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RELEASED



Examination Into Charges Of  
Noncompliance With Requirements  
For Administration Of Grant Funds  
By The Floridana Economic  
Development Association, Inc.  
Amite, Louisiana

B-130515

Office of Economic Opportunity

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

089768

APRIL 7, 1970



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-130515

Dear Mr. Rarick:

This is the report on our examination into charges of noncompliance with requirements for the administration of grant funds by the Floridana Economic Development Association, Inc., Amite, Louisiana, a grantee of the Office of Economic Opportunity (OEO), and into a complaint that OEO's supervisor of rural community action agencies in Louisiana was not providing adequate guidance and supervision to these agencies. Our review was undertaken pursuant to your requests dated November 20, 1969, and January 12, 1970, and discussions with you and your staff.

The Association, OEO, and other parties mentioned in this report have not been given an opportunity to formally examine and comment on the contents of this report.

The report discusses a matter involving noncompliance with OEO guidelines on conflicts of interest which may warrant action on the part of OEO to recover certain funds expended under the grant. We suggest, therefore, that you may wish to provide a copy of the report to the Director, OEO, for his consideration.

We plan to make no further distribution of this report unless copies are specifically requested, and then distribution will be made only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

We are returning the enclosure to your letter of January 12, 1970, as requested.

Sincerely yours,

Comptroller General  
of the United States

The Honorable John R. Rarick  
House of Representatives

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ABBREVIATIONS

CAP            Community Action Program  
GAO            General Accounting Office  
OEO            Office of Economic Opportunity  
SGTR           Standardized Government Travel Regulation

COMPTROLLER GENERAL'S REPORT  
TO THE HONORABLE JOHN R. RARICK  
HOUSE OF REPRESENTATIVES

EXAMINATION INTO CHARGES OF  
NONCOMPLIANCE WITH REQUIREMENTS FOR  
ADMINISTRATION OF GRANT FUNDS BY  
THE FLORIDANA ECONOMIC DEVELOPMENT  
ASSOCIATION, INC., AMITE, LOUISIANA  
Office of Economic Opportunity  
B-130515

D I G E S T

*Review limited to programs funded  
by OEO (Community Action)*

WHY THE EXAMINATION WAS MADE

At the request of Congressman John R. Rarick, the General Accounting Office (GAO) examined into charges of noncompliance with requirements for administration of grant funds by the Floridana Economic Development Association, Inc., a grantee of the Office of Economic Opportunity (OEO). GAO also inquired into a complaint of a lack of adequate supervision, guidance, and proper evaluation of rural Community Action Program agencies by the Louisiana representative of the OEO Southwest Regional Office.

The OEO grants which totaled about \$1.9 million from inception of the program in February 1966 through January 1970, when OEO funding was terminated, were for program conduct and administration, multipurpose farm service centers, summer Head Start programs, emergency food and medical services, family planning, housing services, general services, and summer recreation programs.

GAO's review was directed primarily toward determining the adequacy of the Association's controls over grant funds provided by OEO and toward examining into a number of charges that certain aspects of the program and its management may not have been consistent with OEO and legislative requirements.

The Association, OEO, and other parties mentioned in this report have not been given an opportunity to formally examine and comment on the contents of the report.

FINDINGS AND CONCLUSIONS

Significant weaknesses existed in the Association's system of control over grant funds, including an inadequate system of accounting for grant funds and other resources and a general lack of adequate policies and procedures governing all aspects of program administration. Because of these weaknesses, GAO could not determine whether many of the expenditures were for authorized purposes and were consistent with OEO and legislative requirements.

Among these weaknesses were:

- generally inadequate documentation to support the payrolls and ensure that paychecks were issued in proper amounts, based on approved pay rates, for time actually worked. (See p. 11.)
- inadequate accounting for employees' travel advances and for travel expenses claimed and a lack of adherence to OEO guidelines that reimbursement for travel expenses be in accordance with the Standardized Government Travel Regulation. (See p. 13.)
- a lack of documentation to support payments for goods and services, a lack of purchase approvals and records of receipt of purchased items, and related discrepancies. One or more discrepancies occurred in each of 69 procurement transactions examined by GAO for August 1969. (See p. 14.)
- inadequate control over accountable property<sup>ed</sup>, which resulted in the Association's not being fully aware of the property for which it was responsible or of the property which was available for use in its programs. (See p. 14.)
- unsatisfactory documentation supporting claims for in-kind contributions of \$140,069 which were reported to OEO for the 12 months ended November 30, 1969. (See p. 15.)

The Association records showed that the chairman of the Association's board of directors, a physician, was paid about \$61,000 in fees for medical services under the Association's Emergency Food and Medical Services programs and Head Start programs.

In GAO's opinion, the available documentation supporting the payments was inadequate to reasonably ensure that services were rendered for payments made.

For the Head Start program, the medical records on each child had been sent to the school in which the child subsequently enrolled, making it impracticable for GAO to review these records. (See p. 17.)

Because existing documentation did not provide adequate assurance that payments were, in fact, for medical services provided, GAO interviewed the heads of 47 of the 287 families reported as having taken part in the program to ascertain the extent of medical services received. Of the 47 family heads interviewed, nine stated that they had not received all the services for which the Association had paid, and four stated that they had received services in excess of those paid for by the Association. GAO experienced considerable difficulty in obtaining responses which it believed were fully reliable. However, the results of the interviews do, in GAO's opinion, raise a question as to whether services were provided for all payments made under the program. (See p. 18.)

*Head Start  
Emergency Food and  
Medical Services*

GAO also considered a complaint that the chairman was charging the Association for an unusually large number of medical services provided on a single day. Because the chairman did not submit bills to the Association for medical services provided to program participants and because the Association's payment vouchers for medical services during each month showed the same date, the date they were prepared, GAO believes that a misunderstanding could have occurred--that the chairman provided services to as many as 200 patients on a single day.

In March 1969, when OEO notified the Association that the chairman's paid participation in the programs was in violation of OEO's conflict-of-interest requirements, such participation was discontinued; however, OEO took no action to resolve the questionable allowability of fees paid prior to that time. (See p. 16.)

The director of the Association's multipurpose farm program was paid while on vacation for leave, the entitlement to which was questionable, and while he was also employed as a dean at a college. Sufficient evidence could not be developed to resolve charges concerning the propriety of salary payments made for the period when the director also held the position of dean. (See p. 20.)

A daughter of the chairman of the Association's board of directors and a daughter of the executive director were employed by the Association in the summer of 1966 at about the time that OEO issued instructions prohibiting, generally, the employment of relatives. The executive director stated that the employment of relatives was discontinued when he became aware of OEO requirements. (See p. 21.)

Several full-time employees of the Association were also either full-time students or full-time employees elsewhere. Available information was not sufficient to determine conclusively whether employees devoted less than full-time to their Association duties. (See p. 22.)

Association property purchased with OEO grant funds was used by Association employees for nonprogram purposes, and two major items of equipment purchased without OEO approval were not being used in OEO-funded programs. At the termination of the OEO grant, OEO made arrangements for the transfer of most of the Government-owned property to other community action agencies and organizations. (See p. 24.)

GAO found no indication that the executive director of the Association had used the food stamp program for political purposes by influencing State officials to certify ineligible persons as eligible to participate in the program. GAO's tests of the eligibility of participants in the food stamp program revealed no instances of participation by ineligible persons. (See p. 25.)

OEO's Louisiana supervisor of rural Community Action Program agencies was replaced in January 1970. It was charged that he had not provided adequate supervision, guidance, and evaluation of rural Community Action Program agencies in Louisiana. (See p. 27.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

OEO terminated its funding of Association activities effective January 31, 1970, on the basis that the Association had demonstrated broad-scale disregard of OEO requirements.

## CHAPTER 1

### INTRODUCTION

The General Accounting Office has examined into certain activities of the Floridana Economic Development Association, Inc., of Amite, Louisiana, a grantee of the Office of Economic Opportunity, and into a complaint that the OEO rural Community Action Program (CAP) representative for Louisiana was not providing adequate guidance and supervision to rural CAP agencies.

The review was made pursuant to the requests contained in letters dated November 20, 1969 (see app. I), and January 12, 1970, to the Comptroller General from Congressman John R. Rarick and discussions with the Congressman and his staff.

We examined into: (1) the adequacy of the Association's control over program funds and (2) charges by certain of Congressman Rarick's constituents that: (a) the chairman of the Association's board of directors, a physician, may have unjustifiably received fees for medical services provided to clients who were participants in the Association's programs, (b) one person was on the Association's payroll while he was employed as a dean at a college and while he was on a 3-month vacation, (c) relatives of the chairman of the board and of the executive director were employed by the Association, (d) certain persons were on the Association's payroll although they were full-time students or full-time employees elsewhere, (e) adequate control did not exist over certain Association-owned equipment, and (f) the executive director may have improperly used an Association program for political purposes. In addition, we examined into charges that there was a lack of adequate supervision, guidance, and proper evaluation of individual rural CAP agencies by the OEO Louisiana supervisor of rural CAP agencies.

We interviewed individuals to whom we were referred by Congressman Rarick and certain other persons affiliated with the Association and OEO who, we had reason to believe, could provide information concerning the matters under review. We also interviewed selected program participants.

Except in instances where a constituent's charges related to prior periods, we limited our examination of accounting records and controls to the program year beginning December 1, 1968, and ending November 30, 1969. In November 1969, OEO extended the program year through December 31, 1969, and in December 1969, OEO extended the program year through January 31, 1970, and then terminated its funding of the Association.

The Association, a community action agency, was incorporated in March 1965 as a private nonprofit corporation to administer antipoverty programs in Tangipahoa and St. Helena Parishes, Louisiana. The Association was governed by a board of directors which, in December 1969, was composed of 38 members--of which 13 represented public bodies, 12 represented the poor, and 13 represented the various business and community organizations.

According to the Bureau of the Census, the extent of poverty in Tangipahoa and St. Helena Parishes in 1960 was as follows:

	<u>Number of families</u>		
	<u>White</u>	<u>Non-white</u>	<u>Total</u>
Tangipahoa:			
All families	9,580	4,028	13,608
Poor families	3,364	3,232	6,596
Percent poor	35.1%	80.2%	48.5%
St. Helena:			
All families	1,042	898	1,940
Poor families	400	769	1,169
Percent poor	38.4%	85.6%	60.3%

To assist the poor in Tangipahoa and St. Helena Parishes, OEO awarded Federal grant funds of \$1,864,133 to the Association for the period February 1966 through January 1970 for operating the following programs and activities.

<u>Program or activity</u>	<u>Program year</u>			<u>Total</u>
	<u>"A"</u>	<u>"B"</u>	<u>"C"</u>	
Conduct and administration	\$ 54,830	\$ 37,738	\$ 51,882	\$ 144,450
Summer Head Start	408,823	252,983 <sup>a</sup>	238,612	900,418
Special Summer Program	32,268	-	-	32,268
Multipurpose Farm Service Centers	116,681	146,253 <sup>a</sup>	52,664 <sup>a</sup>	315,598
Emergency Food and Medical Services program	-	119,310	162,993 <sup>a</sup>	282,303
Family Planning	-	-	107,350	107,350
Community organization	-	-	28,355	28,355
Housing services	-	-	22,277	22,277
General services	-	-	31,114	31,114
<b>Total</b>	<b><u>\$612,602</u></b>	<b><u>\$556,284<sup>a</sup></u></b>	<b><u>\$695,247<sup>a</sup></u></b>	<b><u>\$1,864,133</u></b>

<sup>a</sup>Includes funds carried over from prior years.

Note: Program year "A" 2/66 through 11/67  
Program year "B" 12/67 through 11/68  
Program year "C" 12/68 through 1/70.

The Association also received funds from the Department of Labor for conducting a Neighborhood Youth Corps program. We limited our review, however, to the programs funded by OEO.

Under the Economic Opportunity Act of 1964 (42 U.S.C. 2701), OEO is responsible for establishing basic policies governing OEO operations and programs and for overall planning, directing, controlling, and evaluating OEO-funded CAPs.

In accordance with authority delegated by the Director, OEO, regional offices of OEO assist communities in applying for and conducting CAPs and are responsible for directing, evaluating, coordinating, and controlling all phases of the programs and activities in the respective regions. The regional offices generally are responsible for reviewing and processing applications for CAPs and are authorized to approve the applications for certain programs. OEO's Southwest Regional Office, located in Austin, Texas, was responsible for the programs administered by the Association.

Under the terms of grants awarded by OEO, grantees are responsible for meeting program and administrative requirements specified by OEO; and, as a measure of control over grantee programs, OEO requirements provide for a field review of a grantee's operations and plans prior to the award of grant funds for the next program year.

An OEO field prereview of the Association's request for grant funds for the program year beginning December 1, 1969, was held at the Association early in August 1969. The review team found that the Association was not meeting OEO requirements and on August 14, 1969, an OEO Review Panel recommended that OEO terminate its grant support of the Association. On November 28, 1969, the director of OEO's Southwest Regional Office notified the Association that OEO was terminating its funding of the program, effective December 31, 1969. In December 1969, however, the Association was granted an extension to January 31, 1970, by OEO to settle its affairs; and all OEO-funded programs were terminated on that date.

## CHAPTER 2

### LACK OF CONTROL OVER GRANT FUNDS

Significant weaknesses existed in the Association's system of control over grant funds during the period covered by our review--December 1968 through December 1969. The weaknesses included an inadequate system of accounting for grant funds and other resources--including non-Federal contributions toward grant program costs--and a general lack of adequate policies and procedures governing all aspects of program administration. These weaknesses precluded our determining whether many of the expenditures we reviewed were for authorized purposes and were consistent with OEO and legislative requirements.

The Association had no formal accounting system for the program year covered by our review; and it had no written administrative or accounting policies and procedures for the guidance of employees in performing their duties. There were no accounting records which would show accountability for cash receipts and disbursements; costs by program to prevent overexpenditures in a particular program; or costs by categories such as personnel, travel, and equipment to preclude cost overruns in these budgeted categories. OEO does not permit cost overruns in these budgeted categories except within narrowly defined limits. Also, the Association had no payroll ledgers, no records of program participants or program accomplishments, and no property control ledgers. Further, no physical inventories had been taken to verify the existence of property acquired by the Association.

The Association operated on a budget of about \$700,000 for the program year ended November 30, 1969, which was extended by OEO to January 31, 1970. Its transactions were recorded only in checkbooks, and no other books of account were used. The subtotals in the checkbooks did not appear to have been kept on a current basis, and the monthly bank statements were not currently reconciled with the Association's checkbooks. For example, the Association's accountant did not reconcile the Association's bank statements

with its checkbooks for the period February through October 1969, until November 4, 1969.

It was not until August 1969 that the Association prepared and submitted to OEO a final accounting for its initial program year, June 1966 to November 1967. Consequently, OEO's funding of later programs was authorized without OEO's knowing the status or extent of funds carried over from prior years' programs.

In August 1969, OEO performed a review of the Association's activities and noted evidence of a broad-scale disregard for OEO reporting requirements, which it considered indicative of management weaknesses in the administration of OEO funds by the Association. Under OEO procedures, grantees are required to submit monthly financial statements and quarterly financial reports on program operations in a timely manner. The Association did not meet these requirements. After OEO's review in August 1969, personnel of the Association prepared and submitted to OEO a number of quarterly financial reports and other reports on program participation by the poor. The quarterly reports which were submitted in September 1969 covered the period October 1968 through June 1969 and should have been submitted to OEO at the close of each quarter. In view of the condition of the Association's records, we question the reliability of the financial reports submitted to OEO.

Between October and December 1969, Association personnel prepared a cash disbursements journal by using the checkbooks as the source of information. However, the limited information on checkbook stubs and the Association's practice of recording check disbursements for some months as a lump sum creates doubt as to the reliability and usefulness of this journal.

Although the grantee is responsible for complying with the terms of its grants and OEO instructions relating to the establishment of an acceptable system of control over, and administration of, grant funds, OEO is responsible for exercising sufficient control over, and providing assistance to, a grantee to ensure that grant funds are expended for authorized purposes.

OEO's Southwest Regional Office staff, after making a review of the Association's operations, was aware as early as November 1968 that the Association was experiencing accounting and administrative problems. We found no evidence, however, that adequate assistance was provided.

We noted, as discussed in greater detail in the following sections of this chapter, a general lack of evidence that expenditures of grant funds were specifically authorized in advance by responsible officials in the Association, were supported by adequate documentation, and were reviewed and approved by Association officials.

### PAYROLLS AND RELATED COSTS

Documentation supporting the payrolls which we selected for review was generally not adequate to ensure that paychecks were issued in the proper amounts, based on approved pay rates, for time actually worked by the employees.

Under OEO's requirements, the basic supporting documents for payroll expenditure transactions are time and attendance reports for each employee. These reports should be prepared by each employee or for each employee by a timekeeper and should contain various types of information such as time worked and leave taken, which is needed to determine an employee's entitlement to pay. The reports should be prepared for each pay period and should be signed by the employees and by the employees' immediate supervisors as an indication of their review and approval. The time and attendance reports serve as authorization for the preparation of payrolls for the pay period reported on.

In comparison with the internal control procedures described above, there were numerous instances where time and attendance reports showing hours worked were not signed or initialed by the employees or by the employees' supervisors to evidence their review and approval.

In some cases the Association issued payroll checks for which supporting time and attendance reports on file either were incomplete or showed that the employees had worked less than the number of hours for which they were

paid. In other cases, the Association prepared payrolls and issued payroll checks without reference to time and attendance reports or before employees' supporting time and attendance reports were received.

OEO also requires a grantee to maintain records of leave earned and taken by its employees to ensure that, when leave is taken (annual leave, compensatory leave, and sick leave), it has been earned and that its use has been approved. The Association's records relating to the accumulation and use of leave by employees were generally inadequate. There were numerous instances in which (1) annual and sick leave credit was accumulated on the leave records prior to actually being earned, (2) the computation of leave balances contained mathematical errors indicating a laxity in the review of leave records, (3) leave absences reported on time and attendance reports were not recorded on the cumulative leave records, and (4) compensatory time earned and used, as recorded on the cumulative leave records, did not correspond to the applicable time and attendance reports.

## TRAVEL

Broad travel policies had been established by the Association's board of directors. These policies were not in sufficient detail to be used for specific guidelines but did stipulate that travel would be in accordance with acceptable Government travel regulations. OEO guidelines require adherence by the grantee to the Standardized Government Travel Regulation (SGTR) and require full documentation of all travel expenditures. Our inquiries revealed that top Association officials had no knowledge of the board's policy and did not know that they should have administered Association travel in accordance with the SGTR.

Checks for travel expenses were prepared on the basis of Requests and Authorizations of Official Travel which were submitted by the employees in advance of travel and on the basis of Travel Expense Statements which were submitted by employees for local travel in the performance of their day-to-day duties.

Generally, Travel Expense Statements, which would have been a satisfactory means of properly accounting for travel advances, were not submitted for out-of-town travel. In some instances (1) the amounts of the travel advances exceeded the travelers' entitlement under the SGTR based on the number of days of travel and the distance traveled as specified in the Requests and Authorizations of Official Travel and (2) the advances for out-of-town travel covered the same period for which local travel costs were claimed. In other instances the Requests and Authorizations of Official Travel were prepared and approved after completion of the actual travel. ✓

Many of the local Travel Expense Statements submitted by employees had not been approved by supervisors, did not specify the purpose of the travel, or did not contain odometer readings when private automobiles were used. We noted errors in the calculation of mileage when the expense statements showed odometer readings. We believe that these conditions indicate a laxity in the Association's system of review and approval. ✓

## PROCUREMENT

We examined all (69) procurement transactions for August 1969 involving the Association's procurement of supplies, equipment, food, and prescriptions for the Emergency Food and Medical Services program and the Head Start program. One or more of the following discrepancies existed in the 69 procurement transactions: (1) invoices were not on file in support of recorded payments, (2) purchases were made without approved purchase orders or other evidence of approval, (3) available invoices could not be related to recorded payments, and (4) payments were not supported by evidence that goods or services had been received.

## SPACE RENTALS

OEO's CAP Management Guide on grantee financial control techniques provides that all space procurement must be documented by a rental or lease agreement.

No documentation was available to support the Association's expenditures for space rentals. Association officials informed us that rental payments were made on the basis of oral agreements for the lease of the two buildings occupied by the Association in Amite, Louisiana, and the lease of space for the Head Start program in St. Helena Parish. The Association's headquarters buildings were leased at a cost of \$140 a month and the space for the St. Helena Parish Head Start program was leased at a cost of \$360 a year.

## PROPERTY

✓ The Association did not maintain adequate controls over accountable property, and, therefore, it was not fully aware of the property for which it was responsible or of the property which was available for use in the program.

According to OEO's CAP guidelines, grantees and participating agencies are expected to maintain records of all nonexpendable property purchased, take periodic inventories to verify that the property is on hand, and inform OEO of any such property that has been lost, destroyed, or stolen.

We found that (1) no property ledger was maintained, (2) no periodic physical inventories had been taken, (3) some property cards were maintained on both expendable and nonexpendable property although none were required for expendable property, and (4) no distinction was made on property cards between property which was purchased and that which was leased or rented. (Personal use of Association property is discussed on p. 24.)

#### NON-FEDERAL CONTRIBUTIONS

Except as otherwise determined by the Director, OEO, the Economic Opportunity Act, as amended, requires that grantees provide non-Federal contributions in the form of either cash or in-kind contributions equal to at least 10 percent of the program costs prior to June 30, 1967, and 20 percent thereafter.

The Association had not established an adequate system to provide satisfactory documentation on the extent of the in-kind contributions toward program costs and to formally account for such contributions. The Association could not provide us with satisfactory documentation to support the Association's claims of in-kind contributions totaling \$140,069 which it had reported to OEO for the 12 months ended November 30, 1969. The Association's documented evidence consisted of a carry-over of the amount recorded as in-kind contributions toward 1968 program costs, which had been based on the amount recorded as in-kind contributions for 1967. In 1969, the documentation for in-kind contributions consisted of vouchers prepared by the Association bookkeeper each month for one twelfth of the budgeted amount.

## CHAPTER 3

### CHARGES OF PROGRAM WEAKNESSES

#### FEES FOR MEDICAL SERVICES

It was charged that the chairman of the Association's board of directors, a local physician, may have been unjustifiably receiving fees for medical services provided to clients under the Association's Emergency Food and Medical Services programs and Head Start programs and that he processed as many as 200 clients in one afternoon.

We identified about \$61,000 that had been paid by the Association to the chairman as fees for medical services provided under the Association's Head Start and Emergency Food and Medical Services programs during the period from September 1966 to March 1969. In March 1969, OEO advised the Association that the chairman's paid participation in the programs was in violation of OEO requirements governing conflicts of interest. The chairman discontinued his paid participation at that time, but OEO took no action to resolve the questionable allowability of fees for medical services rendered by the chairman.

Generally, transactions by an individual acting both in a fiduciary, or management, capacity in a Government-sponsored program and as a supplier of goods or services to such program are questionable. By CAP memorandum 75, dated November 21, 1967, OEO identified the circumstances under which grantees could not obligate or expend program funds because of conflict-of-interest considerations. The memorandum, in effect, prohibits a grantee from purchasing goods, space, or services from a member of the grantees board, its executive director, or any of its employees having responsibility for procurement.

The memorandum states that the prohibition is effective against all types of procurement including banking and other financial services; medical, legal, and other professional services; and management and consultant services, as well as other kinds of skilled and unskilled labor. The memorandum provides that noncompliance could result in disallowance by

OEO of the costs of procurement in question or, in aggravated cases, of suspension or termination of the grant. In our opinion, the transactions described below were in contravention of OEO requirements. ✓

#### Head Start program

We identified Association payments of about \$36,064 to the chairman for physical examinations and laboratory services provided to participants in the Association's 1966, 1967, and 1968 summer Head Start programs. Other doctors, clinics, and hospitals were paid about \$21,000 in fees for medical services provided to participants in these programs. Of the \$36,064 identified as payments to the chairman, about \$18,000 represented charges for services rendered after the effective date of CAP memorandum 75.

The Association's documentation supporting medical payments under the Head Start programs was not readily available. The program was operated on a decentralized basis and each of the 16 or 17 schools participating in the program maintained its own records. Moreover, the medical records, which would have provided some assurance as to the propriety of these payments, had been forwarded to the various schools in which the program participants subsequently enrolled. Because the records were widely dispersed, it was impracticable for us to attempt to compare payments made by the Association with records of services actually rendered to participants in the program.

#### Emergency Food and Medical Services program

In June 1968, the Association received a grant from OEO for the operation of an Emergency Food and Medical Services program aimed at identifying and correcting problems of starvation or malnutrition among the poor. Whenever possible, existing Government-supported medical care programs were to be utilized in accomplishing the program objectives.

From the inception of the program through March 1969, when the chairman was advised of OEO's requirements concerning conflicts of interest, he was the only doctor to whom

referrals were made for medical services under the program. The Association paid fees of about \$25,000 to the chairman during this period.

Supporting documentation was inadequate to reasonably ensure that services were rendered for payments made to the chairman. Although participants' applications were on hand, there was no record of referrals for medical services. Also, the Association's records and personnel indicated that the chairman did not render bills to the Association for services provided to program participants. Instead, records of individuals' receiving medical services were made available by the chairman to the program director, who prepared a payment voucher for medical services provided each individual or family listed in the chairman's records and then prepared a monthly summary of the vouchers. Each payment voucher and the monthly summary of the vouchers showed the same date--the date they were prepared--rather than the actual dates the medical services were provided. Some of the voucher summaries contained charges for as many as 200 medical examinations and laboratory tests.

Because the summaries did not show the dates on which the services were provided, a misunderstanding could have occurred--that the chairman provided services to as many as 200 patients on a single day.

Because existing documentation did not provide adequate assurance that payments to the chairman were, in fact, for medical services provided, we interviewed the heads of 47 of the 287 families reported as having taken part in the program to ascertain the extent of medical services received. Of the 47 family heads interviewed, nine stated that they had not received all of the medical services for which the Association had paid, and four stated that they had received medical services in excess of those paid for by the Association. We experienced considerable difficulty in obtaining responses which we believed were fully reliable because in some instances these persons apparently did not understand what a blood test was or did not know whether they had received one. However, the results of the interviews do, in our opinion, raise a question as to whether medical services were provided for all payments made to the chairman under the program.

After OEO notified the Association in March 1969 that the chairman's paid participation in the program was in violation of OEO requirements, no further referrals of program participants were made to any doctors.

In discussing the circumstances under which all medical services under the program, until March 1969, had been provided by the chairman, the program director stated that attempts to get other doctors to participate in the program were unsuccessful. In this respect two of three doctors in the area whom we interviewed stated that they would have been willing to participate in the program. In addition, we noted that, besides the chairman, a hospital, two clinics, and five other doctors in the area had participated in the Association's 1968 Head Start program.

The program director stated also that, after March 1969, some program participants were referred to the State-supported Lallie Kemp Charity Hospital which provides free medical services to the poor. We found that some program participants for whom the chairman had received fees for services were receiving services from the hospital; and, because the State-supported charity hospital was available prior to March 1969, it appears that at least some and possibly a substantial portion of the medical services paid for by the Association could have been obtained at the hospital. The use of the hospital would have been in keeping with program provisions which provided for the use of existing Government-supported medical facilities to the extent possible in accomplishing program objectives.

The OEO team that reviewed the Association's programs in August 1969 concluded that there was an apparent lack of understanding by the Association of the basic philosophies of the Emergency Food and Medical Services program.

QUESTIONABLE SALARY PAYMENTS  
TO ASSOCIATION EMPLOYEE

It was charged that the director of the Association's multipurpose farm services program was on the Association's payroll while he was employed as a dean at a college and while he was on a 3-month vacation.

The Association's records showed that the individual received compensation as the director of the farm program for the period January 1, 1968, through December 15, 1969. During the first month of the director's employment by the Association, he also held the position of dean at a college. The Association's records and discussions with Association personnel indicated that the director began an extended trip to Japan in the second week in June 1968 and that for the last 3 weeks of the month he was paid by the Association for a combination of annual leave, sick leave, and compensatory time.

For the last 3 weeks of June 1968, the director was paid for 7-1/2 days of sick leave, 6 days of annual leave, and 1-1/2 days of compensatory time. The director was placed in a leave-without-pay status during July and returned to work in August. Our review of the director's leave record and time and attendance reports showed that he was credited with 5 days of sick leave when he began work for the Association in January 1968 and was credited with an additional 6 days during the first 6 months of the year. He was also credited with 6 days of annual leave and 1-1/2 days of compensatory time from January through June 1968.

The director's time and attendance reports showed that (1) during the 6-month period he took 4 days of annual leave which were not charged against leave earned and (2) he used 1 day of compensatory time which was not charged against compensatory time earned. The director informed us that he had received advance approval for the use of the 7-1/2 days of sick leave taken in June 1968 but that he was not sick. We, therefore, question the use of sick leave for a vacation; and, on the basis of data available, we are of the opinion that in comparison to the 15 days of leave for which the director was paid, he was entitled to payment for only 2-1/2 days of leave as shown below.

	<u>Leave credited</u>	<u>Leave used prior to June vacation</u>	<u>Available for vacation</u>
Sick leave	11 days	none	none
Annual leave	6 "	4 days	2 days
Compensatory time	1-1/2 days	1 day	1/2 day

With respect to compensation paid to the director during January 1968, Association officials stated that he was on duty full-time during this period and college officials stated that it would have been possible for the director to serve full-time with the Association while also holding the position of dean at the college. The director was earning \$1,000 a month as the director of the Association's farm program.

Therefore, we were unable to develop sufficient evidence to resolve the propriety of the salary payments to the director during the period when he also held the position of dean at a local college.

EMPLOYMENT OF RELATIVES

It was charged that relatives of the chairman of the board and of the executive director were employed by the Association. The Association's records showed that a daughter of the chairman and a daughter of the executive director were employees of the Association at about the time that OEO issued instructions prohibiting the employment of relatives.

The Association's records showed that during the 1966 Head Start program (1) the chairman's daughter was employed as an educational director and received compensation of about \$1,100 for the months of August and September 1966 and (2) the executive director's daughter was employed as a secretary and received compensation of about \$750 for the months of August and September 1966. Although there was no evidence that the chairman's wife received compensation, we were advised by the executive director that the value of her services as a secretary were recorded as an in-kind

contribution during 1966 and 1967. There were no records available, however, to support the executive director's statement.

On August 26, 1966, OEO issued CAP memorandum 23-A which generally prohibits the employment of relatives of grantee officials whether that employment is supported by OEO funds or by in-kind contributions. The memorandum permitted grantees to apply for a temporary waiver of the requirement or to phase compliance over a period of time.

Although there was no evidence that the Association made such an application, the executive director informed us that the employment of relatives was discontinued when he became aware of OEO's requirements. The Association's records showed, however, that the chairman's wife did not tender her resignation until October 1, 1967.

#### AVAILABILITY OF EMPLOYEES FOR DUTY

It was charged that specific individuals hired by the Association as full-time employees were also either full-time students or full-time employees elsewhere. As noted below these individuals had been employed by the Association while also engaged in other pursuits. Available information regarding the circumstances of these cases, however, was not sufficient for us to determine conclusively that employees devoted less than full-time to their Association duties.

The executive director, from the date of his appointment on June 1, 1966, to September 19, 1966, was also employed as a building inspector at a local college. He stated that the position of building inspector required only a nominal amount of his time, in the early morning and before the scheduled Association working hours, and that he spent full-time at his Association position during the period in question. College officials stated that to their knowledge the executive director served full-time as building inspector and the college's records indicated that he worked 8 hours each workday during the period in question.

An Association social worker was enrolled in a job-related social studies course at the local college from

January 1968 to May 1968 while a full-time employee of the Association. The course was scheduled from 12:30 P.M. to 1:45 P.M. on Tuesdays and Thursdays. The Association's executive director advised us that the employee's attendance at the course was verbally approved by him. College officials informed us that the employee attended the course on a non-academic-credit basis.

Two other Association employees also attended the college full-time while working for the Association. One of the employees was paid on an hourly basis for part-time work at the Association. Association officials informed us that the other employee had his working hours adjusted so that he could attend school and also work full-time. Time and attendance records were not maintained in a manner which would permit us to confirm this statement.

Questions concerning the dual employment of the Association's multipurpose farm services director are discussed on pages 20 and 21.

## USE OF ASSOCIATION PROPERTY

It was charged that property purchased with OEO grant funds was used by Association personnel in their business or personal activities and that two major items of equipment purchased by the Association--a bean grader and a cucumber and bell pepper waxing machine--were in the possession of local farmers and were never used for program purposes.

As discussed on page 9 , the Association did not maintain the necessary control over property to permit an accounting for all property for which it was responsible or to identify the location of such property. Under these circumstances it was not practicable for us to make a comprehensive review of the use being made of the property purchased by the Association. We did discuss this matter with Association employees, two of whom stated that they had used chemical sprayers, costing about \$35 each, and other miscellaneous items of Association property in their private farming operations. They stated that these items were also used in Association programs.

The bean grader was acquired at a cost of \$2,275 in April 1968, without the required OEO approval, for use by a group of poor farmers. This group was organized as the Union Growers Cooperative and Marketing Association, Inc., in May 1969 and the majority of the cooperative's officers were Association employees. According to Association officials, the grader was stored on the private property of a local farmer and had not been used to any great extent.

The cucumber and bell pepper waxing machine was acquired at a cost of \$6,195 in April 1968, without the required OEO approval, in anticipation of the development of a program under which poor farmers in the area would grow cucumbers. The program was not developed, but the Association leased the waxing machine to a farmer for \$100 a year with the stipulation that low-income farmers would be allowed to use the machine at no cost. According to Association officials, the machine had not been used by low-income farmers.

At the termination of the OEO grant, OEO (1) donated the bean grader to the Union Growers Cooperative and Marketing Association, Inc., with the stipulation that, if the organization discontinued serving the poor, OEO was to be advised prior to any disposition of the grader, (2) transferred the waxing machine to another community action agency, and (3) provided for the transfer of additional items of property, that might later be identified as property of the Association, to other community action agencies or organizations.

POSSIBILITY THAT POLITICAL CONSIDERATIONS  
INFLUENCED SELECTION OF PROGRAM PARTICIPANTS

It was charged that the executive director of the Association may have used the food stamp program for political purposes by influencing State officials to certify ineligible persons as eligible to participate in the program. Our tests of the eligibility of participants revealed no instances of ineligible participants in the program.

The eligibility of a participant in the food stamp program is determined by the State Welfare Department which certifies the eligibility of each participant and issues an eligibility card permitting each participant to purchase a specified amount of food stamps at a specified price. Under the State Welfare Department's criteria, persons who are on State welfare rolls or who meet stipulated financial criteria are eligible to participate in the food stamp program.

The Association paid the salaries, travel expenses, and personal bonds of three of its employees who were assigned to sell and distribute the food stamps to eligible persons throughout the Tangipahoa and St. Helena parishes.

We observed the distribution of food stamps at Ponchatoula and Independence, Louisiana. To test the eligibility of persons purchasing stamps, we made a random selection of 10 persons from the group purchasing stamps at each location. We interviewed (1) the purchasers included in our sample and (2) the operators of several participating food stores in Independence and Amite, Louisiana.

Officials at the State Welfare Office informed us that they were aware of only two instances in which the executive director of the Association had recommended persons for food stamps and that in both instances the persons were found to be eligible. The food store operators informed us that they knew of no ineligible food stamp recipients, and information supplied to us by the 20 participants confirmed the eligibility determinations made by the State Welfare Department.

The results of our tests are shown in the following table.

	<u>Ponchatoula</u>	<u>Independence</u>
Number of persons selected	10	10
Number on State welfare rolls	7	5
Number who met other financial criteria	3	5
Number appearing to be in need of assistance	10	10
Number who stated they knew the executive director	0	1

## CHAPTER 4

### CHARGES OF INEFFECTIVE OEO SUPERVISION OF LOUISIANA

#### COMMUNITY ACTION AGENCIES

It was charged that the Louisiana supervisor of rural CAP agencies of OEO's Southwest Regional Office had not provided adequate supervision, guidance, and proper evaluation of individual rural CAP agencies and that this situation resulted in confusion and biased and inaccurate reporting to the OEO Southwest Regional Director. It was also charged that the OEO Southwest Regional Office had not processed a May 1, 1969, proposal of the Association's assistant director that a person with accounting experience be employed as recommended by Volt Technical Corporation, a private consulting firm employed by OEO.

We discussed the activities of OEO's Louisiana supervisor of rural CAP agencies with the Director of the Louisiana State Economic Opportunity Office who told us that many of the community action agencies in Louisiana had experienced difficulties with this supervisor, and that he had discussed the problem in early January 1970 with the Director of OEO's Southwest Regional Office. Thereafter on January 12, 1970, OEO's Louisiana supervisor was replaced. The Director of the Louisiana State Economic Opportunity Office informed us that he considered the action taken by OEO to be a satisfactory resolution of the problems which had existed.

With respect to the Association's proposal to employ an individual with accounting experience, the records showed that in May 1969, the Association submitted a request to the OEO Southwest Regional Office for a program change to employ a person with accounting experience. This program change had been recommended by various OEO representatives. It was not until August 26, 1969, however, that the Director of the Southwest Regional Office approved the requested change. This decision was reversed in September 1969, and the change was disapproved on the basis that a decision had been made to discontinue funding of the Association for the next program year. We were advised by officials of the OEO

Southwest Regional Office that the delay in processing the Association's May 1969 request occurred because the request was lost in the routing system at the regional headquarters.

**APPENDIX**



**Congress of the United States**  
**House of Representatives**  
Washington, D.C. 20515

JOHN R. RARICK  
5TH DISTRICT, LOUISIANA

COMMITTEE:  
AGRICULTURE

November 20, 1969

Mr. Elmer B. Staats  
Comptroller General  
General Accounting Office  
441 G Street, NW  
Washington, D. C. 20548

Dear Sir:

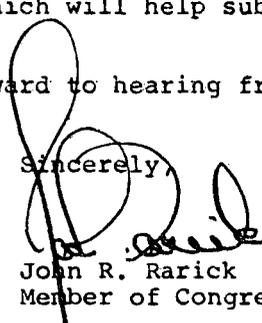
I would like to request of the General Accounting Office a full and complete audit of the books of the Floridana Economic Development Administration located in Amite, Louisiana.

This is an OEO-funded agency, and I understand from numerous constituents that there are reported gross irregularities in the expenditure of these federal funds by officials of Floridana.

If you so desire, I will be happy to attempt to obtain records which will help substantiate these charges.

I shall look forward to hearing from you in the near future.

Sincerely,



John R. Rarick  
Member of Congress

JRR:cf