



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

089386

089386

MANPOWER AND WELFARE
DIVISION

OCT 7 1975



Mr. Fred G. Clark
Assistant Secretary for
Administration and Management
Department of Labor

P. 1633

Dear Mr. Clark:

2 This report is to advise you of the results of our survey of the Manpower Administration's efforts to administratively close-out completed contracts and grants awarded for the provision of manpower services and program evaluations. During our survey, we interviewed officials in the Manpower Administration and in the Directorate of Audit and Investigations and reviewed reports and documents at Manpower Administration headquarters. 1156

The survey was directed toward identifying those factors that contributed to the accumulation of a significant backlog of completed contracts and grants awaiting close-out.

CLOSE OUT EFFORTS

Some progress has been made since January 1975 in reducing the backlog of completed contracts and grants awaiting close-out, but there were about 4,400 contracts and grants awaiting close-out at June 30, 1975, representing approximately \$4.2 billion in potential costs. Most of these contracts and grants were for programs funded under the Manpower Development and Training Act (42 U.S.C. 2571) and other authority that has expired or was superseded by the Comprehensive Employment and Training Act (29 U.S.C. 801).

The following table shows the number of and selected fiscal data for contracts and grants awaiting close-out.

~~909351~~ 089386

	End-of-period data for contracts/grants awaiting close-out		
	<u>1973^a</u>	<u>1974</u>	<u>Jan.-June 1975</u>
Number of contracts/ grants	3,455	6,304	4,385
Unliquidated obligations ^b (millions)	\$96.8	\$229.2	\$325.4
Advances outstanding ^c (millions)	\$107.3	\$267.5	\$294.2

^aSummary dated December 31, 1973, states that fiscal data is incomplete.

^bLabor obligations on contracts/grants in excess of payments made to contractors/grantees.

^cLabor payments to contractors/grantees in excess of their reported costs.

About 83 percent of the contracts and grants were administered in Labor's regional offices and about 17 percent were in the National Office (the Office of Policy, Evaluation and Research and the Office of National Programs). In the regional offices, the Assistant Regional Directors for Manpower are responsible for overseeing close-out action; in the National Office, contracting officers carry it out.

As shown above, the number of contracts and grants completed but not closed out increased significantly during 1974 to a year-end balance of more than 6,300. Manpower Administration quarterly reports showed that although the number of contracts and grants pending close-out at the National Office declined about 12 percent during the year, those at the regional offices increased about 48 percent.

National Office procurement officials told us that in early fiscal year 1975 they assigned staff members to work on reducing the close-out backlog. However, they told us that these efforts would be limited because of small staffs and the complexities involved (such as multiple program funding sources and modifications of scope and performance period) in closing out cost reimbursement contracts, which were the prevalent type.

One official also said that during the period July to December 1974, the Manpower Administration sent close-out teams to 9 of the 10 Labor regional offices to assist regional office staffs in closing out completed contracts and grants. Because records were not available, we could not determine the results of this effort. Headquarters officials also told us in January 1975 that they planned to initiate a close-out effort in the field. At the time our survey was completed in August 1975, however, these plans had not been finalized or implemented.

Close-out activity reports covering the six months from January 1 to June 30, 1975, showed that the total number of completed contracts and grants awaiting close-out decreased by about 30 percent to a reported balance of about 4,400. This resulted primarily from a decrease in the regional offices with the National Office reporting a slight decrease. However, the records also showed increases during this period of about 42 percent in unliquidated obligations and about 10 percent in advances outstanding over the reported balances at December 31, 1974.

Manpower Administration officials advised us that the decline in the close-out backlog during the first half of 1975 was due to a decrease in new contract and grant activity under the Comprehensive Employment and Training Act, which allowed regional office contract specialists to concentrate on close-out activity.

REPORTING OF CLOSE-OUT ACTIVITIES

In analyzing the quarterly close-out activity reports for 1974 and the first half of 1975, we found several inconsistencies in report preparation that may have resulted in part of the increases reported in unliquidated obligations and advances outstanding during the period.

Several regions reported no deductions in the balances for unliquidated obligations and advances outstanding although their reports indicated that contracts and grants had been closed out during various quarters. Manpower Administration officials told us that some of these contracts and grants probably had outstanding balances for these items when they came due for close-out action. These amounts should have been deducted when the contracts and grants were closed out and removed from the inventory.

In several regional reports the numbers of contracts and grants reported as open and the amounts of unliquidated obligations and advances outstanding reported at the close of some quarters differed from the data reported at the beginning of the immediately following quarters. For example, the differences in data reported by one region at the close of one quarter and the beginning of the next ranged from 4 less to 287 more contracts and grants open and from about \$1 million less to \$12 million more in advances outstanding, respectively. These inconsistencies raise questions as to the accuracy of the activity reports, which serve as the only comprehensive source of data on contract and grant close-out activity for use by management.

Manpower Administration officials could not explain the inconsistencies we found in regional office reports. They told us that each office was responsible for the accuracy of the data submitted to headquarters.

AGE OF COMPLETED CONTRACTS AND GRANTS

Complete information was not available showing the period of completion and fiscal data for contracts and grants awaiting close-out in Labor's regional offices. However, we were able to obtain such information for the National Office contracts and grants awaiting close-out as of March 31, 1975, which is summarized in the following table.

<u>Completed</u>	<u>Number</u>	<u>Percent</u>	<u>Advances outstanding (000)</u>
Before 1972	188	28	\$ 4,944
1/72 - 12/72	95	14	1,071
1/73 - 12/73	135	21	4,933
1/74 - 6/74	114	17	3,294
7/74 - 12/74	<u>134</u>	<u>20</u>	<u>7,559</u>
Totals	<u>666</u>	<u>100</u>	\$ <u>21,801</u>

As shown, more than 40 percent of National Office contracts and grants with over \$6 million in reported advances outstanding had been awaiting close-out action for more than two years.

In October 1974 the Department's Directorate of Audit and Investigations reported findings similar to ours based on its aging of contracts for selected training programs that were awaiting close-out at December 31, 1973. The audit staff reported that nationwide 28 percent of these contracts had been pending close-out for more than two years. The audit report concluded that substantial effort would be required to close-out these contracts plus the active contracts that would be completed in the near future.

Manpower Administration officials told us that as contracts and grants get older, they are harder to close because contractor/grantee operating and financial records tend to get lost over time. Therefore, prolonged delays in completing close-out only aggravate the situation.

CONCLUSIONS AND RECOMMENDATIONS

Although the number of completed contracts and grants awaiting close-out action was reduced during the first six months of 1975, there were still many contracts and grants awaiting close-out involving large amounts of funds. Of particular concern is the amount of advances outstanding which increased during this period even though the number of contracts and grants decreased. Until close-out action is taken, the Government does not have complete assurance that funds have been fully accounted for.

Regarding their age, the older that completed contracts and grants become, the more difficult they will be to close out. Since some of the contracts and grants have been completed for a number of years, more timely close-out action should be stressed in the future. Also, action should be taken to minimize discrepancies in reporting close-out activities.

Accordingly, we recommend that the Department take appropriate action to (1) close-out completed contracts and grants and reduce associated advances outstanding and unliquidated obligations in a more timely manner and (2) improve the accuracy of the quarterly close-out activity reports.

- - - -

We wish to acknowledge the cooperation given to our representatives during the survey. We would appreciate being advised of actions taken or planned on matters discussed in this report.

Sincerely yours,



Frank M. Mikus
Assistant Director

cc: Secretary of Labor
Assistant Secretary of
Labor for Manpower
Director of Audit and
Investigations