



Health, Education and Human Services Division

B-278826

April 17, 1998

The Honorable Judd Gregg
Chairman, Subcommittee on Aging
Committee on Labor and Human Resources
United States Senate

Subject: Senior Community Service Employment Program: Status of National Sponsor Grants

Dear Mr. Chairman:

The Senior Community Services Employment Program (SCSEP) annually provides grants to 10 national sponsor organizations and to states to provide minimum-wage community service jobs for about 100,000 economically disadvantaged older Americans. Authorized as title V of the Older Americans Act, SCSEP is administered by the Department of Labor through a noncompetitive grant process.¹ We issued a report on the SCSEP program in November 1995 that identified issues associated with the distribution of program funds and the national sponsors' administrative costs.²

As part of the Congress' consideration of the reauthorization of the Older Americans Act, you asked that we provide updated information on several issues discussed in our earlier report. We agreed with your office to provide program year 1997³ information on the

– amount of SCSEP grant funds provided to each of the national sponsor grantees;

¹In its comments on this correspondence, Labor noted that it continues to make the awards on a noncompetitive basis, but that since 1995 it has reexamined this decision annually.

²Department of Labor: Senior Community Service Employment Program Delivery Could Be Improved Through Legislative and Administrative Actions (GAO/HEHS-96-4, Nov. 2, 1995).

³Program year 1997 runs from July 1, 1997, to June 30, 1998.

- amount of federal funds the national sponsors' grant agreement budgets designated for headquarters administration, local administration, enrollee wages and fringe benefits, and other enrollee costs; and
- indirect cost rates and the amount of grant funds budgeted as indirect costs for each national sponsor in its grant agreement.

To provide this information, we obtained copies of the grant agreements between the Department of Labor and each of the national sponsors for program year 1997 and met with Labor program and budget office staff. We did not meet with the national sponsor organizations to review their activities or actual expenditures under the grants.

In summary, we found that the program received \$435 million for program year 1997 and that the same national sponsors that were receiving grants when we last reviewed the program continued to receive grants throughout the 1990s. These national sponsors also continued to receive the same proportion of the overall program funding as they had in earlier years (78 percent), with the states receiving the remainder (22 percent). Furthermore, the amounts budgeted for the four major cost categories and for indirect costs in program year 1997 were similar to what they were when we last reviewed the program.

PROGRAM FUNDED AT \$435 MILLION IN 1997

Total program funding for program year 1997 was \$435 million. The 10 national sponsors were designated to receive \$339.3 million, and the states and U.S. territories \$95.7 million. The distribution of funds remained at 78 percent for the national sponsors and 22 percent for the states. These amounts will fund a total of 61,539 enrollee positions: 48,007 earmarked to be administered by national sponsors and 13,532 by the states and territories.

Table 1 shows the distribution in funding among national sponsors for program year 1997. The total for national sponsors' grant amounts exceeds \$339 million because some states requested that a portion of their funding be provided directly by Labor to a national sponsor for program activities in their particular state. Also, the total includes those state amounts (about \$9.2 million) in each sponsor's total grant amount, where applicable.

Table 1: SCSEP National Sponsors' Grant Awards, Program Year 1997

| National sponsor | SCSEP federal grant amount |
|---|----------------------------------|
| American Association of Retired Persons Foundation (AARPF) | \$52,465,764 ^a |
| Asociacion Nacional Pro Personas Mayores (ANPPM) | 13,222,119 ^a |
| Green Thumb, Inc. (GT) | 108,502,555 ^a |
| National Asian Pacific Center on Aging (NAPCA) | 5,918,477 |
| National Center and Caucus on Black Aged, Inc. (NCCBA) | 12,933,585 ^a |
| National Council on the Aging (NCOA) | 39,570,444 |
| National Indian Council on Aging, Inc. (NICOA) | 5,934,487 |
| National Senior Citizens Education and Research Center, Inc. (NSCERC) | 66,335,275 ^a |
| National Urban League, Inc. (NUL) | 15,193,824 |
| United States Department of Agriculture (USDA)–Forest Service | 28,321,507 |
| Total | \$348,398,037^b |

^aState-designated funds were provided in addition to the original national sponsor allocation.

^bIn its comments on this letter, Labor provided information on additional competitive grant awards to several national sponsors and states that were made with recaptured funds from the previous year. The amounts of the national sponsor awards follow: GT, \$254,000; NUL, \$200,000; NCOA, \$199,000; and NSCERC, \$83,000.

GRANT BUDGET REQUESTS WITHIN LIMITS FOR COST CATEGORIES

In each grant application, federal funds are requested for four cost categories: headquarters administration, local administration, enrollee wages and fringe benefits, and other enrollee costs. By law, the administrative portion of the budget (the sum of the headquarters and local administration categories) cannot exceed 13.5 percent of the total grant amount (15 percent with a waiver). In addition, enrollee wages and benefits must constitute no less than 75 percent of the total. As shown in table 2, each of the national sponsor grantees budgeted no more than 15 percent for administration and provided at least 75 percent for enrollee wages and fringe benefits.

Table 2: SCSEP National Sponsors' Grant Amounts Budgeted for Administration, Program Year 1997

| National sponsor | Headquarters administration | Local administration | Total administration (% of grant amount) | Enrollee wages and fringe benefits (% of grant amount) | Other enrollee costs | Total SCSEP grant amounts |
|----------------------------|-----------------------------|----------------------|--|--|----------------------|---------------------------|
| AARPF | \$4,567,991 | \$3,247,236 | \$7,815,227 (14.90) | \$39,496,414 (75.28) | \$5,154,123 | \$52,465,764 |
| ANPPM | 1,524,602 | 458,716 | 1,983,318 (15.00) | 10,048,810 (76.00) | 1,189,991 | 13,222,119 |
| GT | 5,208,123 | 9,439,722 | 14,647,845 (13.50) | 84,089,480 (77.50) | 9,765,230 | 108,502,555 |
| NAPCA | 748,332 | 50,662 | 798,994 (13.50) | 4,438,858 (75.00) | 680,625 | 5,918,477 |
| NCCBA | 848,548 | 1,026,454 | 1,875,002 (14.50) | 10,121,517 (78.26) | 937,066 | 12,933,585 |
| NCOA | 3,106,897 | 2,235,113 | 5,342,010 (13.50) | 30,073,537 (76.00) | 4,154,897 | 39,570,444 |
| NICOA | 809,838 | 54,418 | 864,256 (14.56) | 4,663,415 (78.58) | 406,816 | 5,934,487 |
| NSCERC | 7,961,696 | 0 | 7,961,696 (12.00) | 56,808,579 (85.64) | 1,565,000 | 66,335,275 |
| NUL | 1,034,661 | 1,157,893 | 2,192,554 (14.43) | 11,576,884 (76.19) | 1,424,386 | 15,193,824 |
| USDA- Forest Service | 1,486,973 | 1,923,430 | 3,410,403 (12.04) | 22,657,206 (80.00) | 2,253,898 | 28,321,507 |
| Total | \$27,297,661 | \$19,593,644 | \$46,891,305 | \$273,974,700 | \$27,532,032 | \$348,398,037 |

INDIRECT COST RATES AND AMOUNTS CHARGED VARY WIDELY

Labor's SCSEP grants, like others awarded to nonprofit organizations by agencies throughout the federal government, are governed by the policies described in Office of Management and Budget (OMB) Circular A-122, "Grants to Nonprofit Organizations." Under this guidance, nonprofit organizations as grantees may receive funds for both direct and indirect costs. Direct costs are those that can be identified specifically with a particular cost objective—that is, a particular grant project or other direct activity of an organization. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular cost objective. After direct costs have been determined and assigned directly to projects or activities or other work as appropriate, indirect costs are those remaining to be allocated to projects or activities. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned as a direct cost. Examples of indirect costs that many nonprofit organizations may claim include depreciation or use allowances on buildings and equipment; the costs of operating and maintaining facilities; and general administration expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting services.

As the "cognizant agency" for SCSEP, Labor has a more extensive financial relationship with the 10 sponsor organizations than any other federal agency that provides grants to these organizations. Therefore, Labor is responsible for negotiating and approving indirect cost rates for these organizations on behalf of all federal agencies. Indirect cost rate proposals are submitted annually to Labor as part of the grant application process. The rates we report are those in the sponsors' approved budgets.

OMB's guidance allows organizations some flexibility in how they calculate indirect cost rates, and the national sponsors use widely different bases for determining their indirect costs. Because of this, indirect cost rates and amounts charged vary widely among the national sponsor organizations, as shown in table 3. Since the base against which the rate is applied differs from one sponsor to another, a comparison of the rates alone provides no information about indirect costs. In addition, the indirect cost amount actually charged is sometimes less than the rate allowed. For example, AARPF charges no indirect costs unless its actual administrative costs in support of the program are less than the administrative cost limit, and it budgeted for no indirect costs in its program year 1997 grant. NUL also charges indirect costs at a rate lower than the rate approved by agreement with Labor (no reason for this arrangement is provided in the grant documentation). NCOA negotiated

multiple rates that are applied to different bases within the grant amount. USDA-Forest Service has no indirect cost rate.

Table 3: National Sponsors' Indirect Cost Budget Data, Program Year 1997

| National sponsor | Approved indirect cost rate (percentage) | Indirect cost amount | Total SCSEP grant amount |
|---------------------|--|----------------------|--------------------------|
| AARPF | 7.98 | \$0 | \$52,465,764 |
| ANPPM | 36.93 | 534,901 | 13,222,119 |
| GT | 4.87 | 4,808,123 | 108,502,555 |
| NAPCA | 8.50 | 435,156 | 5,918,477 |
| NCCBA | 45.29 | 419,513 | 12,933,585 |
| NCOA | 12.00 | 1,083,015 | 39,570,444 |
| NICOA | 25.90 | 218,075 | 5,934,487 |
| NSCERC | 95.10 | 2,144,715 | 66,335,275 |
| NUL | 49.54 | 255,555 | 15,193,824 |
| USDA-Forest Service | ^a | ^a | 28,321,507 |
| Total | | \$9,899,053 | \$348,398,037 |

^aUSDA-Forest Service has no indirect cost rate.

AGENCY COMMENTS

Labor provided written comments on a draft of this correspondence, which are included in the enclosure. In its comments, Labor provided additional information on supplemental grant awards made to several national sponsors and states and clarified other issues discussed in this correspondence. Labor also raised some concerns about our presentation of indirect cost information. We have considered Labor's comments and added information or revised our correspondence as necessary.

B-278826

Please contact me at (202) 512-7014 if you have any questions concerning this correspondence. Major contributors to this letter include Larry Horinko, Assistant Director, and George Erhart, Evaluator-in-Charge.

Sincerely yours,



Carlotta C. Joyner
Director, Education and
Employment Issues

COMMENTS FROM THE DEPARTMENT OF LABOR

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

APR 3- 1998

Ms. Carlotta C. Joyner
 Director, Education and
 Employment Issues
 United States General
 Accounting Office
 Washington DC 20548

Dear Ms. Joyner:

Thank you for the advance opportunity to review and comment on the draft correspondence of March 27, 1998 regarding the Senior Community Service Employment Program (SCSEP) and entitled, Senior Community Service Employment Program: Status of National Sponsor Grants.

ETA found the draft to be well written and, on the whole, to fairly represent the status of the SCSEP. There are some areas for which we would like to add some recent information which may be of interest to the committee. We also wish to express our misgivings about the presentation of the Indirect Cost Data, and recommend that this be substantially revised or omitted altogether.

Our comments follow:

Non-competitive grant process. Although the national grants are awarded annually on a non-competitive basis, it is worth noting that half of the national grantees were originally selected on a competitive basis. The remaining grantees entered the program at the inception and most were instrumental in the program's creation. While the awards have been made non-competitively, this decision has been re-examined annually by the Department of Labor's Procurement Review Board since the issuance of the GAO report of November 1995.

Additional Funds Awarded. Utilizing recaptured funds from the previous grant period, the Department of Labor conducted a modified competitive award of additional funds to several national and state sponsors to conduct projects under authority provided by section 502(e) of the Older Americans Act (OAA). The amounts of these additional awards are: National Urban League, \$200,000; New York State, \$75,000; Virginia, \$50,000; Green Thumb, \$254,000; National Senior Citizens Educational and Research Center, \$83,000; The National Council on Aging, \$199,000; State of Kentucky, \$50,000; State of Tennessee,

\$175,000; and the State of Colorado, \$5,000. The award to Colorado was made on a non-competitive basis for the development of a special older worker curriculum.

Indirect Costs. The use of Indirect Cost Rate Agreements is a standard Federal practice. State and local governments, non-profit organizations and private businesses all utilize indirect rates when dealing with the Federal Government. The use of indirect cost agreements by the SCSEP program is consistent with Federal requirements and many states and national sponsors use them under oversight and instruction provided by the Department of Labor.

Moreover, all indirect costs are charged to the "Administration" cost category and are therefore subject to the 13.5 percent cap (which may be increased to 15 percent with an approved waiver request) placed on SCSEP Federal administrative costs.

Unless Table Three is removed, which we would recommend, the presentation should include a detailed accompanying statement to explain exactly what the table means. Someone who is not familiar with the concept of indirect cost rates could misunderstand the table since only the rate is shown and not the base. The uneducated reader might think that an organization with a low rate is more efficient than an organization with a higher rate.

You should explain that a number of State governments also utilize an indirect cost rate. The discussion leaves the impression that only national sponsors benefit from this practice.

Division of Administrative Costs Into Two Categories.

Neither the OAA nor the SCSEP regulations make mention of a "Local Administration" cost category. Although this is used for grant planning purposes and reported by some sponsors, providing this information is optional. Placing this category on the chart may create the impression that such information is readily available and consistently applied, which is not the case. Further, it might be useful to mention that the figures provided

ENCLOSURE

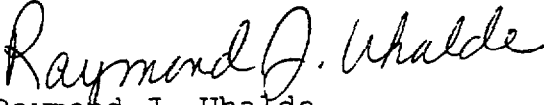
ENCLOSURE

3

are planning figures, not actual, and only represent Federal funding. We recommend that on Table 2 only one column be presented showing total administrative costs and that the local administration column be eliminated.

Thank you for sharing this draft correspondence with us, and for providing an opportunity to comment.

Sincerely,


Raymond J. Uhalde

(205356)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested
