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UNITED STATES GENERAL ACCOUNTING OFFICE
DALLAS REGIONAL OFFICE
ROOM 500 1512 COMMERCE STREET
DALLAS, TEXAS 75201

July 16, 1971

Mr James W Griffith
Director, Southwest Region
Office of Economic Opportunity
1100 Commerce Street
Dallas, Texas 75202

Dear Mr. Griffith:

The General Accounting Office has made a review of selected aspects of Office of Economic Opportunity (OEO) funded programs carried out by the Economic Opportunity Agency of Pulaski County, Inc. (EOA), Little Rock, Arkansas. Our review was conducted pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our audit effort was directed principally toward an evaluation of the financial administration of OEO funded programs for the year ended August 31, 1970, with particular emphasis on control over the disbursement of grant funds, accounting for non-expendable property, and the valuation of in-kind (non-Federal) contributions to total program cost. The review was limited generally to those activities directly administered by the EOA and, except for certain evaluation work performed in connection with the grantee's non-Federal contribution, did not include delegate agency operations. Due consideration was given during our examination to current OEO regulations and directives, and to prior audit reports.

Our review showed that the grantee's method of accounting for and its control over the disbursement of Federal grant monies was generally adequate. Minor questions raised in this review area were satisfactorily resolved during the course of our examination. In other areas of our review, however, two questionable matters were noted which we believe warrant your attention. These are:

- (1) the inadequate identification and control of non-expendable property acquired both by donation and with Federal grant funds, and
- (2) excessive rental values being claimed for certain donated building space in meeting non-Federal share requirements of the program, as evidenced by appraisals of these properties provided at our request by the General Services Administration. These matters were discussed in depth with the LOA Executive Director at the conclusion of our review in December 1970 and, in both instances, corrective action was

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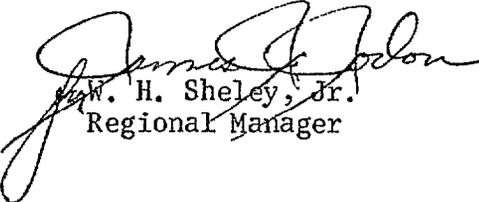
either indicated or had been initiated at that time. These actions include:

- A complete physical inventory of all non-expendable property. In conjunction with the physical inventory, all controllable property was to be assigned identification numbers and property record cards were to be created in accordance with the provisions of Volume V, CAP Grantee Financial Policy and Procedures Guide. Initial efforts to this end had commenced at the close of our review.
- The obtaining of an independent appraisal of donated building space as a means of establishing its fair market rental value. Contact with the EOA Executive Director subsequent to our review showed that this action had been accomplished and that appropriate adjustments to in-kind rental claims were in process.

While it appears that efforts undertaken by the grantee, if implemented as indicated, will adequately correct the weaknesses noted during our review, we are bringing these matters to your attention for informational purposes, and for possible consideration in future funding decisions. We plan no additional reporting as a result of this review.

We wish to acknowledge the courtesy and excellent cooperation extended our representatives by EOA personnel during the review.

Sincerely yours,


James H. Sheley, Jr.
Regional Manager

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