination, which appears on page 4 of the draft report, is misleading. It appears that the employment rate calculation includes individuals who received only an objective assessment because it was determined by the SDA that additional training or services would be inappropriate. Federal requirements compel states to exclude this portion of those served from the calculation of the employment rate; i.e., only those individuals who received services or training beyond objective assessment are included.

In addition, states are also compelled to exclude from the employment rate calculation youth who either returned to or remained in school if they did not also obtain a job. Finally, employment is defined to include only employment of 20 or more hours per week. On the basis of these requirements, our calculation of the percentage employed at termination is substantially better than reflected in the draft. A comparison of the figures is shown on the next page.

**Percentage Employed at Termination
Comparison of Figures Used in
Draft Report 97-D-7**

SDA	Comptroller's Figures	Department of Labor Figures
Suffolk	49%	59%
Hempstead	51%	82%
Rochester	43%	51%

Effect of classifying expenditures into five cost categories

We do not feel that the five categories created by the auditors for the study serve a useful purpose. In addition, they may create the false impression about the way that the Service Delivery Areas operate. The five categories are payroll expenses; payments to outside vendors for training; wages and fringe benefits paid to youth clients for a work experience program; allowances paid to clients for transportation, meals, and other support costs; and other non-payroll expenses. These categories reflect a compilation of cost by cost category; not by function performed, which is the more meaningful way to accumulate JTPA costs.

The public wants to know how much was expended on direct services and how much on administrative overhead. The study's method of analysis obfuscates the relationship between those two categories. For example, the way a particular SDA provides training for its participants may vary from other SDAs. One SDA may provide training on an in-house basis, utilizing its own paid staff; another may choose to provide training by utilizing a local community college or a community-based organization. In the first instance, training expenses show up in the Comptroller's study as payroll expenses; in the second instance, training expenses were incurred as tuition and appear as payments to outside vendors for training. Although both are valid direct costs, the study's cost categories do not identify this cost component in a way that would allow for a comparison of direct costs from one SDA to another.

As a result of the method chosen for the study, the pie charts for each of the Service Delivery Areas (SDAs) may inadvertently mislead readers into thinking that Other Non-Payroll Expenses and Payroll Expenses are overhead expenses and that training expenses are the only component that is equivalent to direct client services.

Additionally, other sources of funds provided to the SDAs for welfare needs, daycare allowances, transportation, and training are not accounted for in the draft report's analysis. As a result, the mixes of expenditures are not necessarily comparable since neither all costs nor all benefits have been taken into account. Therefore, to the extent that these factors have not been taken into account, the study is likely to create a false impression of the way that various SDAs operate.

Also, to better understand the figures shown for the "allowances" category, more information about the various sources of this funding needs to be understood and described. The amount of allowances paid out to clients might vary according to the number of clients who are receiving income support from other sources. For example, Rochester is serving a higher percentage of participants who are welfare recipients and does not need to pay out large amounts for allowances since these participants would already be getting some sort of income support from DSS. Likewise, Suffolk is serving a higher percentage of Unemployment Insurance (UI) recipients; therefore, fewer allowances would be necessary. Again, the type of client served is a key factor in the cost of this item; variations need to be understood, but comparisons may be easily misunderstood.

Effect of Training

Local economic conditions also affect an SDA's training costs insofar as they frequently are the determining factor of the type of training that would be most useful to a local area. In areas with relatively higher unemployment, it will take participants longer to locate employment. JTPA programs in these areas tend to incur higher program costs as a result of having to provide services to participants who receive program services longer.

Additionally, it should be pointed out that, using the data that was collected for the study, it appears that the SDA with the lowest cost per participant was also the SDA with the lowest rate for percentage employed at termination. Furthermore, we also found that terminees received lower salaries. In many cases, a more expensive JTPA program can be justified by improved results for participants.

The mix of training is also an important aspect that relates to achieving JTPA goals. Occupational training is generally much more expensive than basic skills training. It would be inappropriate to favor basic skills training over occupational training simply out of a desire to train more clients since occupational training generally leads to better paying jobs than basic skills training. Also, some participants, particularly those who have been previously employed, do not need basic skills training, but do need new occupational skills to be re-employed.

It is possible, but by no means certain, that Hempstead could train more clients if it spent its funds on basic skills training instead of occupational skills training. If the Hempstead SDA spent its funds this way and targeted welfare clients, as Rochester did, it is likely that it could serve more clients. However, one possible trade-off might be that the rate at which terminees would enter employment would drop, since many terminees will not possess the occupational skills they will need to locate new jobs.

There is also a difference from SDA to SDA in the type of clients who are selected for training. Among the groups within a particular region who need training, each local SDA decides how best to serve them based on a number of factors, only one of which is cost. In some locations, reducing local welfare roles will be a top priority, and JTPA resources will be targeted to welfare clients. Elsewhere, if many individuals who already have basic skills and solid work histories were laid off by local employers, they will be the area's top priority. That is why it is advisable for it to be a local decision as to whom an SDA will target its limited training resources. Appropriately, these are the decisions that will have an impact on the number of clients served, rather than simply the desire to increase the number of clients served.

Furthermore, the JTPA Statute does not impose a quota for the number of participants trained. Sections 204(a)(1)(B) and 264(a)(1)(B) of the statute state that

the program shall include the "development of service strategies that shall identify . . . the appropriate services for participants taking into account . . . assessments . . ." On the basis of the JTPA "Statement of Purpose," along with the above-quoted sections, SDAs are required to utilize funds to achieve the stated purpose of JTPA, based upon the individual assessment of each participant. If the assessment indicates that training is not appropriate to the individual, then "other services" may be provided. Moreover, the standards to evaluate the outcomes of JTPA do not include counting how many individuals received training, but rather how many became employed, achieved employability enhancements, retained employment and achieved competitive wages. Training is only one means to those ends.

The comments that were received from the local SDAs are too numerous to include in this response. However, the above comments are representative of the concerns that they expressed.

From the beginning of this review, the Department has indicated that equitable cost comparisons between SDAs would be difficult, if not impossible. The characteristics of the participants the SDAs choose to serve and the services the participant will need to enter employment vary greatly; these variances influence the cost of the SDAs' service provided dramatically. While issues such as the accuracy of the data collected may be rectifiable, local economic conditions, overhead costs, and the number of service providers available to choose from will vary to make such comparisons difficult without committing a significant amount of time and resources.

