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## ABSTRACT

The most difficult problem in the financial management of a program of Public Service Employment (or subsidized work-training experience) is the over-obligation of funds. Some training slots are never filled, some trainees drop out early from the program, and others complete their training early. All of these factors "free" funds which must be promptly identified if they are to be put to alternative uses. The best way to avoid this problem is to use a detailed and flexible working budget which is kept up to date by timely and systematic comparison between actual and projected expenditures. The central office should use actual rather than anticipated outlays as a means of controlling costs. Realistic allowance should also be made for delays in employer billings. (Included are 12 appendixes, a glossary, lists of tables and illustrations.) (Author)

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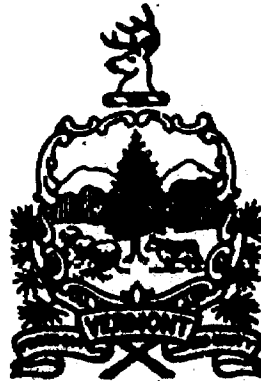
**THE DEVELOPMENT OF A SYSTEM**

**FOR**

**FINANCIAL MANAGEMENT OF PUBLIC SERVICE**

**EMPLOYMENT SUBCONTRACTS:**

**THE VERMONT EXPERIENCE**



**Vermont Department of Employment Security**

**Madelyn Davidson, Commissioner**

**The Experimental and Demonstration Manpower Pilot Project on the  
Special Work Project for the Unemployed and Upgrading for the  
Working Poor**

**September 1973**

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THE DEVELOPMENT OF A SYSTEM FOR FINANCIAL MANAGEMENT  
OF  
PUBLIC SERVICE EMPLOYMENT SUBCONTRACTS:  
THE VERMONT EXPERIENCE

This report was prepared for the Manpower Administration, U.S. Department of Labor, under research and development contract No. 82-48-70-30. Since contractors conducting research and development projects under Government sponsorship are encouraged to express their own judgement freely, this report does not necessarily represent the official opinion or policy of the Department of Labor. The contractor is solely responsible for the contents of this report.

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## PREFACE

In mid-1970, as a consequence of welfare reform legislation then pending in the United States Congress, the Vermont Department of Employment Security was chosen to test and document experimentation in the manpower training aspects of the proposed legislation. The overall objective of the resulting Experimental and Demonstration (E&D) Manpower Pilot Project was to explore the feasibility and value of alternative approaches and procedures for conducting the Special Work Project (Public Service Employment) for the unemployed and Upgrading training for the working poor, as a means of helping to develop guidelines and other knowledge required to facilitate and make more effective national implementation and rapid expansion of manpower projects aimed at enhancing the employability of heads (and other members) of low-income families.

The project thus had two major components within the overall project:

- "Special Work Project" whereby unemployed persons, by performing work (at public and private nonprofit agencies in the public interest) can develop job skills which enable them to obtain nonsubsidized (private or public) employment,
- "Upgrading training" whereby low-income employed persons ("working poor") can develop new job skills for which they receive increased salary.

More specifically the project:

- developed various designs for operating the two manpower programs,
- tested operating practices to identify smooth running procedures,
- tested the feasibility and relative effectiveness of alternative operating procedures,

- identified problems and issues central to the establishment and running of these programs,
- prepared technical materials and other aids for use in the programs,
- monitored and evaluated outcomes of activities,
- determined requirements for administration, facilities, staff and financing of the programs,
- established guides for determining how these programs might fit into the overall mixture of manpower programs and services at the local level,
- developed the necessary guidelines and manuals for effectively replicating the programs elsewhere,
- researched and documented the effect of the program on E&D manpower clients and,
- produced monographs on salient aspects of project experience, relevant to planning activities at the national level for implementation of welfare reform and/or public service employment programs.

The project was initiated on July 1, 1970, and terminated on October 31, 1973. Operation of the project was divided into the following segments:

July 1, 1970, through October 31, 1970: Planning, initiation, and startup,

November 1, 1970, through June 30, 1971: Operations limited to Chittenden and Lamoille counties,

July 1, 1971, through June 30, 1972: Statewide operations,

July 1, 1972, through June 30, 1973: Statewide operations,

July 1, 1973, through October 31, 1973: Evaluation, writing, printing and publishing.

**FINAL TRAINEE SUMMARY**

**SPECIAL WORK**

| <u>As of July 2, 1973</u>                         | <u>Number</u> | <u>Number</u> | <u>Number</u> | <u>Percentage of Total Enrollees</u> |
|---|---------------|---------------|---------------|--------------------------------------|
| Total Special Work Enrollments                    |               |               | 656           | 100%                                 |
| Completed Training                                |               |               | 430           | 65.6%                                |
| -Completed, Placed in Employment                  | 307           |               |               | 46.8%                                |
| -Completed, Placed in Work Training               | 26            |               |               | 4.0%                                 |
| Total Placements                                  |               |               | 333           | 50.8%                                |
| -Completed, Placed in Education or Skill Training | 6             |               |               | 0.9%                                 |
| -Completed, Awaiting Placement                    | 91            |               |               | 13.9%                                |
| Terminated Training                               |               |               | 226           | 34.4%                                |
| -Good Cause                                       | 99            |               |               | 15.1%                                |
| -Without Good Cause                               | 127           |               |               | 19.3%                                |

**FINAL TRAINEE SUMMARY**

**UPGRADING**

| <u>As of July 2, 1973</u>   | <u>Number</u> | <u>Number</u> | <u>Percentage of Total Enrollees</u> |
|-----------------------------|---------------|---------------|--------------------------------------|
| Total Upgrading Enrollments |               |               | 144                                  |
| -Completed Training         |               |               | 118                                  |
| Upgraded                    | 114           |               |                                      |
| Not Upgraded                | 4             |               |                                      |
| -Terminated Training        |               |               | 26                                   |
| Good Cause                  | 17            |               |                                      |
| Without Good Cause          | 9             |               |                                      |

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## SECTION I

### INTRODUCTION

#### A. Purpose of the Monograph

The financial management personnel of the Experimental and Demonstration (E&D) Manpower Pilot Project in Vermont found that there was a considerable number of financial variables which could have a significant effect on the financial management of future similar projects. This monograph illustrates the kinds of problems these variables could have on similar projects and recommends a set of guidelines which should be useful in administering future Public Service Employment (PSE) projects.

This study does not consider the management of Upgrading training projects as their number and dollar amounts involved were considerably smaller than the Special Work (SW) subcontracts and their financial management is straightforward with fewer financial variables.

#### B. Outline of the Monograph

This study consists of four basic parts, the first three providing background information to support the development of a system for control of similar PSE subcontracts described in the fourth section. The monograph is outlined as follows:

1. A descriptive history of the financial management of Special Work Project (SWP) from the inception of the project to the beginning of the third fiscal year.
2. A summary of the financial systems, procedures and variables developed for and employed during the project.
3. A discussion of potential problems that could develop in similar Special Work projects and the steps that can be taken to avoid them.
4. Recommendation of a simplified set of guidelines for the financial planning and management of PSE subcontracts in general in the form of usable program guidelines.

## SECTION II

### BRIEF HISTORY OF THE PROJECT TO DATE

#### A. The First Year - FY-1971

Under contract (#82-48-70-30) with the U.S. Department of Labor (DOL), the Vermont Department of Employment Security (DES) commenced project activities about July 1, 1970. In the first year, E&D operations were located in Chittenden County (Burlington area), a basically urban and suburban county with a growing economy and population base, and in Lamoille County (Morrisville area) which is largely rural. TABLE 1 gives an indication of the relative size of the project.

TABLE 1

Summary of Trainees Enrolled  
From Inception of Project to June 30, 1972

| <u>Quarter Ending</u> | <u>Cumulative Number of Trainees Enrolled</u> | <u>Increase From Preceding Quarter</u> |
|-----------------------|---|--|
| 3/31/71               | 98  | --                                     |
| 6/30/71               | 146   | 48                                     |
| 9/30/71               | 204   | 58                                     |
| 12/30/71              | 341   | 137                                    |
| 3/31/72               | 487   | 146                                    |
| 6/30/72               | 509   | 22                                     |

The period July 1970 to November 1, 1970 was considered the planning, development and start-up phase of the project and covers the period prior to the writing of any subcontracts for training. During this period, project staff requirements were established (See APPENDIXES A and B for project staff at beginning and end of the project), and most of the positions outlined in the appendixes were filled. Visits were made to on-going projects and development of a staff training program was undertaken. Specifically related to SWP, a subcontract was designed (APPENDIX C1), preliminary budgets and number of slots were established, development of a Management Information System (MIS) was begun, and fiscal procedures for accumulation of

enrollee time worked and reimbursement to the employer for wages paid were developed. Much of the development was begun with existing DES personnel as the project had no internal staff at the outset. For example, the Fiscal Section was of considerable assistance in accomplishing the early financial administrative tasks, such as billing the DOL for reimbursement and processing employer invoices for payment.

The first year budget for the E&D Project was \$500,000 broken down into the following categories:

|  |               |
|--|---------------|
| -Special Work subcontracts (primarily enrollee salaries).....    | \$ 200,000    |
| -Upgrading training subcontracts.....                            | 60,000        |
| -Personnel services - salaries and benefits - E&D personnel..... | 182,000       |
| -Project facilities.....   | 34,000        |
| -Travel.....   | 14,000        |
| -All other.....  | <u>10,000</u> |
| TOTAL.....   | \$ 500,000    |

SWP salaries payable to trainees were budgeted at \$200,000 for the first fiscal year. This was arrived at by establishing a goal of 100 slots (a slot is one training position under contract for a period of time equal to the length of the subcontract) for an average duration of six months each multiplied by an estimated average cost of \$2,000 for each six month period. Approximately 89 persons were enrolled in the project, and most of these trainees were employed for a period of less than six months; consequently, a portion of the FY-1971 budget was carried into FY-1972.

Commencing about November 1, 1970, pilot operations were begun in Burlington and Morrisville. Subcontracts were first written in December 1970, and billings against these subcontracts were first processed at the end of January, 1971.

Beginning October 20, 1970 and continuing periodically until January 22, 1971, the E&D staff prepared five reports summarizing activities undertaken during each period. On December 24, 1970, the first subcontract summary report was prepared, which listed five subcontracts covering 29 slots and included appropriate detail information. A summary of subcontractual obligations was made at that date, showing funds committed, expended, and the uncommitted balance for the remainder of the fiscal year. This information was updated by another summary report dated January 22, 1971. At that time, 12 of 47 available slots were filled; subcontracts for an amount of \$88,000 had been written, leaving an obligated

balance of \$112,000. A summary of subcontracts by individual subcontract was kept on a weekly basis through April 19, 1971, when it was abandoned because of the time involved in maintaining it on a current basis.

At May 1, 1971, a proposal for the second year of the project was prepared, which also contained the status of the project as of that date. Approximately 30 subcontracts had been written, which would have covered 130 slots for \$210,000, if all slots were filled.

In summary, there were periodic reports issued through January 22, 1971, and the next formal report was issued as of September 30, 1971. Informal records of amounts obligated and spent under SW subcontracts were maintained through mid-April 1971, and monthly summaries of activity under SW subcontracts were prepared in appendix form for required submission to the DOL.

#### B. The Second Year - FY-1972

In FY-1971 the operational and procedural guidelines were laid, and pilot and initial operations were begun, whereas FY-1972 was the primary operating year of the project. This year saw an expansion to statewide activity (See APPENDIX D for ultimate size) with operations at a peak in the second half of the year. Compared to the first year E&D total project budget of \$500,000, a budget of \$1,166,000 was adopted in FY-1972, comprised as follows:

|  |               |
|--|---------------|
| -SWP subcontracts.....                   | \$ 698,000    |
| -Upgrading training subcontracts.....    | 90,000        |
| -Enrichment projects.....                | 21,000        |
| -Personnel services - E&D personnel..... | 281,000       |
| -Project facilities.....                 | 43,000        |
| -Travel.....                             | 17,000        |
| -All other.....                          | <u>16,000</u> |
| TOTAL.....                               | \$1,166,000   |

Approximately \$500,000 of the increase was for SW subcontract salaries and related expenses. In addition, to having more trainees during the second year, it was anticipated that the average trainee would be in the program for a longer period.

Finally, during the second project year, emphasis was placed upon formalizing data gathering processes, coordination with the existing Work Incentive Program (WIN), streamlining administrative procedures and the design and implementation of research



projects.

C. The Third Year - FY-1973

During the third year of operations, there has been a gradual decrease in emphasis on operations and an increase on documentation and reporting of project experience. This is reflected in part in the FY-1973 budget, which is down in total to \$872,000. The SW subcontract salaries comprise \$483,000 of this amount, which is down from \$698,000 in FY-1972.

Subcontract activity is expected to be heavy in the early part of the year, declining to a windup of activity by June 30, 1973. Improvements in financial controls, such as an implementation of an allocated amount of subcontracts each district office may write during the year (APPENDIX E) and periodic comparisons of actual amounts obligated against amounts budgeted under subcontracts, have been instituted to bring about a smooth completion of the project.

## SECTION III

### SUMMARY OF FINANCIAL PROCEDURES AND CONTROLS CONTAINED IN THE PROJECT

In order to comprehend the potential problems that could develop during the life of a PSE project and in order to understand the recommended financial management guidelines provided later in this monograph, background information concerning the systems and financially related procedures that were in existence in this project is considered. Accordingly, this section furnishes supporting information regarding billing and fiscal procedures, financial obligations under subcontracts, and other financial variables experienced in the financial administration of SW subcontracts.

#### A. Subcontracts and Related Procedures

The Vermont DES designed three different subcontracts (APPENDIX C1) for use with public, nonprofit organizations, with other State agencies, and within the Department of Employment Security. Each subcontract consisted of a standard two page subcontract between the State and the subcontractor and a proposal section. The proposal included detail on the training plan and its cost, a description of the scope of the work and time card and billing requirements, and a section on general contract provisions. Additionally, a form has been devised to be used as a basis for amending original subcontracts.

The subcontract was developed in consultation with a contract specialist from the Department of Labor; its primary purpose was to establish the obligations of both contracting parties and to insure that the employer was made aware of his responsibilities to the enrollee and the program.

In an effort to duplicate a real life work situation as closely as possible, trainees receive the same benefits wherever possible, as all other employees in the subcontractors' employ; the employer pays the trainee his salary and any benefits directly. Salaries and fringe benefits are funded up to 100% by E&D funds; however, efforts were made to have employers underwrite as much of the cost as possible beginning in FY-1972. For the nine months ending March 31, 1972, employers paid a portion of the costs on approximately 55% of the slots under subcontract; in most cases this was ten percent of the cost. The employer prepares an invoice to DES, based on the time card filled out by the employer, and in accordance with the provisions of the subcontract.

Billing is done every 30 days by the employer to DES,

commencing 30 days after the employee starts, in order to distribute the accounting work load as evenly as possible. Bills are prepared on the combined time card and invoice (See attached APPENDIX C3 - Form E&D-666) from instruction given to subcontractors. Basically, the employer enters the enrollee's time, signs the card as does the enrollee; the employer then completes the reimbursement section, signs it and forwards it to the project Manpower Specialist who reviews and approves the completed form. Two copies of the form are forwarded to the State Department of Finance for disbursement to the employer. Certain short cuts have been devised in instances where there are more than five enrollees in one subcontract.

Procedures for billing and documenting time have worked well. The few problems that have arisen are mainly human lags in billing by employers and errors in completing forms. A flow chart of the existing billing and reimbursement system is included as APPENDIX F.

#### B. Mechanics Concerning Financial Obligations Under Subcontracts

The following information is presented to explain the accounting for financial obligation under subcontracts and the reasons that this obligation often differs considerably from the amounts that are finally expended.

The project has utilized the Fiscal Section of the Vermont Department of Employment Security for maintaining the routine accounting activities of the project, as opposed to establishing their own accounting and financial functions, which has greatly simplified this area of project administration. Services performed include payment of invoices and the related review to ascertain that payments are properly supported and computed, historical accumulation of subcontract costs, and billing to the Department of Labor.

Subcontracts are written for a number of enrollees for a specified length of time at specified wage rates, which when extended and adjusted for fringe benefits and the employers' share of the obligation, equal the total obligation under the subcontract. For example, a subcontract is written for a 20 week period for two positions, paying \$2.00 and \$2.50 per hour, respectively, for a 40 hour week plus FICA at 5.2%. The employer has agreed to pay ten percent of the cost. The total obligation is \$3,402 computed as follows:

$\$(2.00 + 2.50) \times 40 \text{ hrs.} \times 20 \text{ weeks} = \$3,600$

$\$3,600 + 5\% \text{ for fringes} = \$3,780$

$\text{E\&D pays } 90\% \text{ of this or} = \$3,402$

In actual practice, the amount obligated under a subcontract is usually greater than the amount spent under the sub-

contract because certain slots for which a subcontract is written are not filled or enrollees are not always employed for the full length of the subcontract, due, for example, to early completion of training resulting in placement.

The unused portion of obligated funds presents the most difficult problem in the financial management of the SW subcontracts. The greatest amount of unused subcontract obligations has been accounted for by unfilled subcontract slots and was especially significant in the earlier part of the Vermont project when subcontracts were often written before enrollees were found. Later, this difference was minimized when enrollees were located first and subcontracts were written tailored to the enrollees' employability plans.

The following table summarizes the amount of funds originally obligated and subsequently deobligated on the Vermont project.

TABLE 2

Approximate Amounts of Funds Obligated and Deobligated

| <u>Period</u>    | <u>Obligated</u> | <u>Deobligated</u> | <u>%<br/>Deobligated</u> |
|------------------|------------------|--------------------|--------------------------|
| FY-1971          | \$154,000        | \$50,400           | 33%                      |
| 7/1/71 - 9/30/71 | 248,000          | 54,500             | 22%                      |
| October 1971     | 54,000           | 9,300              | 17%                      |
| November 1971    | 66,000           | 15,400             | 23%                      |
| December 1971    | 130,000          | 13,400             | 10%                      |
| January 1972     | 130,000          | 22,800             | 18%                      |
| February 1972    | 55,000           | 20,500             | 37%                      |
| March 1972       | 13,000           | 6,600              | 51%                      |

The high percentage of deobligated funds in FY-1971 reflects the policy of obtaining subcontracts and then finding trainees for these slots. As this policy changed to that of obtaining subcontracts for a reservoir of enrollees, the deobligation percentage was reduced. The high percentage in February and March 1972 was due to an overobligation of funds that was learned of in February 1972 and the necessary resulting de-emphasis in filling available slots.

One of the goals of the project is to utilize the funds available for SW subcontracts and expenses to the utmost; however, it is not possible to spend funds over and above the amount allocated for these expenditures. Therefore, it is

desirable to know the exact amount of funds that will be spent under existing subcontracts, so that the maximum number of subcontracts can be written for the remaining funds. There is a practical problem of obtaining reasonably accurate current information on the amounts that will ultimately be expended. Contributing further, there is apt to be a considerable time lag between the time subcontracts are signed and obligations summarized by the Central Office Staff (COS), and a lag between the time the enrollee performs under the subcontract and the billing is prepared and finally processed, especially when the volume of activity is high.

To summarize this section, the financial variables encountered during the Vermont E&D subcontract experience are listed in outline form.

### C. Summary of Financial Variables

1. As to subcontracts, the following distinct variables are contained in each subcontract and are tailored to each subcontract:
  - a. the wage rate paid and the number of hours per time period to be worked,
  - b. the length of time a trainee is under subcontract,
  - c. the number of trainees under each subcontract,
  - d. the percentage of total cost to be paid by the employer,
  - e. the trainee's fringe benefits included for each subcontract.
2. Possible differences between the amount originally obligated under a subcontract and the amount actually spent are:
  - a. premature termination by trainee - either placed in a job or dropping out,
  - b. trainee absent from or not reporting for work,
  - c. slots for which subcontracts are written, but for which no trainee is hired.
3. Internal accounting and information flow delays and problems are possible because of:
  - a. erratic billing by employers,
  - b. errors in employer invoices, such that approvals and related payment is held up,

- e. financial record keeping is maintained by the department not under the control of the project management,
  - d. subcontracts are written and most financial input information is prepared at the local office level, requiring communication of information to the central office.
4. The length of the subcontracts may be dictated by the necessity to annually refund the project.
  5. The Training Related Expenses (TRE) to be paid to the trainees.

An awareness and control over these financial variables will minimize any potential financially related problems with the project.

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## SECTION IV

### POTENTIAL PROBLEMS THAT COULD DEVELOP IN THE FINANCIAL MANAGEMENT OF PSE PROGRAMS AND THE STEPS THAT CAN BE TAKEN TO AVOID THEM

From a financial management viewpoint, the goal of a PSE program is to utilize funds allocated to the program to the maximum of their availability, but not to overobligate funds. This utilization should be implemented in a smooth, even manner to the extent possible to minimize program direction changes at the operations level. It is emphasized that the potential problems are in the area of subcontract salaries and related items as opposed to the management of internal project staff costs.

The previous section concludes with a list of financial variables which must be adequately controlled to varying degrees to assure the success of the project. Considered in the order of importance, the potential pitfalls arising from these variables are enumerated below, followed by a discussion of how they may be avoided.

1. Funds may not be optimally utilized if the project management is not aware, on a current basis, of the funds that will be expended for subcontract salaries and related costs. As a corollary, total obligated funds cannot be relied upon as a barometer of the project status.

At any point in time the project Manager can determine the total obligation under PSE subcontracts from a summary of completed and live subcontracts. However, as pointed out in the previous section, a substantial portion of obligated funds may never be expended.

The experience of the Vermont project is an example to illustrate this point. As described in the history section, the E&D Central Office Staff kept an informal account of financial obligations under SW subcontracts through mid-April of the first project year, FY-1971. This volume of activity during this initial period was relatively small, which facilitated the informal system.

During FY-1972, the number of subcontracts and slots rose quickly as the subcontract development gained momentum and the project expanded to a statewide operation. The Fiscal Section at the Central Office continued to perform a bookkeeping function for the project by paying the bills and recording funds expended, accrued, and obligated. Project management monitored the level of expenditures on Special Work salaries by relying upon slot levels attained and the monthly summaries of amounts

committed for SW subcontracts forwarded to the DOL.

At the end of January 1972, a small overobligation in SW subcontracts was discovered, just as the project was meeting its end-December slot target. The plan for slot development called for a gradual expansion of the number of filled slots through the end of March, with this level to be maintained until the end of June. Had this been accomplished, the accumulated Special Work obligations would have amounted to \$1,100,000 by the end of FY-1972, as against \$842,500 budgeted for FY-1971-72.

By the middle of February, the COS realized that they were overobligated on SW subcontract salaries by approximately \$44,000; this, however, did not consider any unfilled slots or unused time on existing subcontracts, which would ultimately reduce the amount that would actually be spent. The programmatic result was an immediate freeze on subcontract development in the midst of a long, hard successful drive to harness the staff and resources of the DES local offices to sell Special Work. Just as local office managers were beginning to use and appreciate long-term subsidized PSE as a valuable tool in their local labor market repair kit, the E&D Central Office was forced to jerk that tool out of their hands.

Fortunately, an overexpenditure of funds on the Vermont project did not develop, since there was more than a sufficient amount of obligated funds that were able to be deobligated, as all obligated funds were not expended on certain subcontracts. There was, however, some disruption of the program, as the emphasis on writing additional subcontracts had to be abruptly terminated.

This problem could occur in reverse. If a project had obligated only allocated funds for a fiscal year and if an extensive amount of obligated funds were not ultimately expended, substantial amounts might remain unspent at the end of the period.

The cure for potential overspending and other areas requiring information for control is a sound budgeting system. Because of the number of financial variables associated with this type of project, it is imperative that a detailed budget be prepared and actual results compared with the budget on a timely and frequent basis.



Preparation of a working budget<sup>1</sup> should begin upon receipt of notification of the funds to be allocated to the project, or sooner if support for the allocation is to be prepared by the project management. From the experience of the Vermont project, the following procedures for preparation and implementation of the working budget are presented (See ILLUSTRATION 1).

In conjunction with local office managers, determine on a monthly basis approximately how many slots subcontracts can be written for and the length of time each slot will be filled. Possible constraints will be projects terminating at the end of a fiscal year and the length of time, on the average, a trainee should occupy a slot. These slots must then be costed out at the average monthly wage and adjusted for fringe benefits and the portion that the employer will pay. In the Vermont project, the average monthly cost to the program was \$371 per trainee, through March 31, 1972. Approximately 45% of the slots were funded in part by employers, the amount usually being ten percent of total costs. The number of slots available will, of course, have to be tailored to funds available. Each local office will now have a slot budget similar to that in APPENDIX E. The slot budget can be compared to the actual number of subcontracts written and revised as necessary, based on the collective actual number written by each local office.

By the end of the third month, a number of subcontracts for the new fiscal year would have been signed. All subcontracts relating to the old year would have been completed and should have been closed out, or at a point where total expenditures could be accurately estimated. Thus, the amount expended on the previous year's subcontracts would be known, and funds available for the new year, consisting of the new year's budget and unspent amounts remaining from the prior year, would be known. Next, subcontract obligations entered into through the third month would be accumulated. The amount that would not be spent on these subcontracts at the present date would be computed, either by estimating based upon past experience of the percentage of funds obligated that were not spent or by analyzing the status of each slot under subcontract. The former is an overall test that can be performed at the Central Office level, the latter a more detailed method that would be done at the local office level.

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<sup>1</sup>A working budget is especially useful when there is a considerable amount of uncertainty about the future. A budget or plan is established at the beginning of the period in as complete a manner as possible with the information available. Then, as the period progresses, changes are made to the original budget--in effect, updating it--as new information about the period to date and the future portion of the period becomes available.

ILLUSTRATION 1

Example Of A Working Budget

Project  
Total

|  | Jan.    | Feb.  | Mar.            | Apr.  | May   | Jun.            | Jul.  | Project<br>Total  |
|--|---------|-------|-----------------|-------|-------|-----------------|-------|-------------------|
| Budgeted (Obligated) <sup>1</sup>                                | \$1,000 | 1,000 | 1,000           | 2,000 | 2,000 | 2,000           | 1,000 | 10,000            |
| Actual Expenditures (Reported) <sup>2</sup>                      | \$ 900  | 920   | 930             | 1,750 | 2,100 | 1,900           | 900   | \$9,400           |
| New Estimated Obligations<br>Based On Currently Reported Actuals |         |       |                 |       |       |                 |       |                   |
| Projected Expenditure <sup>3</sup><br>Level                      | \$9,000 | 9,100 | (3-A)*<br>9,160 | 9,000 | 9,420 | 9,440           | 9,400 | 9,400<br>(Actual) |
| Projected Excess Funds <sup>4</sup>                              | +       |       | (4-A)**<br>+840 | +     | +580  | (4-B)**<br>+560 | +600  | +600              |

NOTES

1. Estimated budget for local office \$10,000 during a seven month period.
2. Reported Actuals
3. Revised total program - for example, cumulative expenditures through March were \$2,750 against a \$3,000 budget, or  $2750 = 91.6\%$ . At this rate of spending, projected program costs are \$9,160 (example 3-A)\* with an estimated \$840 potentially free funds.
4. Projected net funds which could be available as of a given month. Examples:  
 \*\*4-A based on cumulative expenditures through March, \$840 might be deobligated by the project's end.  
 \*\*\*4-B subtract line 3 from the line 1 total for June: \$10,000-9,440 = \$560. As of June, it is expected that approximately \$560 will be deobligated by the end of the project.

From the above information and the experience gained about subcontracts, such as average length of time a trainee occupies a slot and average cost per trainee-month, the working budget for the remainder of the fiscal year would be revised as necessary to reflect the estimated amounts and timing of these amounts. Revisions would also be made to the local offices slot budgets, reflecting the above.

On an informal basis, the working budget would be updated at the end of each of the fourth and fifth months. If it appeared at this time that a danger of overobligation existed, a more thorough analysis would be necessary.

The procedures outlined at the end of the first quarter, including bringing information regarding obligations, deobligations, and estimated deobligations up-to-date, would be repeated at the end of the second quarter. The refinement necessary would be determined by the nearness estimated expenditures were to the funds available and the extent of the smoothness desired for winding down the project.

The above procedures would be continued on a monthly and quarterly basis throughout the project's fiscal year. ILLUSTRATION 3 included in the final section of the monograph suggests a monthly status report which would summarize the financial status of training salaries semimonthly.

2. Slot levels cannot be relied upon as a basis for controlling subcontract costs.

Using the Vermont E&D Project as an example again, the COS had relied on slot levels attained to monitor obligations under SW subcontracts. For FY-1972, slot levels were budgeted at 300 slots for an average length of time of nearly eight months each. To understand the concept of control through slot levels, information on slots from two weekly status reports is provided:

|  | <u>December 27,<br/>1971</u> | <u>February 28,<br/>1972</u> |
|--|------------------------------|------------------------------|
| Active slots   | 269                          | 336                          |
| Completed training in<br>FY-1972                           | 43                           | 55                           |
| Terminated prior to com-<br>pletion of training<br>FY-1972 | 49                           | 97                           |

Information regarding slot levels was current and accurate, because the COS maintained a log which recorded each incoming subcontract and the number of slots available. A weekly summary of this information was expanded to include the dollar amount of the obligation; thus, on a current basis, project management was

aware of the maximum possible obligation.

With the advantage of hindsight, the following are problems in gauging the status of the project by using slot levels:

- a. No consideration is given to length of time an individual occupies a slot.
- b. No consideration is given to cost of active and/or completed slots.
- c. Funds are released by slots no longer active because of reasons other than completion of training.

Because of these reasons, slot levels do not provide satisfactory information in gauging costs obligated under these subcontracts. Additionally, the information may not be current and accurate when volume is heavy and a number of subcontracts have been formally agreed upon but formal processing has not been completed.

Rather than using slot levels as a measure of costs, the project should control training salary costs through control of actual costs incurred in each slot, as described in the discussion of the first potential problem area.

The entire idea of a decentralized budget (APPENDIX E), which is being used in FY-1973 in Vermont, goes a long way towards controlling subcontract salary expenditures. This budget is of assistance in three ways. The amount of planned subcontract activity in each local office is known, which is helpful in formulating office staff requirements. The budget allocation for each office can be reviewed periodically for reasonableness. For example, a small office might not practically be able to fill all allocated slots; these slots could thus be transferred as early as possible to an office which would be able to fill them. Finally, it enables the district office Manager to program his timing of subcontract training commitments in an orderly fashion for the remainder of the year. He will know approximately how much he could obligate and the timing of the obligations, and he would thus be able to plan the use of staff time in an optimum manner for the year. It would minimize, for example, the possibility of being told to cut back on writing subcontracts and later having to reorient his staff when it appeared that substantially more funds were available than originally anticipated.

3. The project's training salaries and related costs should not be controlled solely from the project Manager's office.

This means, in essence, that the local offices should not have a carte blanche to write subcontracts, which is no control at all at the Central Office level; nor on the other hand, should the Central Office maintain all the controls over each subcontract written.

The Vermont experience is a case point. As described in the history section, the project went statewide in FY-1972; this consisted of growth from two to 12 local offices. In FY-1972, no effort was made to control subcontract amounts written by allocating budgeted dollar amounts or estimated slots to each of the offices. Because of the large volume during the middle of the project, it became physically impossible to control the amount of subcontracts being written at the local office level through a centralized budget at the Central Office.

To improve the control system, the COS instituted the following major improvements in FY-1973:

- a. A decentralized slot or man-month allotment (APPENDIX E), costed out at current average monthly costs, was prepared for each of the operating offices. This resulted in a budget number of slots and costs for each office for each month of the year. Additionally, in preparing the budget, emphasis was placed on heavy slot development at the beginning of the year, with a gradual phasing down of activity as the project approaches termination on June 30, 1973.
- b. Greater emphasis has been placed upon having personnel at the local offices advise COS on a current basis of additional funds available by deobligating unused subcontract amounts, which arise from dropouts, placements, and unfilled slots.

4. Project management must be sufficiently close to the project in order to be aware of unusual activity when it arises and to take necessary remedial action on a timely basis, if necessary.

Three such examples of unusual activity arose during the Vermont project experience: a short period of heavy subcontract renewals, a few relatively large subcontracts in terms of dollar amounts, and periods of higher than expected volume of activity, resulting in delays in obtaining information. These are discussed briefly in order.

Many subcontracts that were written in early FY-1972 expired near the end of December 1972, resulting in a potential sizeable increase in the obligation if the expiring subcontracts were renewed. Because of the soft labor market at the time, many of the subcontracts were renewed; this contributed to a certain extent to the aforementioned overobligation of funds.

Because most projects of this type are refunded annually and since many subcontracts are written for a period of six months, subcontracts tend to expire in bunches. Project management should be aware of the potential impact of subcontract renewal on available funds during these peak periods.

Occasionally, a large institution may take an unusually high number of enrollees, accounting for a substantial portion of budgeted salaries. In FY-1972, one subcontract was written for an excess of \$80,000, roughly ten percent of the entire year's budget. This could cause an undesirable situation in an overconcentration of activity with one employer or a potential overobligation of funds.

A control such as requiring prior notification to the project Director during the negotiation stage of subcontracts over a certain minimum would help alert project management to potential overobligation situations and could be implemented with minimum addition to project administration. From the Vermont experience, as indicated in APPENDIX G, few subcontracts would be subject to this type of approval; however, the dollar impact of these subcontracts is considerable.

Again citing the Vermont E&D Project, during the period of heavy activity at the middle of the project, there developed a four week time lag between the date subcontracts were signed and the date the Central Office compiled statistical information regarding these subcontracts.

The time lag arose because of the heavy volume of subcontracts being processed during late 1971 and early 1972. The weaknesses of certain statistics that COS had relied upon for management information were compounded by the delays in preparing summaries. Thus, for example, the December 31, 1971 summary was not completed until the end of January 1972, when a potential problem was imminent.

To circumvent possible similar delays in FY-1973, the project management developed closer communication with the local offices. The Central Office was advised promptly of new subcontracts signed, and trainee status reports were submitted immediately; therefore, trainees added and deleted are now promptly known.

5. Adequate attention must be paid to securing experienced financial management personnel for the project.

This is particularly important where the Fiscal Section is separated from the project management and the project Director is not well versed in the financial aspects of PSE projects. Using the Vermont E&D Project as an example, the key point at which major emphasis might have been placed upon the financial management of the project was the date at which approval for the second year funding of the project was obtained. At this date, it was known that the project had gone from a small pilot operation into one involving approximately \$850,000 in SW subcontract salaries and related expenses, with the possibility of increased funding for a third year.

It appears that two choices were available: the hiring of an experienced financial director or the placing of greater

emphasis on the financial management by the existing COS, utilizing its own staff and working to a greater extent with the Fiscal Section.

Such factors as the ultimate estimated size and duration of the project, the experimental nature of the project, funds available for staff, and the availability of a qualified person for a relatively short period of time have to be evaluated in deciding upon the structuring of the financial management. A full-time financial director may not eliminate all the financial management problems, but such problems will be minimal and competence will be available in the event the unforeseen arises.

6. Summary of miscellaneous problems and their solution.

a. Erratic and erroneous billings by employers. Certain employers apparently are not pressed for operating funds and may tend to be slow in submitting invoices or in following up improper invoices. Local office managers should be instructed by the Central Office to contact remiss employers and to provide promptly follow-up on errors in billings with employers. In addition, simple instructions providing adequate detail on billing procedures should be utilized. Billing procedures used in the Vermont project are attached as APPENDIX F.

b. Delays in transmission of information from the operating offices to the Central Office. It should be remembered that although operating offices are normally cooperative, they do not have need for most of the financial reports from the project and thus may not have the natural incentive to provide the information on a timely basis. Therefore, supervision of this function from the Central Office is necessary.

c. Information provided by the Fiscal Section. The fiscal office provides the accounting and related record keeping function for a project of this type as well as many other department functions. Fiscal is often able to provide the project management with helpful financial information; however, the information must be requested. As an example, in the Vermont project, it might provide the following:

- (1) A semimonthly listing of subcontracts completed, indicating funds that have been deobligated.
- (2) The closeout of all old inactive but not completed contracts, by working with the COS and the local offices as necessary.
- (3) A monthly list of all subcontracts on which the employer is more than one month late in submitting invoices, so that the COS can prod the employer or locate and solve any billing problems.

- (4) Assistance as necessary to Central Office financial management in accumulating estimated amounts that will be expended under present subcontracts.

There are possibly certain disadvantages to having the financial functions performed by another department. There may be instances of duplicate record keeping, and the project management may not be fully aware, on a timely basis, of all the important financial information concerning the project.

A separate Fiscal Section may do an excellent record keeping job, but it is important that it be contacted by project management to provide financial information useful to administering the project. In essence, the project managers must be aware of the financial information required and request it from the accounting department.



## SECTION V

### A SIMPLIFIED SET OF GUIDELINES FOR THE FINANCIAL PLANNING AND MANAGEMENT OF PSE SUBCONTRACTS

The goal of a PSE project from a financial viewpoint is to utilize allocated funds to the maximum of their availability (but not to overobligate funds) and to perform the task in the smoothest fashion possible. The existence of problems and those created by the aforementioned financial variables can make this quite difficult, depending on the severity of problems created by any one or combination of variables. For example, delays in employer billing may make it difficult to determine the amount of funds that will be eventually deobligated. Likewise, the discovery halfway through a project year that substantially more funds are available than thought will create havoc in the local offices, as they must change their direction from monitoring and completing existing subcontracts to locating trainees and writing new subcontracts.

The following financial management program has been designed to consider and control these variables to the greatest extent possible while retaining maximum flexibility in the program and realizing that a sound financial program is not an end in itself but a means of assisting in maximizing the overall success of the project.

The following outlines the responsibilities of the various administrative levels involved in the financial management of a PSE project. A discussion follows the outline, except for responsibilities of the Fiscal Section and Finance Department, whose functions are detailed in Section III.

1. Planning Prior to Commencement of Project. Four steps are listed below that should be accomplished during this stage:
  - a. Determine the scope of the project. From the financial viewpoint, this means a rough estimate of the length of time and dollars involved and an idea of the allocation of funds -- e.g. administrative salaries, employment salaries, etc.
  - b. Decide on a rough basis the complexity of the financial variables affecting the project; then hire the personnel with the appropriate experience to control these variables.
  - c. Determine the flow of accounting and financial information and the related controls that will be required.

- d. Develop an overall project financial plan and a more comprehensive operating budget for the first year's operation.

## 2. Central Office Staff:

- a. Aggregate a rough budget for the fiscal year's subcontract salaries from the estimated number of slots multiplied by the average length of time an enrollee will occupy the slot, multiplied by the average cost per slot for each local office.
- b. Allocate the budget to the local offices, breaking the year budget down on a monthly basis (APPENDIX E).
- c. Prepare monthly comparisons of actual and budgeted amounts expended for subcontract costs and information to be obtained from local offices; revise local office budget allocation if necessary.
- d. Supervise the financial management responsibilities of the local office staff.
- e. As a control, maintain a log of all new subcontracts, as suggested by APPENDIX C4.

## 3. Local Office Staff:

- a. Maintain current monthly records of amount of funds allocated for subcontract salaries and amount of funds obligated and expended under such subcontracts for particular local offices.
- b. Deobligate monthly any funds that will not be spent under active subcontracts.
- c. Resolve differences and follow up any problems with employers regarding employer invoices or enrollee salaries, including assisting and prodding employers in arrears on invoicing, under supervision of COS.

## 4. Fiscal Section - DES (See APPENDIX F and TABLE 3):

- a. Employer billing.
  - (1) Prepare pay voucher for finance after determining that employer invoice is properly prepared and supported.
  - (2) Record amount in ledger by subcontract.

b. Reimbursement from DOL.

- (1) Prepare monthly accrual of amounts due from DOL and invoice DOL accordingly.
- (2) Record accrual for each subcontract in ledger and adjust accrual for differences from previous month's actual cost.

c. Record maintenance.

- (1) Maintain current record of amounts obligated (and any subsequent deobligations) and expended under each Special Work subcontract.
- (2) Provide monthly reports of amounts obligated, deobligated and expended, and of subcontracts closed out for COS to use to compare with its records.

5. Finance Department (Agency of Administration) makes payment to employer after additional check of voucher prepared by Fiscal Section.

A. Planning

It goes without saying that this is the most important factor in realizing whether or not the financial aspects of the project will be successful.

Financial planning should commence prior to the initial project funding request. Ideally, the estimated size and the length of the project, in terms of dollars and staff, should be determined. The project Manager, in consultation with the administrative participants at the operating (local or district office) levels, should estimate the number of slots per year over the life of the project that they believe they will be able to fill, considering both potential employers and employees (trainees) within the geographical area covered by the project. Additionally, the average length of time an individual will occupy a slot and an estimate of the slot cost to the project should be made.

For example, in the Vermont E&D Project an average of six months was used for the subcontract period. This time was selected in order to reevaluate the subcontract with the employer to determine if the trainee could be hired on a nonsubsidized basis. Experience has shown that most subcontractors will not hire the enrollee until the conclusion of the subcontract period. An additional factor in the selection of a six month slot length was to reevaluate the subcontractor to see if the training provided met the requirements of the project.

This information will be of great benefit in planning for future projects of this type. Estimated fringe benefits and the portion of costs to be borne by employers would also be

considerations in establishing estimated slot costs.

Prior to formally requesting funding and, more ideally, during the above planning stage, the financial management of manpower of the project should be decided upon and brought into the formulation of the dollar amounts of the project. The decision as to how "heavy" or experienced the individual must be will depend on such variables as the size and relative complexity and the accounting system adopted for processing and controlling project receipts and disbursements. For example, if the existing agency accounting department can be used as was done with this project in Vermont, as compared to establishing a new accounting system, financial administration should be greatly simplified. If the project management does not have a strong financial background and interest, the accounting and Fiscal sections and their agency or outside consultants should be utilized to establish the financial position requirements and to evaluate applicants.

At this point, still prior to commencement of project operations, the system of financial information and the related controls should be designed. The data forms, such as those with the employers, time cards, billing forms, logs, and DOL reimbursement procedures, should be designed towards the goal of simplifying procedures as much as possible without sacrificing control. The basic data forms used by the Vermont project and information flow chart covering the procedures used are attached as APPENDIX C; a discussion of their use and implementation is undertaken later in this section. For forms to be filled out by employers and others who are not an integral part of the financial management of the project, simple and concise procedures on filling out forms should be prepared. In designing the forms and information flow, adequate consideration to the variables described earlier in this section, plus others that are unique with respect to each particular project, should be given adequate consideration.

## B. Responsibilities of the Central Office Staff

For an operating, as opposed to an experimental, project, the long range plan is a rough guide to the financial scope of the project and is helpful in determining financial staffing, facilities, complexity and detail of accounting system. The detailed operating budget has been discussed at length in the section on potential problems and their solutions. However, the following key points are stressed:

1. Decentralization. Especially on a large project, as was learned from the Vermont experience, this concept is most important in preparing and controlling through budgets. The concept is to divide the project into component activity centers - e.g. district and local offices in this project - at which costs are accumulated. Costs and/or slots are budgeted for each of these centers. Then the total budget is accumulated from the sum of each center's budget. The funding request should be built in this manner, and final additional funds or shortage of funds ultimately approved can be

reallocated to the local level by the COS. Periodic comparisons with the local level budgets are then made with actual operations. In this manner, problems can be located and funds reallocated with minimum trouble.

2. Periodic Comparisons Between Budget and Actual Amounts. This must be done for satisfactory funds control of the ongoing project. Budgets are excellent for quantifying plans, but to be useful as a measure of control over expenditures, comparisons with actual results must be made. This may be done by using either subcontract slots or man-months of employment rather than dollars, if adequate control over financial variables affecting the former methods is possible. However, based upon the Vermont project experience, controlling through dollars is considered to be the most effective method.

The frequency of comparison is normally monthly; however, this may vary depending on the cost and effort to obtain necessary information and the degree of risk associated with not knowing the exact current status. As well as aiding in avoiding financial pitfalls, such comparisons assist in preparing re-funding requests, which often must be undertaken considerably well in advance of the date that the current general contract will expire, and in maximizing the use of available funds by allowing the COS to reallocate funds from offices with substantial unobligated funds to those offices which are better able to use the funds.

3. Sufficient Detail. The budget and the accompanying methods of accumulating actual data must be provided in sufficient detail so that meaningful evaluation of results is obtained. For example, in PSE subcontracts, the budget must be prepared from the basic unit - the slot or the man-months, and the dollar cost of each of these.
4. Balancing of Costs and Benefits. It must be realized that any financial information and control system will not provide every scrap of information desired, and there comes a point where the cost and effort to obtain the information is not worth the benefit derived. For example, in the Vermont project, better control might have been realized by determining on a frequent basis the exact amount of funds that would not be used on existing live subcontracts. However, due to the experimental nature of the project, such a system was rightfully determined not to be feasible, since the benefit was not considered worth the time and the cost.

It is important early in the project to establish an information flow that will provide the project Manager with a current reading of the project status without burdening him or the project with numerous unnecessary forms, data and reports which, in addition to burdening the project, often detract from those reports which are important. For example, on the Vermont project, a

monthly detailed summary listing each subcontract and pertinent information from the subcontract was required by the DOL. It ran as many as 30 pages, and totals did not tie into any other report and appeared to be of no worthwhile benefit. It could have been replaced by a one or two page summary which would have provided considerable information in an easily readable form.

The attached flow chart (ILLUSTRATION 2) summarizes the important events and suggests forms and reports that should be prepared from these events in the operation of a PSE program. Copies of the various forms and reports are included in the appendix with an explanation of their purpose.

Based on the experience in this project, a semimonthly subcontract status report (ILLUSTRATION 3) has been designed to enable the project Manager to obtain at a glance a concise reading of the project's financial status on a frequent basis. The purpose of this report is to enable the project Manager to gauge the status of the most difficult variable to control, namely the amount of funds he has remaining to deobligate. It will be of use only if it is prepared on a timely basis and the information contained therein is accurate. The line items in the report and the supporting information required are discussed below.

The first three lines compute the total amount of funds available to write subcontracts for the current fiscal year; the first two lines are needed only if the project is in a second or later year. The amount expended through the prior fiscal year will be an estimate at the beginning of a new year but will become a final amount after all subcontracts related to that year are closed.

The next section breaks down the current year into actual expenditures on completed subcontracts plus the amounts obligated on active subcontracts. This is then reduced by formal deobligations and estimated amounts that will be deobligated on active subcontracts. The latter estimate can be based on past experience adjusted for any known changes or, more precisely, it can be obtained from local offices' analysis of active subcontracts. The remaining items on the report are self-explanatory.

There are two alternatives in controlling costs incurred under subcontracts -- either by man-months of activity coupled with an average cost per man-month or by maintaining detailed records of expenditures for each subcontract. The former is considerably simpler, but less accurate; although average costs per man-month did not fluctuate considerably, they could fluctuate, especially with small activity. From experience, certain hourly wages were in excess of twice the hourly rate of others. The latter method is considerably more time consuming, but much more accurate. In Vermont, during the third year, it was decided that this method of detailing information would be used, and such records would be kept at the local office, thus spreading the workload.

ILLUSTRATION 2

Flow Chart of Recommended Reports and Forms

| Employer | Trainee | Local Office | Description  | Fiscal (Account) | Finance (Treasury) | Central Office | DOL        |
|----------|---------|--------------|--|------------------|--------------------|----------------|------------|
| x        |         | x            | Manpower Specialist finds training situation & negotiates subcontract                    |                  |                    |                |            |
|          |         | x            | Signs subcontract  | x (Log)          | x                  | x              | (extract)x |
|          | x       | x            | Manpower Specialist locates trainee for the slot   |                  |                    |                |            |
|          |         | x            | Trainee begins (trainee status report) (form also used for any change in trainee status) | x                | x                  | x              |            |
|          |         |              | Prepares accrual for monthly billing to DOL  | x                |                    |                | x          |
| x        |         | x            | Monthly invoice  | x                | x                  |                |            |
| x        |         |              | Payment to employer  |                  | x                  |                |            |
| x        | x       |              | Payment to trainee   |                  | x                  |                |            |
|          |         |              | Financial Information  |                  |                    |                |            |
|          |         |              | Current obligation   |                  |                    |                |            |
|          |         |              | Expended Billings in arrears   | x                |                    | x              |            |
|          |         |              | Prepares subcontract status report   |                  |                    | x              |            |
|          |         |              | Reports to DOL   |                  |                    | x              | x          |

ILLUSTRATION 3

Subcontracts for Training Summary Status Report

For semimonthly period ended \_\_\_\_\_

Training Salaries

|   |    |           |
|---|----|-----------|
| Total funds available, entire project   | \$ |           |
| Less. Expended through prior fiscal year  |    | _____     |
| Balance remaining, current fiscal year  | \$ |           |
| Funds expended on this year's completed subcontracts to date  | \$ |           |
| Total obligation on uncompleted subcontracts (through subcontract number) to date                                   | \$ |           |
| Less. Amounts formally deobligated on above uncompleted subcontracts  | (  | _____ )   |
| Estimated amounts on active subcontracts that will not be expended  |    | ( _____ ) |
| Balance   |    |           |
| Less. Funds transferred or estimated to be transferred from SW subcontracts for training salaries to other purposes |    | _____     |
| Balance, representing amounts that may be obligated for future SW subcontracts salaries and expenses                | \$ | _____     |



This method was tried in the first year at the Central Office level, but it was abandoned because of time pressure. The man-month average cost method is used in preparing the funds budget allocation to each local office.

Local offices can be expected to be cooperative in providing financial input to the project management, but only under request and supervision by the financial management. Local office Managers are concerned only to the minimum extent necessary about the financial aspects of the project. The local office does not directly benefit in providing trainee status data to the Central Office or policing employer billing problems. Local office personnel are concerned with costs primarily to the extent that they do not write subcontracts in excess of the amounts they have been allotted. For these reasons, if expenditures are controlled through detailed subcontract analysis, supervision by the Central Office staff will be necessary. It is difficult to recommend which of the two methods is best, and it will depend on the particular PSE project. For example, if most slots are of the approximate same duration and cost per hour, the man-month method should work satisfactorily.

Even in a program whose planning cannot be faulted, operations usually differ to a certain extent from the budget or plan. Most events and areas where potential problems can occur have been fully expressed in Section IV of the monograph; they are summarized in the form of a brief guideline here:

1. Coordination with the local offices should be on a continuing and scheduled basis. The position of the local office has been outlined under planning. Specifically, financial management personnel should visit the local offices on a regular basis to answer questions and to follow up billing irregularities, subcontracts not closed out, terminations, trainee slot allocations and projected future activity as to subcontracts.
2. The working budget should be revised as necessary when new information becomes available or when conditions have changed. Variances of actual operations from budgets should be promptly investigated and revisions to the budget made or corrective action taken.
3. Coordination with agency Fiscal Section should be undertaken to assure accurate and current information regarding net funds obligated, follow-up on employer billing and payment delays, completed subcontracts not closed out and estimates of funds to be spent on current subcontracts.

#### C. Responsibilities of the Local Office Staff

This financial management system is designed around the principle of decentralization, which entails the generation of most of the detail at the local office level with supervision at

the Central Office level. This principle is ideally suited to PSE subcontracts in that the local office is in the position to know; it is in contact with the records and sources of information -- employer invoices, subcontracts, allocated budget, unfilled slots that might be deobligated, the employer and the enrollee.

When a subcontract is written, the local office records the amount of subcontract funds obligated and the corresponding reduction in funds that may be obligated in the future. On a monthly basis, the amount available for future obligations can be updated by adjusting for funds which will not be used on existing subcontracts and, hence, which may be deobligated. The balance of unobligated funds can then be compared with that of the COS which has been prepared from its own information and that of the Fiscal Section.

The local office is the contact with the employer and the enrollee. Consequently, potential financial management problem areas -- such as erratic employer billing, errors in invoices and enrollee absenteeism -- should be resolved to the extent possible at this level.

In summary, the Vermont project was experimental by definition and nature, and although every effort was undertaken to design and implement a sound financial system from the beginning, changes were made to the original system as actual experience pointed up shortcomings of the original design.

By the fall of 1973, Vermont's financial management system appears to be sound and well functioning. The one recommendation of this report is that an overall summary status report similar to ILLUSTRATION 2 be implemented to tie all the financial reporting information together into a one page summary. More than the information that is contained in the report, its preparation, if done properly and currently, should insure that the Central Office financial staff knows exactly where the project stands as to funds expended, obligated and remaining to be spent on future subcontracts.

From the experience of the Vermont project, it can be stated that the project's financial management should make every effort to know where the project stands on a current basis to maximize the project's goals -- to utilize project funds to the maximum of their availability (but not to overobligate funds) and to perform the task in the smoothest possible fashion -- a task made difficult because of the financial variables inherent in this type of a project.

Other points learned from Vermont's experience:

1. Importance of decentralized budget and control of subcontract salaries and expenses.

2. Importance of the project's top management to be sufficiently close to the activity of the project, because of the financial variables involved.

## SECTION VI

### SUMMARY

This monograph describes the financial history of the project, discusses the financial procedures and controls of the project experience, enumerates and discusses potential problems that could develop in the financial management of Public Service Employment programs, suggests steps that can be taken to avoid them, and proposes a program for the financial management of PSE projects of this type in general.

The experience in this Experimental and Demonstration Manpower Pilot Project affords an excellent case study for this monograph, because during the height of Special Work subcontract activity there developed an overobligation of SW subcontract funds. The overobligation did not develop into an overexpenditure, and subsequently an improved set of systems and controls was established. The project management believes that the problems occurring involved factors that would apply to all manpower programs involving the employment of trainees or clients.

#### History:

The monograph traces the history of the project from its inception in July 1970 to the present and discusses the financial procedures and controls, and the basic data record system employed by the project. A significant portion of this section traces the growth of the project from a small pilot program in two offices at the start to a project budget in excess of one million dollars in the Fiscal Year 1972, with a program covering the entire state.

#### Financial Procedures, Controls and Variables:

Assistance in understanding the financial management of the project is provided by a discussion of the fiscal procedures, financial obligations under subcontracts and other financial variables. The section concludes with a summary of the financial variables that can be expected in the administration of PSE subcontracts. The section explains the concepts of subcontract obligations and how this amount may differ considerably from amounts actually expended.

#### Potential Pitfalls and Their Avoidance:

The third part of the monograph describes the financial management experiences learned from the E&D Project in terms of a discussion of potential problems that can be expected in the financial administration of similar PSE programs and the steps that might be taken to avoid them or minimize their effects. The emphasis is on the difficulty of knowing exactly where you

stand on training salaries due to the differences between obligated and the actual expenditures. Recommendations, based on the experience of the Vermont project, are presented which stress and explain the necessity of sound budget system in order to realize the goals of the project. In addition, this section discusses methods of controlling subcontract costs, recommending improvements over the method of using slot levels as a guide. The importance of a decentralized man-month budget is stressed to improve the control over training salaries by having budgets or guidelines at the local office level. Other items stressed include the importance of the project Manager's close proximity to the activities in order to be aware of unusual problems on a timely basis, importance of experienced financial management personnel, and a discussion of miscellaneous problems, such as employer billing, delays and cooperation with the contracting authority's fiscal department.

#### Programmed Guidelines:

This section of the monograph provides a set of programmed guidelines, based on the experience learned from this experimental project, for the financial management of PSE subcontracts in general. The emphasis in these guidelines is on planning.

After a discussion of the planning aspects, this section establishes a list of specific duties and responsibilities for each center responsible for certain aspects of the financial management of PSE subcontracts in general. Areas of responsibility are the Central Office Staff, the local office staff and the Fiscal Section of the Department of Employment Security.

A summary of guidelines follows:

#### Planning:

1. Initially, the scope of the project should be defined by the project management or the agency receiving the PSE award; the implications on finances and financial controls must then be determined.
2. With the knowledge of the scope, appropriately experienced financial management personnel must be selected and hired at the earliest date possible. It is emphasized that this is the most important step in having a sound financially managed project.
3. The flow of information and the related controls should next be planned and then implemented.
4. A reasonably detailed budget should be prepared, planning the amount and the timing of funds to be spent. Key points emphasized are decentralization, flexibility, sufficient detail, and balancing the benefit of controls and information with costs.

The following guidelines detail the responsibilities of each of the sections:

Central Office Staff:

1. Prepare yearly budget and allocate portions to local offices.
2. Prepare monthly comparisons of actual and budgeted amounts expended, and revise budgets as necessary.
3. Supervise local office financial management responsibilities.

Local Office Staff:

1. Prepare monthly comparison of amounts obligated and expended with budget.
2. Deobligate unexpended funds.
3. Communicate with employers to assist in keeping billing up to date and training problems.

Fiscal and Financial Sections:

1. Establish necessary forms and procedures for employer billings, reimbursement from DOL, record maintenance, and payment to employers.

The guidelines also include a discussion of the reports and forms required for sound financial management, with an emphasis on a one page semimonthly form which indicates the status of the financial obligations and expenditures for salaries of the project. Finally, it briefly discusses important points from the operations stage, which have been brought out in detail in the section on potential problems.

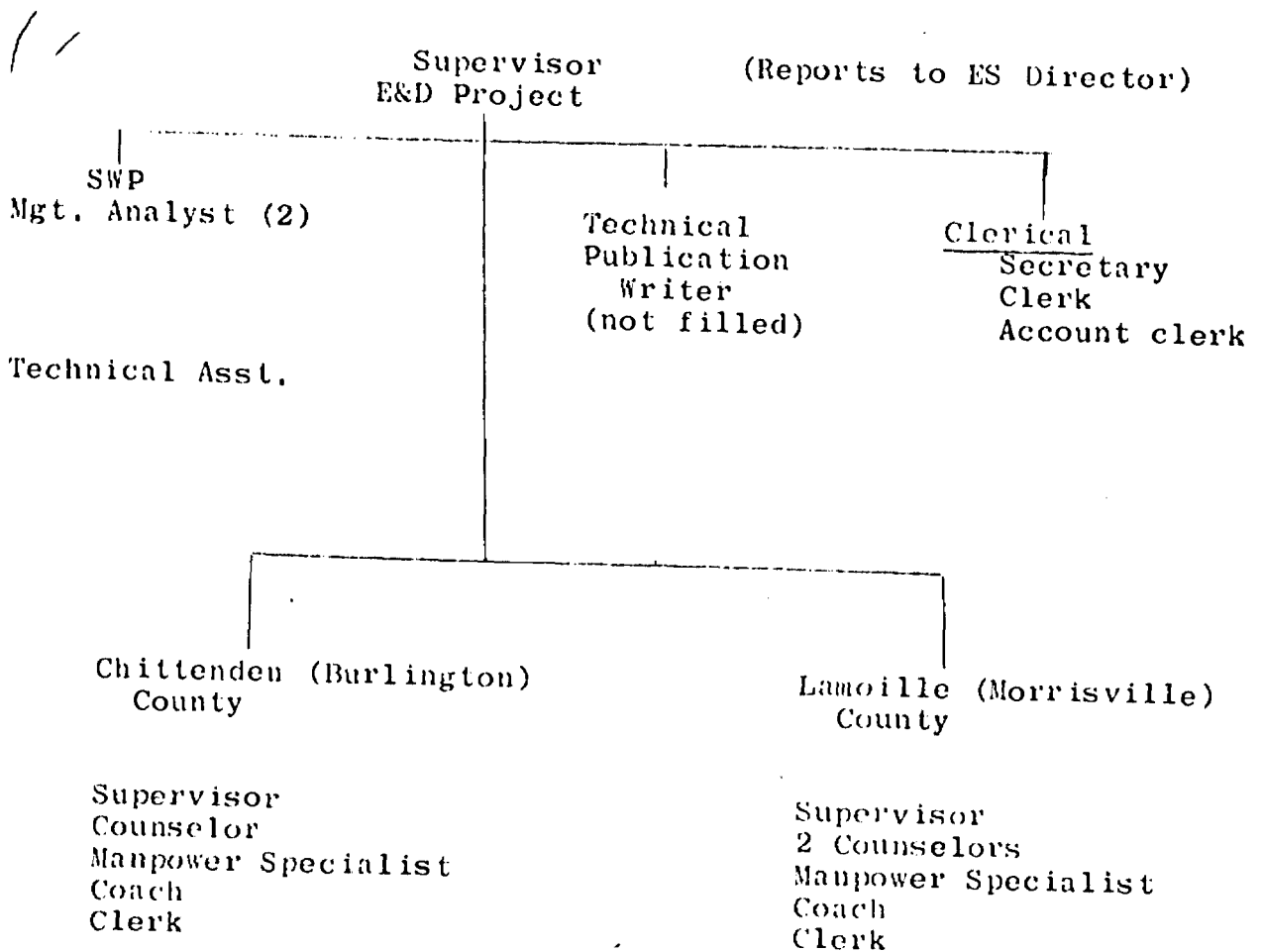
In summary, successful financial management of PSE projects is a result of hiring financial personnel qualified for the job, the design and implementation of a sound working budget, and keeping on top of the financial variables of the project by demanding current information and troubleshooting problem areas promptly.

APPENDIXES

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APPENDIX A

ORGANIZATION OF VERMONT E&D PROJECT AT INCEPTION





## APPENDIX A1

### INITIAL PROJECT STAFF

For the First Year of the E&D Project, to June 30, 1971  
(Total staff 18; Professional 13, Clerical 5)

#### Central Office:

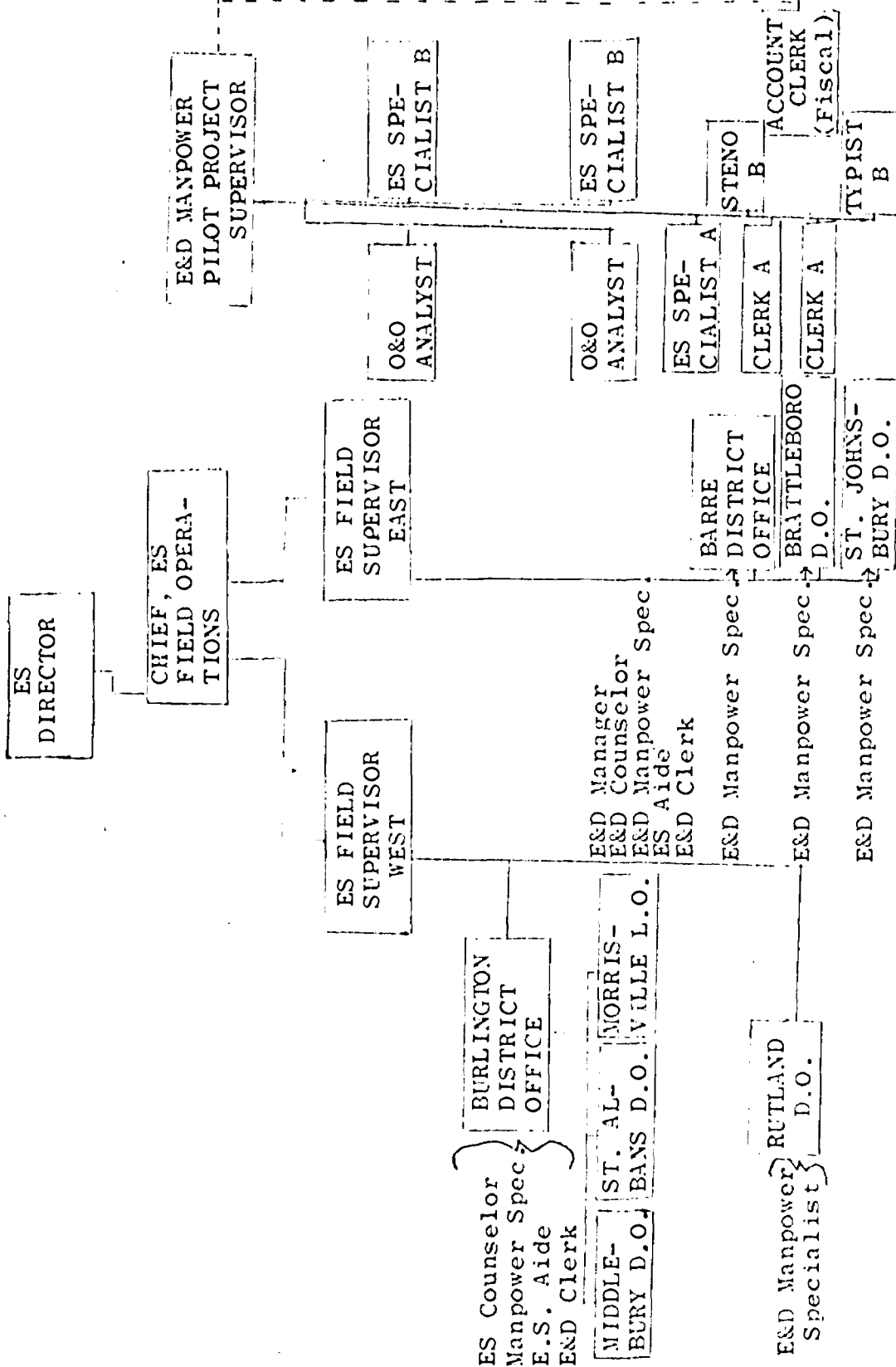
Project Supervisor  
Management Analysts (2)  
Technical Assistant or Employment Service Specialist  
Account Clerk  
Secretary  
Clerk

#### Field Offices (Burlington and Morrisville)

Operations supervisors (2)  
Counselors (3)  
Manpower Specialists (2)  
Aides or Coaches (2)  
Clerks - Steno (2)

APPENDIX B

E&D ORGANIZATIONAL STRUCTURE - FY-1973



## APPENDIX C

### FORMS AND REPORTS USED IN ADMINISTERING PSE SUBCONTRACTS

| <u>Appendix</u> | <u>Title of Form/Report</u>                      | <u>Purpose</u>   |
|-----------------|--|--|
| C1              | Subcontracts                                     | Formalize agreement between Employer and PSE Project. Different forms are used depending on whether employer is within the Vermont DES, another State agency, or a nonprofit organization not connected with the State of Vermont. |
| C2              | Trainee Status Form                              | Advises Central Office of any change, including commencement of work, of each trainee.   |
| C3              | Time Card/Invoice                                | Accumulates trainee time worked for purpose of trainee pay and reimbursement to employer.  |
| C4              | Suggested Log to be Maintained by Central Office | Monitors subcontracts at Central Office.   |

APPENDIX C1

SUBCONTRACTS

Subcontract No. \_\_\_\_\_  
IRS-ID Number \_\_\_\_\_

CONTRACT FOR CONDUCT AND  
ADMINISTRATION OF WORK TRAINING

This Contract is entered into this \_\_\_\_\_ day of \_\_\_\_\_  
19\_\_\_\_, between the State of Vermont, Department of Employment  
Security, Montpelier, Vermont, a Government Agency, hereinafter  
called the "Contractor" and \_\_\_\_\_  
(name and address of Subcontracting  
Party) a \_\_\_\_\_ (Corporation) (Municipality) (etc.)  
under the laws of the State of \_\_\_\_\_, herein-  
after called the "Subcontractor."

WHEREAS, the Contractor, on the 30th day of June, 1970,  
received a Contract under the Manpower Development and Training  
Act of 1962, as amended (MDTA) from the United States Department  
of Labor, Manpower Administration (hereinafter referred to as the  
DOL), said Contract being designated as Contract No. 82-48-70-30 ;  
and

WHEREAS, pursuant to said Contract the Contractor is under-  
taking certain activities; and

WHEREAS, the Contractor desires to engage the Subcontractor  
to render certain assistance in such undertaking;

Now therefore the Contractor and the Subcontractor do mutually  
agree as follows:

ARTICLE 1. SCOPE OF WORK

Subcontractor's accepted Scope of Work outlined in the pro-  
posal is attached hereto and a part thereof and shall govern the  
work of this Contract.

ARTICLE 2. PERIOD OF THE CONTRACT

The Subcontractor shall commence performance under the terms  
and conditions as mutually established herein on the \_\_\_\_\_ day  
of \_\_\_\_\_ 19\_\_\_\_ and such performance shall be completed no  
later than \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_.

ARTICLE 3. CONSIDERATION

In consideration of the foregoing the contractor agrees to reimburse the Subcontractor allowable costs incurred, in an amount not to exceed (written dollar amount) (\$ \_\_\_\_\_ ) for full and complete performance of this agreement in accordance with DOL regulations relating to Allowable Payment and in accordance with the attached proposal.

ARTICLE 4. REPORTING

The Subcontractor shall prepare and submit such reports as may be required from time to time in such format and detail as directed by the Contractor.

ARTICLE 5. PRIME CONTRACT

The Subcontractor hereby agrees upon execution of this agreement that the General Provisions (Attachment B) of the Prime Contract No. 82-48-70-30 between the United States Department of Labor and the State of Vermont, Department of Employment Security are incorporated into and become part of this agreement.

ARTICLE 6. CONTRACT APPROVAL

It is hereby understood and mutually agreed that notwithstanding any other article of this Contract, it shall not become effective until such time as the Department of Labor Contracting Officer has reviewed and approved the execution of this Contract.

STATE OF VERMONT  
DEPARTMENT OF EMPLOYMENT  
SECURITY

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title

Approved as to Form

(Subcontractor)

\_\_\_\_\_  
Attorney General's Office  
State of Vermont

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title

\_\_\_\_\_  
, Counsel  
Department of Employment Security  
State of Vermont

Standard Industrial Classification \_\_\_\_\_

PROPOSAL FOR SPECIAL WORK PROJECT  
WITH VERMONT DEPARTMENT OF EMPLOYMENT SECURITY  
(Experimental and Demonstration Project)

submitted by

\_\_\_\_\_  
(name of employer/subcontractor)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(name & address of employer/subcontractor)

proposes to conduct a Special Work Training Program to be  
carried out at \_\_\_\_\_ beginning on or about  
\_\_\_\_\_ (location) and ending \_\_\_\_\_

The training will be carried out in accordance with the  
attached Training Plan under the general supervision of \_\_\_\_\_  
\_\_\_\_\_  
(company employee responsible for supervision of trainees)

## I. TRAINING PLAN

Employer/subcontractor proposes to provide Special Work training for \_\_\_\_\_ employees in accordance with the plan below:

Employer/subcontractor proposes to provide the above Special Work Training for a total cost of \$ \_\_\_\_\_ in accordance with this proposal.

## II. ELIGIBILITY

The final responsibility for determining Eligibility for Special Work training will be made by the Vermont Department of Employment Security.

## III. NARRATIVE DESCRIPTION OF THE SCOPE OF WORK OF THIS PROPOSAL

(A narrative description of what will be done, who will be served, what equipment and materials will be used, what services will be provided to trainees, and any other information necessary to describe what will be included in the Special Work program. This section should also contain a statement by the employer which explains in detail the potential for permanent non-subsidized retention of the trainee(s) subsequent to the Special Work training provided for by this subcontract; such statement will be considered when deciding whether to approve or disapprove this subcontract proposal.)

#### IV. STAFF

(A specific description of how the employer/subcontractor staff will be used to implement the program, and a specific description of how Vermont Department of Employment Security staff will be used to implement the program.)

#### V. REPORTING

Form "FD-666" will be completed by the employer/subcontractor monthly. (See Attached Sample).

At the discretion of the subcontracting employer, Special Work trainees may be released from work for supportive social and/or health service treatments not to exceed 10 hours in any working week. In order for trainees to receive pay during such absences from their regular training jobs, full documentation must accompany "Special Work Enrollee Time Card And Employer's Monthly Invoice." (Form FD-666)

#### VI. BILLING

Payment to employer/subcontractor will be made on a cost reimbursement basis with billing to be submitted to Vermont Department of Employment Security every 30 days.





## VIII. RESPONSIBILITY FOR ADMINISTRATION OF SUBCONTRACTS

The employer/subcontractor designates \_\_\_\_\_, telephone no. \_\_\_\_\_ (or such other individual as it may name in writing with notice to the Contractor) as the individual in charge of the administration of its promises, duties, and obligations under this contract.

The Contractor designates \_\_\_\_\_ telephone no. \_\_\_\_\_ (or any other individual as it may name in writing with notice of employer/subcontractor) as its representative.

## IX. CONDITIONS OF THIS SUBCONTRACT

The employer/subcontractor will maintain appropriate standards for the health, safety, and other conditions applicable to the work to be performed and will provide Workmen's Compensation protection for all trainees, or accident and liability insurance coverage to an extent equal to such protection.

A. The employer/subcontractor agrees that these jobs will serve a useful purpose and will not result in the displacement of any employed workers.

B. The employer/subcontractor agrees to employ E&D enrollees under the following conditions:

1. Enrollees will be paid their regular hourly rate for each hour worked up to and including 40 hours per week providing each working day does not exceed 8 hours. For hours in excess of 8 per working day or in excess of 40 per work week trainees must be paid time and a half as specified on page 22 of the General Provisions, Section A. "Contract Work Hours Standards Act-Overtime Compensation."

Subcontracting employers are solely responsible for the payment of overtime wages to trainees unless specified otherwise in the subcontract training plan.

2. Trainee will be guaranteed at least 30 hours work per week. Enrollees will be paid a minimum of one dollar and sixty (\$1.60) per hour for all hours worked up to forty (40) hours per week and in the same manner and frequency as regular hourly employees. Enrollees will be entitled to regular wage increases in accordance with company policy.

3. All wages are subject to income, social security, and all other applicable taxes. The employer/subcontractor will submit payroll information monthly within three (3) working days each month from the original starting date of the contract (See sample for E&D-666 attached hereto.)

4. The employer/subcontractor will provide adequate supervision not to exceed a ratio of less than one (1) supervisor to ten (10) enrollees.

5. The employer/subcontractor will maintain adequate standards for health, safety, and other conditions applicable to the performance of work.

6. The employer/subcontractor will maintain enrollee time card reports on forms supplied by D.E.S. and submit them to D.E.S. monthly (Form "E&D-666").

7. Authorized representatives of the D.E.S. staff will maintain liason with the Sponsor or his representative and enrollees to provide supportive services as required.

8. The employer/subcontractor will allow authorized representatives of the E&D staff to review the activity periodically to determine the progress being made by the enrollee.

9. Whenever possible, E&D will notify the employer/subcontractor two (2) weeks before terminating an enrollee's employment. Employment in the Special Work project will be terminated whenever such action serves the needs of the enrollee. The employer/subcontractor will notify E&D before terminating an enrollee's employment giving E&D the opportunity to try to resolve the problems.

10. The following conditions govern policy with respect to sick leave, holidays, and vacation periods: All accrued sick leave, vacation leave or holidays must be used by an enrollee within the inclusive dates of this subcontract in order to be reimbursable by the Department of Employment Security. Particular conditions for sick leave, holidays, and vacation periods which apply to this subcontract are:

\_\_\_\_\_ to be completed  
\_\_\_\_\_  
\_\_\_\_\_

11. FICA (Social Security) is provided and paid for by \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. Workmen's Compensation is provided through \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13. Describe in detail any other conditions of trainee employment, fringe benefits offered and payment thereof \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Agreement No. \_\_\_\_\_  
IRS- ID Number \_\_\_\_\_

AGREEMENT FOR CONDUCT AND  
ADMINISTRATION OF WORK TRAINING

This Agreement is entered into this \_\_\_\_\_ day of  
\_\_\_\_\_ 19 \_\_\_, between the State of Vermont, Department  
of Employment Security, Montpelier, Vermont, hereinafter called  
the "Contractor" and \_\_\_\_\_  
(name and address)  
\_\_\_\_\_, hereinafter called the "Agency."

WHEREAS, the Contractor, on the 30th day of June, 1970,  
received a Contract under the Manpower Development and Training  
Act of 1962, as amended (MDTA) from the United States Department  
of Labor, Manpower Administration (hereinafter referred to as  
the DOL), said Contract being designated as Contract No. 82-48-  
70-30; and

WHEREAS, pursuant to said Contract the Contractor is under-  
taking certain activities; and

WHEREAS, the Contractor desires to engage the Agency to  
render certain assistance in such undertaking;

Now therefore the Contractor and the Agency do mutually  
agree as follows:

ARTICLE 1. SCOPE OF WORK

Agency's accepted Scope of Work outlined in the proposal  
is attached hereto and a part thereof and shall govern the work  
of this agreement.

ARTICLE 2. PERIOD OF THE AGREEMENT

The Agency shall commence performance under the terms and  
conditions as mutually established herein on the \_\_\_\_\_ day  
of \_\_\_\_\_ 19 \_\_\_ and such performance shall be completed  
no later than \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_.

ARTICLE 3. CONSIDERATION

In consideration of the foregoing the Contractor agrees to  
reimburse the Agency allowable costs incurred, in an amount not  
to exceed (written dollar amount) (\$ \_\_\_\_\_) for full  
and complete performance of this agreement in accordance with DOL

regulations relating to Allowable Payment and in accordance with the attached proposal.

ARTICLE 4. REPORTING

The Agency shall prepare and submit such reports as may be required from time to time in such format and detail as directed by the Contractor.

ARTICLE 5. PRIME CONTRACT

The Agency hereby agrees upon execution of this agreement that the General Provisions (Attachment 1) of the prime contract no. 82-48-70-30 between the United States Department of Labor and the State of Vermont, Department of Employment Security are incorporated into and become part of this agreement.

ARTICLE 6. AGREEMENT APPROVAL

It is hereby understood and mutually agreed that notwithstanding any other article of this Agreement that it shall not become effective until such time as the Department of Labor Contracting Officer has reviewed and approved the execution of this Agreement.

STATE OF VERMONT  
DEPARTMENT OF EMPLOYMENT SECURITY

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title

Approved As To Form

(Agency)

\_\_\_\_\_  
Attorney General's Office  
State of Vermont

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title

\_\_\_\_\_  
, Counsel  
Department of Employment Security  
State of Vermont

Standard Industrial Classification \_\_\_\_\_

PROPOSAL FOR SPECIAL WORK PROJECT  
WITH VERMONT DEPARTMENT OF EMPLOYMENT SECURITY  
(Experimental and Demonstration Project)

Submitted by

\_\_\_\_\_  
(Name of Agency)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Name & Address of Agency)

proposes to conduct a Special Work Training Program to be carried  
out at \_\_\_\_\_ beginning on or about \_\_\_\_\_  
(Location)

and ending \_\_\_\_\_.

The training will be carried out in accordance with the  
attached Training Plan under the general supervision of

\_\_\_\_\_  
(Agency employee responsible  
for supervision of trainees)

I. TRAINING PLAN

Agency proposes to provide Special Work training for \_\_\_\_\_  
employees in accordance with the plan below:

Agency proposes to provide the above Special Work training for a total cost of \$ \_\_\_\_\_ in accordance with this proposal.

## II. ELIGIBILITY

The final responsibility for determining Eligibility will be made by the Vermont Department of Employment Security.

## III. NARRATIVE DESCRIPTION OF THE SCOPE OF WORK OF THIS PROPOSAL

(A narrative description of what will be done, who will be served, what equipment and materials will be used, what services will be provided to trainees, and any other information necessary to describe what will be included in the Special Work Program.)

#### IV. STAFF

(A specific description of how the Agency staff will be used to implement the program, and a specific description of how Vermont Department of Employment Security staff will be used to implement the program.)

#### V. REPORTING

Form "E&D-666" will be completed by the Agency monthly. (See Attached Sample).

At the discretion of the Agency, Special Work trainees may be released from work for supportive social and/or health service treatments not to exceed 10 hours in any working week. In order for trainees to receive pay during such absences from their regular training jobs, full documentation must accompany "Special Work Enrollee Time Card And Agency's Monthly Invoice." (form E&D-666)

#### VI. BILLING

Payment to Agency will be made on a cost reimbursement basis with billing to be submitted to Vermont Department of Employment Security every 30 days.





## VIII. RESPONSIBILITY FOR ADMINISTRATION OF AGREEMENT

The Agency designates \_\_\_\_\_, telephone no. \_\_\_\_\_ (or such other individual as it may name in writing with notice to the Contractor) as the individual in charge of the administration of its promises, duties, and obligations under this contract.

The Contractor designates \_\_\_\_\_, telephone no. \_\_\_\_\_ (or any other individual as it may name in writing with notice of Agency) as its representative.

## IX. CONDITIONS OF THIS SUBCONTRACT

The Agency will maintain appropriate standards for the health, safety, and other conditions applicable to the work to be performed and will provide Workmen's Compensation protection for all trainees, or accident and liability insurance coverage to an extent equal to such protection.

- A. The Agency agrees that these jobs will serve a useful purpose and will not result in the displacement of any employed workers.
- B. The Agency agrees to employ E&D enrollees under the following conditions:
  1. Enrollees will be paid their regular hourly rate for each hour worked up to and including 40 hours per week providing each working day does not exceed 8 hours. For hours in excess of 8 per working day or in excess of 40 per work week trainees must be paid time and a half as specified on page 22 of the General Provisions, Section A, "Contract Work Hours Standards Act-Overtime Compensation."

The Agency is solely responsible for the payment of overtime wages to trainees unless specified otherwise in the subcontract training plan.

Trainee will be guaranteed at least 30 hours work per week.

2. Enrollees will be paid a minimum of one dollar and sixty (1.60) per hour for all hours worked up to forty (40) hours per week and in the same manner and frequency as regular hourly employees. Enrollees will be entitled to regular wage increases in accordance with company policy.
3. All wages are subject to income, social security, and all other applicable taxes. The Agency will submit payroll information monthly within three (3) working days each month from the original starting date of the contract (See sample Form E&D-666 attached hereto).
4. The Agency will provide adequate supervision not to exceed a

ratio of less than one (1) supervisor to ten (10) enrollees.

5. The Agency will maintain adequate standards for health, safety, and other conditions applicable to the performance of work.
6. The Agency will maintain enrollee time card reports on forms supplied by D.E.S. and submit them to D.E.S. monthly (Form "E&D-666").
7. Authorized representatives of the D.E.S. staff will maintain liaison with the Agency or its representative and enrollees to provide supportive services as required.
8. The Agency will allow authorized representatives of the E&D staff to review the activity periodically to determine the progress being made by the enrollee.
9. Whenever possible, E&D will notify the Agency two (2) weeks before terminating an enrollee's employment. Employment in the Special Work Project will be terminated whenever such action serves the needs of the enrollee. The Agency will notify E&D before terminating an enrollee's employment giving E&D the opportunity to try to resolve the problems.
10. The following conditions govern policy with respect to sick leave, holidays and vacation periods:

\_\_\_\_\_ to be completed  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. FICA (Social Security) is provided and paid for by: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
12. Workmen's Compensation is provided through: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13. Describe in detail any other conditions of trainee employment, fringe benefits offered and payment thereof: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Subcontract No. \_\_\_\_\_  
IRS-ID Number \_\_\_\_\_

DIRECTIVE FOR CONDUCT AND  
ADMINISTRATION OF WORK TRAINING

To: \_\_\_\_\_  
hereinafter called the local office.

WHEREAS, the Department of Employment Security, State of Vermont hereinafter called the Contractor, on the 30th day of June, 1970, received a Contract under the Manpower Development and Training Act of 1962, as amended (MDTA) from the United States Department of Labor, Manpower Administration (hereinafter referred to as the DOL), said Contract being designated as Contract No. 82-48-70-30; and

WHEREAS, pursuant to said Contract the Contractor is undertaking certain activities; and

WHEREAS, the Contractor intends that the local office render certain assistance in such undertaking;

Now therefore the Contractor directs the local office as follows:

ARTICLE I. SCOPE OF WORK

The local office accepted Scope of Work outlined in the proposal is attached hereto and a part thereof and shall govern the work of this directive.

ARTICLE 2. PERIOD OF THE PERFORMANCE

The local office shall commence performance under the terms and conditions as established herein on the \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_ and such performance shall be completed no later than \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_.

ARTICLE 3. ALLOWABLE COSTS

Allowable costs incurred for full and complete performance of this directive in accordance with D.O.L. regulations relating to Allowable Payment and in accordance with attached proposal

shall not exceed \_\_\_\_\_ (\$ \_\_\_\_\_ ).  
(written dollar amount)

ARTICLE 4. REPORTING

The Local Office shall prepare and submit such reports as may be required from time to time in such format and detail as directed by the Contractor.

ARTICLE 5. PRIME CONTRACT

The Local Office shall comply with the General Provisions (Attachment B) of the prime contract no. 82-48-70-30 between the United States Department of Labor and the State of Vermont, Department of Employment Security, incorporated into and made a part of this Directive.

ARTICLE 6. DIRECTIVE APPROVAL

It is hereby understood and mutually agreed that notwithstanding any other article of this Directive that it shall not become effective until such time as the Department of Labor Contracting Officer has reviewed and approved the execution of this Directive.

STATE OF VERMONT  
DEPARTMENT OF EMPLOYMENT SECURITY

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title

Approved as to Form

\_\_\_\_\_  
Attorney General's Office  
State of Vermont

\_\_\_\_\_  
, Counsel  
Department of Employment Security  
State of Vermont

ACCEPTED

\_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_

Standard Industrial Classification

PROPOSAL FOR SPECIAL WORK PROJECT  
WITH VERMONT DEPARTMENT OF EMPLOYMENT SECURITY  
(Experimental and Demonstration Project)

Submitted by

\_\_\_\_\_  
(name of Local Office)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(name & address of Local Office)

proposes to conduct a Special Work Training Program to be carried  
out at \_\_\_\_\_ beginning on or about \_\_\_\_\_  
(Location)  
\_\_\_\_\_ and ending \_\_\_\_\_

The training will be carried out in accordance with the  
attached Training Plan under the general supervision of

\_\_\_\_\_  
(local office employee responsible for  
supervision of trainees)

I. TRAINING PLAN

The Local Office will provide Special Work Training for  
\_\_\_\_\_ employees in accordance with the  
plan below:

The Local Office will provide the above Special Work Training at a total cost of \$ \_\_\_\_\_ in accordance with this proposal.

## II. ELIGIBILITY

The final responsibility for determining Eligibility will be made by the Vermont Department of Employment Security.

## III. NARRATIVE DESCRIPTION OF THE SCOPE OF WORK OF THIS PROPOSAL

(A narrative description of what will be done, who will be served, what equipment and materials will be used, what services will be provided to trainees, and any other information necessary to describe what will be included in the Special Work Program.)



#### IV. STAFF

(A specific description of how the local office staff will be used to implement the program, and a specific description of how Vermont Department of Employment Security staff will be used to implement the program.)

#### V. REPORTING

Form "E&D-666" will be completed by the local office monthly (See Attachment Sample).

At the discretion of the local office, Special Work Trainees may be released from work for supportive social and/or health service treatments not to exceed 10 hours in any working week. In order for trainees to receive pay during such absences from their regular training jobs, full documentation must accompany "Special Work Enrollee Time Card and Employer's Monthly Invoice." (Form E&D-666)

#### VI. BILLING

Billing with respect to cost reimbursement to the Department of Employment Security will be submitted by the local office to the Department every 30 days.

VII. SPECIAL WORK PROJECT TRAINING PLAN

Directive No. \_\_\_\_\_

Project No. \_\_\_\_\_

\_\_\_\_\_ Date \_\_\_\_\_

Contractor:

Vermont Department of Employment Security  
 Box 488  
 Montpelier, Vermont 05602

Telephone \_\_\_\_\_

1. Project Schedule:

(a) Length of Project: Total Hours \_\_\_\_\_ Hours Per Week \_\_\_\_\_  
 Number of Weeks in Period of Enrollment \_\_\_\_\_  
 Start Date \_\_\_\_\_ End Date \_\_\_\_\_

(b) Number to be Enrolled \_\_\_\_\_

(c) Weekly Schedule \_\_\_\_\_

2. Wage Information:

Percent

Dollars

Department Portion of Gross Costs \_\_\_\_\_

Cost Reimbursement to Department \_\_\_\_\_

Total Estimated Costs \_\_\_\_\_

Wages will be paid to trainee(s) on a \_\_\_\_\_ basis, and wage reimbursements to the Department will be made on a monthly basis.

3. Overall Project Summary

| DOT Job Title and Code | No. of Enrollees | Enrollee Work Week Hrs. | Wage Per Hrs. | No. of Wks. Per Enrollee | Total Wks. Per Enrollee | Wkly Wage Per Enrollee | Total Wage Payments Enrollees | Empl'r Wage Reimbursement |
|------------------------|------------------|-------------------------|---------------|--------------------------|-------------------------|------------------------|-------------------------------|---------------------------|
|                        |                  |                         |               |                          |                         |                        |                               |                           |

## VIII. RESPONSIBILITY FOR ADMINISTRATION OF WORK TRAINING

The Contractor designates \_\_\_\_\_, telephone no. \_\_\_\_\_ (or such other individual as it may name in writing to the Contractor) as the individual in charge of the administration of the duties, and obligations of the local office under this directive.

The Contractor designates \_\_\_\_\_, telephone no. \_\_\_\_\_ (or any other individual as it may name in writing) as its representative.

## IX. CONDITIONS OF THIS DIRECTIVE

The local office will maintain appropriate standards for the health, safety, and other conditions applicable to the work to be performed. Workmen's Compensation protection for all trainees, or accident and liability insurance coverage to an extent equal to such protection will be provided by the Contractor.

- A. The local office will see that these jobs will serve a useful purpose and will not result in the displacement of any employed workers.
- B. The local office will employ E&D enrollees under the following conditions:
  - 1. The Enrollees will be paid their regular hourly rate for each hour worked up to and including 40 hours per week providing each working day does not exceed 8 hours. For hours in excess of 8 per working day or in excess of 40 per work week trainees must be paid time and a half as specified on page 22 of the General Provisions, Section A, "Contract Work Hours Standards Act-Overtime Compensation."

Payment of overtime wages to trainees unless specified otherwise in the training plan will be provided.

Trainee will be guaranteed at least 30 hours per week.

- 2. Enrollees will be paid a minimum of one dollar and sixty (1.60) per hour for all hours worked up to forty (40) hours per week and in the same manner and frequency as regular hourly employees.
- 3. All wages are subject to income, social security, and all other applicable taxes. The local office will submit payroll information monthly within three (3) working days each month from the original starting date of the contract (See sample for E&D-666 attached hereto).

4. The local office will provide adequate supervision not to exceed a ratio of less than one (1) supervisor to ten (10) enrollees.

5. The local office will maintain adequate standards for health, safety, and other conditions applicable to the performance of work.

6. The local office will maintain enrollee time card reports on forms supplied by D.E.S. and submit them to D.E.S. monthly (Form "E&D-666")

7. Authorized representatives of the D.E.S. staff will maintain liaison with the Sponsor or his representative and enrollees to provide supportive services as required.

8. The local office will allow authorized representatives of the E&D staff to review the activity periodically to determine the progress being made by the enrollee.

9. Whenever possible, E&D will notify the local office two (2) weeks before terminating an enrollee's employment. Employment in the Special Work Project will be terminated whenever such action serves the needs of the enrollee. The local office will notify E&D before terminating an enrollee's employment giving E&D the opportunity to try to resolve the problems.

10. The following conditions govern policy with respect to sick leave, holidays and vacation periods:

\_\_\_\_\_ to be completed  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. FICA (Social Security) is provided and paid for by \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. Workmen's Compensation is provided through \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

13. Describe in detail any other conditions of trainee employment, fringe benefits offered and payment thereof \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

APPENDIX C2

TRAINEE STATUS FORM

**TRAINEE STATUS  
E & D PROJECT**

|                 |                    |
|-----------------|--------------------|
| Name of Trainee | Social Security No |
| Address         |                    |

Trainee will  Begin,  Terminate, training as

Occupational Title

in the:  Special Work Contract No.

Upgrading Contract No.

Enrichment Training

Nature

at

Name of Organization

located at

Address

on

Date

Hourly Pay Rate \$

Estimated Monthly Earnings \$

**FOR TERMINATIONS, COMPLETE BELOW**

As of \_\_\_\_\_ Date this trainee should be classified as terminated because:

1. Placed in Employment

With Special Works Employer

In Other Employment

Upgraded:

Job Title \_\_\_\_\_

DOT Code \_\_\_\_\_

Hours per week \_\_\_\_\_

Hourly Wage \_\_\_\_\_

Employer \_\_\_\_\_

2. Discharged by Employer

3. Refused to Continue

4. Health Reasons

5. Pregnancy

6. Transportation Problem

7. Cannot Locate

8. Full-Time Schooling

9. Found Own Employment

10. Institutionalized

11. Returned to Welfare

12. Deceased

13. Moved From Area

14. Returned to WIN

15. Transferred to Other Program

16. Other (specify)

Distribution: 1 copy to Employer  
3 copies to Central Office E & D Unit  
1 copy to E & D Local Office



SUGGESTED LOG TO BE MAINTAINED BY CENTRAL OFFICE

| Subcontract<br>Number | Local<br>Office<br>Originating | New or<br>Renewal | Employer | % of<br>Federal<br>Funding | Monthly<br>Cost to<br>Project | Approx.<br>number of<br>months | Date Sub-<br>contract<br>Begins | Sub-<br>contract<br>Ends | Amount*<br>Obligated |
|-----------------------|--------------------------------|-------------------|----------|----------------------------|-------------------------------|--------------------------------|---------------------------------|--------------------------|----------------------|
|-----------------------|--------------------------------|-------------------|----------|----------------------------|-------------------------------|--------------------------------|---------------------------------|--------------------------|----------------------|

\* If this runs into two or more fiscal years, this column should be broken down into fiscal years.



APPENDIX D

GROWTH OF NUMBER OF TRAINEES EMPLOYED UNDER SPECIAL WORK PROJECT

| <u>Dates</u>             | <u>Available<br/>Slots</u> | <u>Unfilled<br/>Slots</u> | <u>Average<br/>Cost per slot</u> | <u>Dollar value of<br/>Subcontracts Written</u> |
|--------------------------|----------------------------|---------------------------|----------------------------------|---|
| 12/70 to<br>4/16/71      | 113                        | 33                        | \$1827                           | \$206,500                                       |
| 4/17/71<br>to<br>9/30/71 | 155                        | 50                        | 2050                             | 317,710   |
| 10/71                    | 31                         | 63                        | 2279                             | 70,643  |
| 11/71                    | 33                         | 63                        | 2614                             | 86,263  |
| 12/71                    | 65                         | 77                        | 2392                             | 155,495   |
| 1/72                     | 78                         | 62                        | 2326                             | 181,421   |
| 2/72                     | 40                         | 77                        | 1688                             | 67,531  |
| 3/72                     | 9                          | 82                        | 1398                             | 12,582  |
| Total                    | <u>524</u>                 |                           | <u>\$2096</u>                    | <u>\$1,098,145</u>                              |

(Note: Total dollar value of subcontracts is high; funds were deobligated on certain subcontracts and thus reused by writing additional subcontracts.)

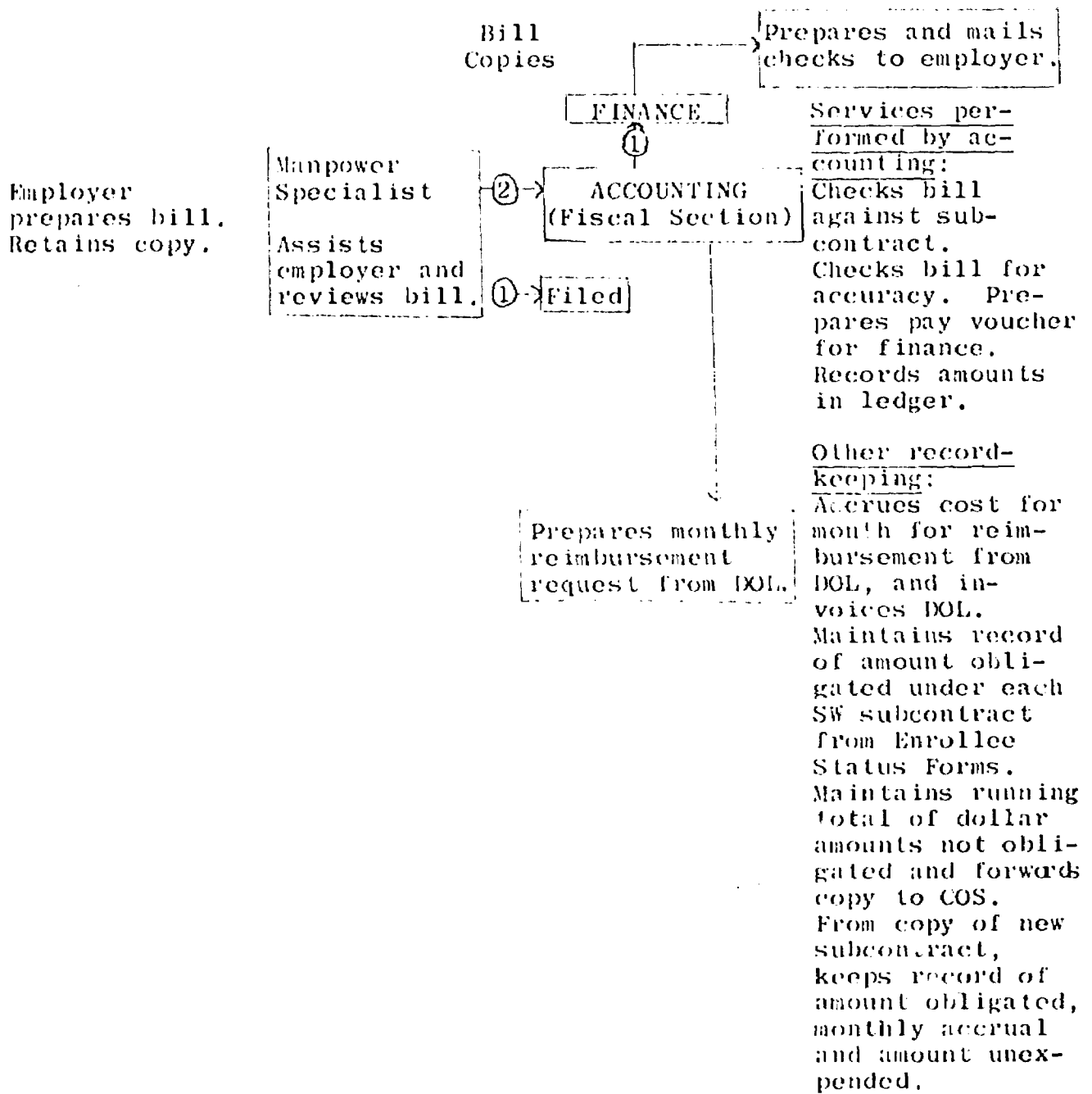
APPENDIX E  
ALLOCATION OF E&D SPECIAL WORK SLOTS AND AMOUNT BY DISTRICT OFFICE  
BY MONTH - FY - 1973

| MO   | BARRE (28) |        | BRATTLEBORO (33) |        | BURLINGTON (119) |         | RUTLAND (24) |        | ST. J. (18) |        | TOTAL |         |
|------|------------|--------|------------------|--------|------------------|---------|--------------|--------|-------------|--------|-------|---------|
|      | SLOTS      | \$     | SLOTS            | \$     | SLOTS            | \$      | SLOTS        | \$     | SLOTS       | \$     | SLOTS | \$      |
| JULY | 38         | 13,871 | 28               | 10,221 | 109              | 39,788  | 22           | 8,031  | 18          | 6,571  | 215   | 78,482  |
| AUG  | 33         | 12,046 | 25               | 9,126  | 96               | 35,043  | 19           | 6,936  | 16          | 5,840  | 189   | 68,991  |
| SEPT | 27         | 9,856  | 19               | 6,936  | 83               | 30,298  | 16           | 5,840  | 13          | 4,745  | 158   | 57,675  |
| OCT  | 24         | 8,761  | 16               | 5,840  | 69               | 25,189  | 14           | 5,110  | 11          | 4,015  | 134   | 48,915  |
| NOV  | 20         | 7,301  | 13               | 4,745  | 64               | 23,363  | 12           | 4,380  | 10          | 3,650  | 119   | 43,439  |
| DEC  | 17         | 6,206  | 12               | 4,380  | 58               | 21,173  | 10           | 3,650  | 8           | 2,920  | 105   | 38,329  |
| JAN  | 16         | 5,840  | 9                | 3,285  | 52               | 18,984  | 8            | 2,920  | 7           | 2,555  | 92    | 33,584  |
| FEB  | 16         | 5,840  | 9                | 3,285  | 48               | 17,523  | 7            | 2,555  | 6           | 2,190  | 86    | 31,393  |
| MAR  | 14         | 5,110  | 7                | 2,555  | 40               | 14,603  | 6            | 2,190  | 5           | 1,825  | 72    | 26,283  |
| APR  | 12         | 4,380  | 4                | 1,460  | 35               | 12,777  | 3            | 1,095  | 3           | 1,095  | 57    | 20,807  |
| MAY  | 10         | 3,650  | 4                | 1,460  | 31               | 11,317  | 3            | 1,095  | 2           | 730    | 50    | 18,252  |
| JUNE | 10         | 3,650  | 4                | 1,460  | 28               | 10,223  | 3            | 1,095  | 2           | 730    | 47    | 17,158  |
| TOT. | 237        | 86,511 | 150              | 54,753 | 713              | 260,281 | 123          | 44,897 | 101         | 36,866 | 1324  | 483,308 |

\* Average slot cost @ 365.00/per month  
 Parentheses indicates current number of slots filled as of June 30, 1972.

APPENDIX F

FLOW CHART OF BILLING BY EMPLOYER UNDER SW SUBCONTRACTS



APPENDIX G

SUBCONTRACT RENEWALS IN DECEMBER 1971 AND JANUARY 1972

| <u>SW subcontract Number<br/>expiring at 12/31 '71</u> | <u>Renewal<br/>Number</u> | <u>Persons<br/>Renewed</u> | <u>\$ Amount of<br/>Renewal subcontract</u> |
|--|---------------------------|----------------------------|---|
| 52   | 201                       | 1                          | \$ 2,571                                    |
| 53   | 202                       | 6                          | 10,000                                      |
| 54   | 217                       | 39                         | 80,988                                      |
| 61   | 223                       | 1                          | 1,950                                       |
| 62   | 224                       | 5                          | 14,229                                      |
| 69   | 211                       | 1                          | 2,155                                       |
| 86   | 216                       | 2                          | 4,714                                       |
| 88   | 221                       | 4                          | 9,072                                       |
|  |                           | <u>59</u>                  | <u>\$125,679</u>                            |
| SW subcontracts written<br>during period               |                           | 154                        | \$353,496                                   |
| Percentage written<br>that were renewals               |                           | 38%                        | 36%   |

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## GLOSSARY

- Accrual -** Relates to billing procedures by DES Fiscal Section. The Section bills the DOL on a current basis, usually prior to receiving an invoice from the employer. The accrual is an estimate of what this invoice amount will be; this enables the project to obtain reimbursement on a current basis. Adjustments are made to future billings to the DOL as actual amounts become known.
- Available Slots -** The number of filled and unfilled positions under existing live subcontracts.
- "Dead" Time -** Time under a subcontract which arises when no enrollee is being employed. This results when no one fills a slot, an enrollee terminates before a subcontract expires, or he is absent from work and is not paid.
- Funds Obligated -** Amounts committed under subcontracts to be paid to enrollees. It equals the sum of the salaries, benefits and expenses that could be paid to employees, based upon the length of the subcontract, the salary rate, the fringe benefits, the training expenses, less any portion of the costs borne by the employer.
- Man-month -** One slot under subcontract for a period of one month.
- Overobligation -** The commitment of funds in excess of an amount made available by the project grant.
- Slot -** A work experience position under subcontract for a period of time equal to the length of the subcontract.
- Uncommitted Balance -** Funds allowed by the project, but not yet spent on completed subcontracts or committed on current subcontracts.
- Subcontract -** Agreement between the E&D Manpower Project (the State of Vermont) and the employer, whereby in essence, the latter will provide enrollees job experience and training in consideration for reimbursement of all or a portion of the cost by the project. These are called subcontracts because the agreement between the Manpower Project and DOL is the contract.