

*REPORT TO THE
SPECIAL COMMITTEE ON AGING 095879
AND THE SUBCOMMITTEE ON AGING,
COMMITTEE ON LABOR
AND PUBLIC WELFARE
UNITED STATES SENATE*



Award Of A Contract
And A Grant To The Federation Of
Experienced Americans, Inc., And
Related Financial And
Program Activities B-163922

Department of Labor
Office of Economic Opportunity

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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APPENDIX

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ABBREVIATIONS

DHRD	California State Department of Human Resources Development
FEA	Federation of Experienced Americans
GAO	General Accounting Office
HRC	United States Human Resources Corporation
JOA	Jobs for Older Americans
OEO	Office of Economic Opportunity
RJI	Retirement Jobs Incorporated

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SPECIAL COMMITTEE ON AGING
AND THE SUBCOMMITTEE ON AGING
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AWARD OF A CONTRACT AND A GRANT TO
THE FEDERATION OF EXPERIENCED
AMERICANS, INC., AND RELATED
FINANCIAL AND PROGRAM ACTIVITIES
Department of Labor
Office of Economic Opportunity
B-163922

D I G E S T

WHY THE REVIEW WAS MADE

At the request of the Committees, GAO

--reviewed the bases on which a contract and a grant were awarded to the Federation of Experienced Americans (FEA) by the Department of Labor and the Office of Economic Opportunity (OEO);

--identified persons involved in the awards and their activities; and

--reviewed financial and program activities of FEA through June 30, 1973.

FEA administered a program for the Department of Labor under a cost-reimbursement contract amounting to \$1,540,000. The program was designed to enroll and provide subsidized work to 350 individuals who were at least 55 years of age and who had been certified as "poor," by Labor's definition. Seventy-five percent of the 350 were to be placed into unsubsidized employment.

FEA also administered a program for the elderly poor under an OEO grant amounting to \$399,839. This was designed to assist in the development of new approaches and methods for overcoming special problems of the Spanish-speaking elderly poor.

GAO discussed its findings with officials of Labor, OEO, and FEA. However, these officials and other

affected parties have not been given an opportunity to formally examine and comment on this report, as agreed with the Committees.

FINDINGS AND CONCLUSIONS

Precaward activities

The grant and contract awards were processed outside normal procedures. Officials of Labor and OEO said that both the grant and the contract had substantial White House backing. (See p. 12.)

Program activities and results

GAO did not review FEA's program activities under the grant since OEO was in the process of doing so. (See p. 20.)

Under Labor's contract FEA operated an Operation Mainstream program in California--Oakland and San Francisco--and Florida. The Florida component was managed effectively. Some minor deficiencies were brought to the attention of the project director who agreed to correct them. (See p. 20.)

The Oakland component was not effective in achieving its primary objectives--training and placing disadvantaged elderly persons in unsubsidized jobs.

Many of its enrollees, claimed as unsubsidized placements by the

Oakland component, actually had been working for the same employer or industry before, during, and after their enrollment. They had also earned amounts above the poverty level income criteria used by Labor in determining eligibility.

Neither the enrollees claimed as placements by the Oakland component nor their employers had been made aware of the program's objectives. (See pp. 22 and 24.)

Almost all the enrollees participating in Oakland were placed in private for-profit concerns--primarily in the garment industry--which was not in accordance with contract provisions that subsidized placements be with public or private nonprofit institutions. (See p. 26.)

At the FEA component in San Francisco, program goals generally were being accomplished, although the record-keeping activities and internal control procedures needed improvement. The project's director subsequently advised GAO of actions taken to overcome these problems.

Financial activities

Lack of appropriate checks and balances rendered FEA's accounting system and related internal controls inadequate.

Appropriate controls had not been established to encourage compliance with contract and grant requirements, to insure that contract and grant funds were used only for authorized purposes, or to check the accuracy or reliability of accounting records.

As a result of the deficiencies

noted, GAO questioned expenditures of about \$184,000 under the contract and about \$30,000 under the grant (See pp. 33 and 34.)

In several instances FEA used contract funds for expenditures under the grant and vice versa. Contract and grant funds were also used for personal expenditures of FEA's president.

FEA employees traveled outside program areas without authorization from Labor and OEO officials. Trips were made without documenting the purposes. No reports were made of the business conducted. GAO questioned about \$23,700 of travel expenses for these and other reasons. (See p. 30.)

FEA made a large number of equipment and supply purchases amounting to \$3,807 through private suppliers without first obtaining written permission from the contracting officer as required under its contract with Labor. (See p. 31.)

AGENCY ACTIONS

Both Labor and OEO have notified FEA that after weighing all pertinent available facts and considerations, it would be in the best interest of the Government not to refund present programs with FEA.

Labor and OEO will make the final determination of the allowability of costs questioned by GAO under the contract and grant, respectively. In addition, Labor auditors will audit FEA's financial transactions for the period from July 1, 1973, to the end of the contract and the grant periods.

CHAPTER 1

INTRODUCTION

Pursuant to joint requests from the Senate Special Committee on Aging and the Subcommittee on Aging, Senate Committee on Labor and Public Welfare, dated March 5, and June 29, 1973, (see apps. I and II), we reviewed selected aspects of a contract and a grant awarded to the Federation of Experienced Americans (FEA) by the Department of Labor and the Office of Economic Opportunity (OEO), respectively.

The initial request involved verifying certain information provided by the Labor Department in response to a joint inquiry from the Committees concerning the contract awarded to FEA.

Subsequently, the Committees requested that we:

- Determine the bases upon which the contract and grant awards were made and identify persons involved in the awards and their activities.
- Conduct a full financial audit of FEA activities.
- Examine the manner in which the federally funded programs were being carried out.

We did not evaluate FEA's overall effectiveness in accomplishing the program objectives for which OEO funds were provided because OEO was evaluating this matter at the time we completed our fieldwork.

We discussed the results of the program and financial aspects of the review with FEA, Labor, and OEO officials. As noted in subsequent chapters, Labor and OEO will resolve the financial questions raised in the audit and both agencies have decided to discontinue funding FEA programs.

CHAPTER 2

FEA ORGANIZATION AND OPERATIONS

ORGANIZATION

FEA is a nonprofit corporation, incorporated in the District of Columbia on March 29, 1972, to, according to the articles of incorporation, (1) carry on educational activities by establishing a network of business and professional people with a special interest in aging and a willingness to support sound programs and policies on behalf of older persons, (2) develop the expertise to use Federal funds appropriated on behalf of experienced Americans, (3) develop services, including those for pensions, medical help, housing, employment, education, transportation, vocation, and recreation, which will benefit older persons, and (4) create a communication network to inform older Americans of programs and services available to them and to help them articulate their desires.

FEA's constitution and bylaws in effect during fiscal year 1973, the period covered by our audit, state that FEA management is to be vested in three executive directors. According to the FEA president, who was also the founder of FEA, the executive directors and their functions were:

<u>Position</u>	<u>Director</u>	<u>Principal functions</u>
Chairman of the Board	Dr. Theodore Klumpp	Advisor and consultant.
President/treasurer	David W. Brody	Directs all programs and is personally responsible for program content and quality.
Corporation secretary	Dr. James P. Baker	Advisor and consultant.

FEA's organization chart shows that it is governed by a four-member board of directors which includes, in addition to the three executive directors mentioned above, Mr. Hugh W. Brenneman.

The board is required to meet annually by FEA's charter. FEA's president is responsible for developing, designing, and implementing relevant programs for older citizens. We did not ascertain the extent of the other board members' involvement in the direction or management of FEA.

Background of FEA officials

Data submitted to Labor before the contract was awarded shows that Mr. Brody did undergraduate work at the University of Connecticut and Boston University from which he received bachelor of science degrees in industrial management and mathematics, respectively. According to the data, Mr. Brody also received a master of business administration degree with a major in business administration from Boston College in 1965.

Mr. Brody's resume showed that since 1955 he has worked as a program coordinator and as a planning director for contractors with defense contracts; as a project engineer, an assistant director of marketing, and in managerial positions with various private consulting firms; and, immediately prior to his presidency of FEA, was an independent consultant to the Health Maintenance Organization Service, Department of Health, Education, and Welfare. His resume does not indicate any involvement in the area of gerontology, and our discussions with him confirmed this.

Data submitted to Labor shows that Dr. Klumpp, chairman of the board, was a 1928 graduate of Harvard Medical School and had been associated with various activities dealing with the aged and rehabilitation. It showed that he was a member of the Governor's Council on Rehabilitation, State of New York; Committee on Aging, Council on Medical Services of the American Medical Association; Panel on Aging, (Department of Health, Education, and Welfare) Washington, D.C.; and the State Vocational Rehabilitation Planning Council, New York City. The data showed that Dr. Klumpp was also the chairman of Winthrop Laboratories, a division of Sterling Drugs, and was the director and vice president of Sterling Drugs, Inc.

Labor's data showed that Dr. James P. Baker was a practicing surgeon in Virginia where he had formed a partnership to construct a 60-bed nursing home. He was a charter member and vice president for Medical Affairs of the American

Society for Cybernetics and was conducting research on problems of the elderly under the auspices of the Albert Lundy Baker Memorial Foundation and Ecosystems Research Corporation of which he was president and chairman of the board, respectively.

Mr. Hugh W. Brenneman, according to Labor's data, was a Michigan public relations consultant who had worked for various organizations, including many Michigan health associations. The data showed that he was executive director of the Michigan Association of the Professions and president of the American Association of the Professions.

OPERATIONS

In administering Labor's contract, FEA worked through its project-type organization, known as Jobs for Older Americans (JOA), which had three offices--one in Tallahassee, Florida, and two in the San Francisco, California, area.

Dr. Robert G. Turner and William M. Whitaker III were the Florida project director and Tallahassee project director, respectively. In charge of the San Francisco JOA operations was Beatrice Gartz, a retired educator. Dr. Edward K. Chook managed a third JOA office in Oakland, California. The JOA San Francisco office handled most administrative matters for the Oakland office, but the Oakland office was independent with respect to program activities.

FEA's subcontractor under the OEO grant was the United States Human Resources Corporation (HRC), a for-profit organization also in the San Francisco area. HRC has organized, planned, and developed a number of programs for public and private agencies and community development corporations. The president of HRC is Herman Gallegos.

CHAPTER 3

LABOR CONTRACT AND OEO GRANT

FEA obtained a contract from Labor's Manpower Administration and a grant from the Special Programs Division of OEO as follows.

<u>Contract grant number</u>	<u>Amount</u>	<u>Period</u>		<u>Statutory authority and program</u>
		<u>From</u>	<u>To</u>	
<u>Labor</u>				
2607-99	\$1,540,000	6-30-72	^a 1-31-74	Title IB, Economic Opportunity Act of 1964, as amended (42 U.S.C. 2740) (Operation Mainstream)
<u>OEO</u>				
30064	399,839	11-1-72	^b 2-28-74	Title IIC, Economic Opportunity Act of 1964, as amended (42 U.S.C. 2825) (Research and pilot programs)

^a Expiration date of June 30, 1973, extended to January 31, 1974, and funds increased from \$1 million to \$1,540,000.

^b Expiration date of October 31, 1973, extended to February 28, 1974, at no increase in funds.

CONTRACT 2607-99

The contract with FEA was initially for the period June 30, 1972, through June 30, 1973, and was made under title IB of the Economic Opportunity Act of 1964, as amended, which authorized "financial assistance in urban and rural areas for comprehensive work and training programs or components of such programs * * *."

The specific objectives of the project authorized by the contract were "to provide work opportunities for elderly disadvantaged workers in California and Florida," and to "provide an expansion of existing needed services by creating additional employees to work in current programs where there is a shortage of personnel."

The contract provided that FEA would (1) enroll individuals who were 55 years old or older and certified as poor by Labor's definition and who were chronically unemployed--meaning unemployed for more than 15 consecutive weeks, repeatedly unemployed over the prior 2 years, or employed less than 20 hours a week for more than 26 consecutive weeks and (2) enroll 350 persons and place 75 percent of them in unsubsidized employment. The enrollees were to be employed in Northern California and in the greater Tallahassee area and to work no more than 20 hours a week for 50 weeks. They were to be paid between \$1.60 and \$3 per hour.

On June 28, 1973, Labor extended FEA's contract from June 30, 1973, to December 31, 1973, and increased the total amount of the contract by \$540,000. Labor decided to extend all the Operation Mainstream national contracts to December 31, 1973, to put them on a uniform contract cycle. This, according to Labor program officials, would enable the Labor Department to uniformly implement program changes.

On December 14, 1973, Labor notified FEA that, after carefully weighing all available facts and considerations, it had concluded it would be in the Government's best interest not to refund the FEA contract. Labor has taken steps to transfer FEA enrollees to projects operated by other Operation Mainstream contractors. To allow for an orderly closing out of the contract and to insure that FEA's Operation Mainstream enrollees would have a smooth transition to other Operation Mainstream programs, Labor extended FEA's contract for 1 month, to January 31, 1974.

The following schedule shows the budgeted contract costs for the original contract period and for the extension.

Budgeted FEA Costs For Labor Contract 2607-99

	<u>Total</u>	<u>JOA</u>	<u>FEA</u>
Enrollee costs:			
1 year contract	\$ -	\$ 799,386	\$ -
Extension	<u>-</u>	<u>464,170</u>	<u>-</u>
Total	<u>1,263,556</u>	<u>1,263,556</u>	<u>-</u>
Administrative costs:			
1 year contract	-	-	48,842
Extension	<u>-</u>	<u>9,950</u>	<u>18,096</u>
Total	<u>76,888</u>	<u>9,950</u>	<u>66,938</u>
Staff costs:			
1 year contract	-	64,032	58,960
Extension	<u>-</u>	<u>44,123</u>	<u>32,441</u>
Total	<u>199,556</u>	<u>108,155</u>	<u>91,401</u>
Total contract costs	<u>\$1,540,000</u>	<u>\$1,381,661</u>	<u>\$158,339</u>

GRANT 30064

The grant was awarded for the period of November 1, 1972, through October 31, 1973, under title IIC of the Economic Opportunity Act of 1964, as amended, allowing the Director of OEO to

"provide financial assistance for pilot or demonstration projects conducted by public or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special problems * * *."

This subsection also permits OEO to fund research pertaining to such approaches or methods.

The grant-funded project, "Outreach Program for the Elderly Poor", was described in OEO documents as having these objectives:

1. Develop in-depth demographic data on the characteristics and needs of the elderly poor.
2. Ascertain whether distinctive problems exist for the Spanish-speaking elderly poor and whether special techniques may be available to deal with these problems.
3. If other special groups among the elderly poor appear to have such distinctive problems, attempt to identify and recommend further research on these problems.
4. Establish three prototype resource centers for the elderly in communities of predominantly Mexican-American, Puerto Rican, and Cuban ethnic composition.
5. Establish a National Information Center to assemble information on federally sponsored programs aimed at benefiting the elderly poor and to disseminate this data to the three prototype resource centers.

FEA contracted out most of the work under the grant to HRC, a San Francisco based corporation with a history of service in programs dealing with Spanish-speaking Americans. HRC had submitted the original proposal for the outreach program to OEO; HRC was not awarded the grant, however, because of OEO's policy to award grants of this type to non-profit organizations. According to OEO program officials, FEA was invited to participate in the project because of its nonprofit status and it was agreed that HRC would serve as the subcontractor for the grant.

On November 2, and December 3, 1973, OEO notified FEA that the grant would be extended for 1 month at no additional cost. An OEO program official told us that the Director of OEO (1) had decided to extend the grant for November and December and (2) wanted to have a complete review of the grant made before he decided whether to terminate funding.

On January 18, 1974, OEO notified FEA that, after carefully weighing all pertinent facts and considerations, it had concluded it would be in the Government's best interest not to refund the present FEA grant, but it gave the grantee until February 28, 1974, to phase out the grant.

The budgeted costs for the OEO grant are set forth below.

Budgeted Costs For OEO Grant 30064

	<u>Total</u>	<u>FEA</u>	<u>HRC</u>
Staff costs	\$241,231	\$ 93,743	\$147,488
Administrative cost	<u>158,608</u>	<u>29,394</u>	<u>129,214</u>
Total grant costs	<u>\$399,839</u>	<u>\$123,137</u>	<u>\$276,702</u>

CHAPTER 4

PREAWARD ACTIVITIES

The committees requesting the review were particularly interested in the activities leading to the award of Labor's contract and OEO's grant. According to the information provided by Labor and OEO officials, there was substantial White House backing for both the contract and the grant and both awards were processed outside the agencies' normal processing procedures.

CONTRACT AWARD ACTIVITIES

In keeping with President Nixon's promise to the White House Conference on the Aging in November 1971 that the jobs program for older persons with low incomes would be doubled to \$26 million, then Secretary of Labor, J.D. Hodgson, announced on April 19, 1972, that the additional \$13 million had been allocated to help about 5,000 older workers.

Secretary Hodgson said that \$10 million would be used to increase funds for five existing national contracts. An additional \$2 million would be used in local older worker projects negotiated and approved by Labor's regional manpower administrators. A decision on how the remaining \$1 million was to be allocated was to be made before June 30, 1972.

The five national contracts awarded, according to Secretary Hodgson, were to (1) National Retired Teachers Association, (2) National Farmers' Union, (3) U.S. Forest Service, (4) National Council of Senior Citizens, and (5) National Council on the Aging.

All opportunities under the expansion program were for persons 55 and older. Enrollees were to work in locally sponsored projects that provided needed public services or improved the physical or social environment.

We discussed pre-contract award activities with Labor officials--both current and former--who were involved. Included in our discussions were the former Assistant Secretary for Manpower and his former executive assistant, the former chief, Division of Work Experience, Manpower Administration, and other officials involved in various aspects of the

contract. We also reviewed documents dealing with preaward activities available from Labor files or from the individuals involved.

The former Assistant Secretary advised us that the White House took an active role in directing the Labor Department as to how the expansion moneys were to be spent. The White House staff member involved was identified as L. J. Evans, Jr. According to the former Assistant Secretary, the White House wanted the \$13 million in expansion moneys to go to organizations considered friendly to the administration. Labor's initial allocation plan did not satisfy this requirement and, according to the former Assistant Secretary, Mr. Evans and the former executive assistant worked out a compromise plan which called for awarding a \$1 million contract to an organization to be selected by the White House. This occurred in February 1972.

The former executive assistant told us the White House wanted Labor to cut back and/or terminate funding for two of the Operation Mainstream national contractors--the National Council on the Aging and the National Council of Senior Citizens. He stated that Labor had no intention of reducing or terminating funding with these groups, primarily because an evaluation report had stated that the nationally run contracts were the best segment of the Operation Mainstream program in terms of accomplishments and meeting of program objectives.

According to the former executive assistant, he met with Mr. Evans and FEA representatives three times in Mr. Evans' office and with FEA representatives and lower level Labor program officials in the office of the former Assistant Secretary for Manpower. A Labor Department chronology of preaward activities provided details of the latter meeting, as well as subsequent meetings, and notes that Labor officials were instructed to assist in developing an older worker project using \$1 million of Operation Mainstream's expansion moneys.

Labor records show that the initial FEA proposal, while considered fundable, contained certain weaknesses and required revision. A second proposal was submitted to the Department and program officials decided to meet with the FEA president to clarify a number of issues, including the matter of FEA's capability. The program official primarily involved said that the purpose of the proposed meeting was the subject of telephone inquiries from both the former Assistant Secretary for Manpower and his executive assistant. After some

discussions as to the level at which the meeting should take place, they decided that it should be at the program official's level. The executive assistant ultimately directed the program official to pursue all matters with the FEA president, except FEA's capability, which the executive assistant said he would handle personally.

The executive assistant told us that he requested the FEA president to supply additional information regarding the capabilities of FEA and the FEA president. On June 15, 1972, the FEA president provided Labor with four reference letters regarding his character, integrity, and ability as an organizer, as well as background data on the members of the board and copies of FEA's articles of incorporation, constitution, and bylaws.

Labor Department records show that the above-mentioned meeting was held on June 7, 1972, and the FEA president agreed to revise the proposal and resubmit it by June 9, 1972. The revised proposal was submitted on June 10; the Department expedited processing of the proposal and records show that on June 30, Labor officials called the FEA president to come in and sign the contract document.

The former Assistant Secretary told us that he was responsible for the Department's action in funding FEA. He stated that, in his opinion, the \$13 million was not allocated unreasonably in that only \$1 million had gone to a new organization reportedly friendly to the administration. Some \$8 million had gone to existing contractors reportedly unfriendly to the administration, an additional \$2 million went to the U.S. Forest Service, and the remaining \$2 million was set aside for locally sponsored projects. He did not believe undue pressure had been exerted on him to fund FEA. He summed up his position by saying that he had merely responded to White House requests for consideration.

GRANT AWARD ACTIVITIES

FEA files contained a copy of an HRC proposal to establish 24 centers for the Spanish-speaking elderly. The proposal was submitted to the White House on June 9, 1972, and was also submitted to OEO. According to OEO officials, HRC was not awarded the grant because it was a for-profit consulting firm and FEA was subsequently invited by a White House staff member to participate in the proposal as project

coordinator and HRC was to become a subcontractor to FEA. OEO records show that FEA submitted an unsolicited proposal dated August 31, 1972, for the project. An OEO official advised us that a White House staff member, L. J. Evans, Jr., directed OEO to fund the proposal from FEA which was for a major project concerning elderly Spanish-speaking people.

OEO officials told us that Mr. Evans also instructed OEO to limit its forthcoming contract extension with the National Council on the Aging to 6 months after which OEO would be expected to award a grant or contract to FEA to provide a full range of professional training and technical assistance for OEO aging programs that had been provided by the National Council on the Aging for many years with funds from OEO and other agencies.

The former Chief of the Older Persons Programs, in OEO's Office of Operations, stated in a memo dated November 17, 1972, on his review of the proposal that he had been given FEA's proposal for review on or about September 18, 1972. He said in the memo that he was "shocked at the weakness" of the proposal and wrote "a devastating" critique, which stated in part:

"* * * the proposal as now written is an extraordinary weak, unfocused, uniformed and unprofessional job. It is without a doubt the weakest proposal of this magnitude that I have ever reviewed. It is really an unbroken chain of mundane cliches, uniformed statements of purported fact and immoderate condemnation of all existing agencies and programs as they relate to the Spanish-speaking elderly* * *."

The former Chief's memo said that he was later given a copy of a letter dated October 20, 1972, from the FEA president which contained some modifications of the work plan and a "loosely constructed" budget for about \$400,000. OEO program officials told us that despite their disapproval the former Associate Director of OEO's Office of Program Review instructed the former Chief to get the project funded and gave the Older Persons program staff 24 hours to produce a signed grant document.

The former Chief's memo stated that he was (1) told the grant was to be completely processed and signed by the end of the following day, (2) instructed to serve as the project

manager for the grant and in that capacity to sign as its originator and to prepare in draft all the necessary technical grant papers with the help of a technician in the Grants Processing Branch, and (3) told that the work program and budget were to be accepted as presented with no further opportunity for negotiating work or budget provisions.

OEO officials said that, at a briefing session held October 31, 1972, they were advised by the executive assistant to the former Associate Director for Program Review that the normal agency requirement for Project Review Board approval had been waived, that normal approval of the Mayor of Washington and certain governors would be handled informally, and that standard procedures for announcing the grant were to be bypassed for the time being.

A set of special conditions was prepared which, according to the former Chief, would have provided the Government with some control over the conduct of the work program. The former Chief said he was told by the former Associate Director for Program Review that the special conditions were considered to be too harsh and perhaps illegal. They were later considerably revised. All the other grant papers, according to the former Chief, were typed on October 31, by an FEA secretary who was sent to OEO for that purpose.

The former Chief, in his critique of the grant, stated the following reservations:

1. He considered the grantee totally unqualified to do the job.
2. He thought the grant could produce nothing that was not already well researched and tested. He stated also that it was a weak and poorly designed plan.
3. He believed that a planning grant of this nature should not exceed \$75,000 to \$90,000.
4. He sensed that he had been used to give the grant some semblance of legitimacy.
5. FEA had not, and could never, within several years, acquire an acceptable degree of competence to perform training and technical assistance functions which would be required if FEA took over other grantees'

responsibilities and that no service at all would be preferable to a contract with FEA from program and political standpoints.

We discussed the preaward activities leading to the OEO grant with the former Associate Director for Program Review, who became acting OEO Director in January of 1973, and with his former executive assistant. They said the former Associate Director was aware of FEA's proposal and was in favor of executing a grant to FEA. The former executive assistant, however, was the OEO official most involved in the preaward activities.

The former Associate Director advised us that the FEA grant had White House backing and that he believed the grant award was valid. He also stated that, if the grantee was qualified and if the funds could be used effectively in a nonpolitical manner, he believed he was justified in recommending that the award be made. The former Associate Director said FEA's White House support was not unique since it had expressed support for other specific grants or contracts.

The former executive assistant told us that, to the best of his knowledge, the former Associate Director had accompanied him to the White House to meet with Mr. Evans, but that after the initial White House meeting, the Associate Director did not get involved in the day to day activities involving the proposal. He said he perceived the fact that the former Associate Director had taken him to the White House and introduced him to the former White House staff member as a directive to cooperate with the White House.

The executive assistant told us the FEA proposal was first brought to his attention by the OEO Deputy Director and that he met FEA's president at the initial meeting at Mr. Evans' office. He said that, after OEO received the proposal, Mr. Evans telephoned him to express his support for FEA and then had frequent contact with him until the grant was awarded. The executive assistant said he attempted to get the proposal approved within OEO in the shortest possible time and that this effort, coupled with the fact that he was the executive assistant to the Associate Director for Program Review, may have caused lower level OEO officials to construe his activities as being directed by the Associate Director when in fact they were not.

OEO program officials advised us that the former Associate Director had not been directly involved in any specific preaward activities and that, in all likelihood, he had not been aware of how the FEA grant was processed. The former Associate Director advised that he was surprised to learn that shortcuts had been taken in the grant-processing procedure. He told us that he had directed his executive assistant to insure that any activity undertaken be absolutely above board.

WHITE HOUSE INVOLVEMENT

During our inquiries into purported White House involvement in preaward contract and grant activities, we interviewed L. J. Evans, Jr., the former White House staff member who served as Project Manager for the Elderly. According to agency officials it was this staff member who allegedly intervened in preaward activities. Mr. Evans said his only preaward involvement concerning the Labor Department contract consisted of putting certain potential contractors, including FEA, in contact with appropriate Department officials. Mr. Evans denied any prior knowledge of the OEO grant award and any involvement in the grant's proposal phase.

Labor contract

Mr. Evans said he first learned of FEA's contract through a direct congressional inquiry. He told us that his initial contact with Labor concerning the additional funds made available for the Operation Mainstream program occurred when he was telephoned by a Department official (whose name he could not remember), who inquired as to how the additional funds were to be allocated. Mr. Evans said that he suggested that existing contractors be given the additional money.

Mr. Evans told us that sometime after the phone call from Labor, two contractors--FEA and an existing contractor under the Operation Mainstream program--called his office and asked how they could obtain part of the expansion funds. He said he directed the groups to Labor and later a Department official called him to ask how the contract with FEA should be developed.

Mr. Evans told us that a meeting was arranged in his office between Labor and FEA representatives to discuss the proposed contract. He could only remember one other meeting involving the Operation Mainstream program. This meeting,

held later at the office of the then Assistant Secretary for Manpower, involved a review of plans for distributing the Operation Mainstream expansion funds. According to Mr. Evans, the meeting was requested by the Assistant Secretary.

Mr. Evans said he never intended any of his actions to be construed as "applying pressure" and responded negatively to our questions as to whether he ever directly or indirectly suggested awarding a Department contract to FEA. He said that, if Labor construed his actions as representing pressure to execute a contract with FEA, it was the Department's error since at no time did he intercede on behalf of FEA.

OEO grant

Mr. Evans denied any knowledge or involvement in the award of the OEO grant to FEA. He did acknowledge that he had complained to the Deputy Director of OEO about the lack of OEO assistance for programs for Spanish-speaking elderly. He said that he had received an inquiry from a U.S. Senator concerning the lack of assistance programs for the Spanish-speaking elderly.

Mr. Evans said that the OEO Deputy Director called to advise him that a grant had been made to FEA for a program to aid the Spanish-speaking elderly. He said he told the OEO official that he was pleased since it was, in his view, something that would help the elderly and would also satisfy the inquiry from the Senator. He denied having anything to do with the approval.

CHAPTER 5

PROGRAM ACTIVITIES AND RESULTS

ACTIVITIES AND RESULTS UNDER THE OEO GRANT

On November 1, 1972, OEO awarded FEA a grant for \$399,839 aimed at developing in depth demographic data on the characteristics and needs of the elderly poor. One objective was to identify special groups among the elderly poor who may have distinctive problems which are not being met by existing Federal programs and to suggest ways of dealing effectively with those problems.

A project goal was to determine whether the Spanish-speaking elderly poor are among those special groups not benefiting from Federal assistance programs. There was to be a followup demonstration phase for the establishment of prototype resource centers. The centers were to be located in communities whose populations were predominately of Mexican-American, Puerto Rican, and Cuban ethnic backgrounds.

Once underway, the resource centers would be furnished information on all federally sponsored programs to help the elderly poor. The information was to be assembled and disseminated by the grantee through a national information center established in Washington, D.C.

We did not review FEA's activities under the grant since OEO was conducting program reviews at FEA headquarters and the three resource centers and a financial review at the subcontractor's HRC offices in California. The OEO report on program activities was not available at the time we concluded our fieldwork. A November 20, 1973, interim report on the review of HRC's financial activities states that costs of about \$37,000 had been questioned.

ACTIVITIES AND RESULTS UNDER THE LABOR CONTRACT

Labor's \$1 million contract with FEA was for the management and coordination of a program to provide work opportunities for elderly disadvantaged workers in California and Florida. The contract was extended and increased by \$540,000. Enrollees were employed in the San Francisco-Oakland area and in the greater Tallahassee area. FEA is

responsible for overall management and coordination of the program. To administer the programs provided by the contract, FEA subcontracted in July 1972, with two groups, Retirement Jobs, Incorporated (RJI) in San Jose and Florida State University, Tallahassee. By July 1973 FEA had terminated its subcontractors choosing instead to have the program administered by its project-type organization, Jobs for Older Americans (JOA).

As discussed below, the Florida project seems to have been managed properly but it did not meet its placement goals. The San Francisco operation was generally accomplishing its program objectives although recordkeeping and internal controls needed improvement. The Oakland operation was not effective in achieving its primary objective of training and placing disadvantaged elderly persons in unsubsidized jobs, in that many of the enrollees claimed as unsubsidized placements by the Oakland office had actually been working for the same employer or industry before, during, and after their enrollment.

FEA's Florida activities

The Florida project began operation in July 17, 1972. Under this segment of the contract, the university was responsible for locating work opportunities for 100 enrollees. In addition, the project was to provide guidance and counseling to new enrollees, train or orient individuals requiring those functions, provide liaison between the worksite agency and the enrollee, and to place no less than 75 percent of the project's enrollees into unsubsidized jobs.

Although the university's involvement with the project terminated on June 30, 1973, JOA continued to operate the project. Through September 16, 1973, 197 persons have been enrolled in the Florida project. Of these, 33 were placed in unsubsidized jobs, 63 were terminated from the program, and 101 were working in subsidized jobs. The project also placed 12 individuals who were not enrolled in the program directly into unsubsidized work.

We found no major problems in the management of the JOA Florida activity. We noted some minor deficiencies--problems in enrollment procedures, enrollee counseling, and paycheck handling procedures--which we brought to the project

director's attention. He concurred and agreed to take corrective actions which we believe, would be adequate to prevent the reoccurrence of the types of deficiencies noted.

FEA's California activities

The California project began operation in July 1972. Under this segment of the contract, RJI was initially responsible for locating work opportunities for 250 enrollees. This was to be accomplished partially with staff from RJI's five existing offices in northern California and from three new offices which were to be opened within 90 days of the contract award. RJI was also to assume responsibility for finding permanent positions for 75 percent of the enrollees.

In September 1972 FEA notified RJI that all management responsibility for the JOA program was to be transferred to Masato Inaba (a consultant who was to later become a principal in HRC) and Beatrice Gartz, who was to become FEA's California State Project Director. The president of FEA had previously informed RJI that he seriously doubted whether RJI could place 250 people in jobs during the entire performance period of the contract.

By October 10, 1972, the transfer was complete. Shortly thereafter FEA's president informed RJI that it had no further responsibility or obligation for the program.

The California JOA segment consisted of a San Francisco office and an Oakland office. Ms. Gartz, the State Project Director, was also in charge of the San Francisco office. Her staff consisted of five enrollees working about 4 hours a day. The Oakland office operated, for the most part, independently. It was staffed by a manager and two job counselors--one for Chinese-speaking enrollees and one for non-Chinese-speaking enrollees.

JOA records indicate that 648 individuals were enrolled in the California project through September 20, 1973.

Oakland activities

The Oakland office, which began operation in February 1973, was located at the headquarters of the Oakland Chinese Association and the Oakland project manager, Dr. Chook, was also the executive secretary of the association.

Dr. Chook told us that he had developed and negotiated a program with local employers to provide job training to Oakland office enrollees at Government expense. Under the agreement, employers were to provide training for about 4 weeks and would then hire the enrollee. The training program, according to Dr. Chook, was conducted at the employer's place of business.

Dr. Chook stated that he determined when an enrollee was to move from subsidized to unsubsidized employment. Dr. Chook said he evaluated the enrollees' ability to produce an acceptable product in making his decision rather than adhering to a rigid 4-week schedule. Dr. Chook said he believed employers did not gain any advantages by hiring enrollees, primarily because JOA determined when an enrollee was ready for transition and also because employers were donating the use of equipment and supervisors' time during the training period. Dr. Chook told us that without the JOA program employers would not have hired these elderly Chinese-speaking individuals.

Dr. Chook said that, under the program, enrollees were paid stipends by FEA while learning the job and understood that the employer would hire them as a regular employee at the end of the training period.

When we advised Dr. Chook we intended to interview enrollees, employers, and former enrollees placed in unsubsidized employment, Dr. Chook requested we not go to employers' premises because employers were afraid of "Federal people" and would probably fire the employees we inquired about. We agreed not to talk to enrollees, employers, or former enrollees at the outset, since we could get the required information through State records. Data obtained from the State pointed out possible problems in eligibility of enrollees and validity of placements. We ultimately visited employers and former enrollees at the worksites.

Of the 297 California enrollees placed into unsubsidized jobs from July 20, 1972, to September 20, 1973, 236 had been placed since February 1973 through the efforts of the FEA Oakland project manager. We randomly sampled 79 of the 297 reported placements and examined individual wage earning

records available from the State.¹ Oakland reported placing 59 of the 79, and San Francisco reported placing the remaining 20. The earnings data for the 79 placements for the 5-quarter period ending March 31, 1973, showed that almost three quarters of the individuals claimed as unsubsidized placements by the Oakland project had recent work histories; some had earned amounts above the poverty level income criteria used by the Manpower Administration in determining eligibility. Data for the 59 Oakland placements is shown below.

	<u>Number</u>	<u>Percent</u>
Number of enrollees claimed as placements whose eligibility was questionable:	43	73
Enrollees placed in the same industry in which they had worked within the past year	-17	-29
Enrollees claimed as placements who had, based on employee wage earning records, worked steadily within the same company or industry as placed	-26	-44
Enrollees who were eligible based on employee wage earning records	<u>16</u>	<u>27</u>
Total	<u>59</u>	<u>100</u>

Program objectives not conveyed to enrollees or employers

In our attempts to ascertain why such a large number of Oakland enrollees appeared ineligible, we learned that individuals were attracted to the Oakland office through leaflets distributed by JOA personnel within the Chinese community. The leaflets indicated that both unemployed and employed individuals were eligible to participate.

¹ California requires employers to report quarterly on employee earnings. It does this to be able to determine the amount an individual applying for unemployment compensation is entitled to receive.

Oakland applicants were interviewed twice before being accepted into the program--first when they applied at the FEA Office in Oakland and then by a representative of the California State Department of Human Resources Development (DHRD)¹ office in Oakland.

At the two interviewing processes, applicants provided all information asked of them, including whether they were currently employed. The interviewers were not aware of the actual criteria for enrollment. DHRD officials at the Oakland office told us that they were not aware that FEA was operating the program as part of Operation Mainstream. Also, they said they understood that they were merely filling job orders from the Oakland project manager requiring Chinese-speaking people who were at least 55 years old.

Neither the enrollees nor their employers had been made aware of the program's objectives. We contacted 9 of 37 employers listed by the Oakland project manager as worksite employers. Eight maintained they were never contacted about training elderly persons to develop sufficient skills for regular employment. The ninth employer said she was visited by two women who discussed the program but that her firm was never a participant. All nine said they did not know the Oakland project manager or his assistants nor had they been contacted about work programs for their firms' elderly workers.

We reviewed worksite employers' records for 18 former enrollees claimed as unsubsidized placements. Sixteen of these 18 individuals were paid by the employers for periods before, during, and after their enrollment in the program, in addition to receiving about \$140 each in stipends from JOA for 4 weeks of subsidized employment.

We interviewed 12 of the 59 Oakland enrollees selected in our sample. The enrollees interviewed generally stated they were unaware of the program's purpose and that friends had encouraged them to apply for the program; one told us that she was told by a man from the Chinese Association to

¹ The California component of the Federal/State employment security program. One of DHRD's primary functions is to accept job orders from employers and try to fill the orders with individuals who had filed applications with DHRD.

sign up for "free money." Following is a summary of the interviews with former enrollees:

--10 said they had learned of the program from friends.

--9 said they were told that to qualify for the program they had to be at least 55 and 6 said they were told they had to be employed.

--11 stated they were employed at the company listed as the training worksite at the time of their alleged enrollment.

The Oakland project director said he was unable to spend time checking each applicant's eligibility and was forced to rely on enrollees to do the screening. He also stated he had never contacted any businesses where enrollees were supposedly trained and placed, but he said he had contacted supervisors. However, as pointed out earlier, employers we contacted were not aware of the program.

Work experience project not
limited to public and/or private
nonprofit institutions

According to the special provisions of the contract, programs established under the contract were to be limited to enrollees working in public and/or private nonprofit institutions. Almost all the enrollees participating in the Oakland segment were placed in private for-profit concerns, primarily in the garment industry.

During our review, the California State Department of Industrial Relations investigated the garment manufacturers in the San Francisco Bay area for compliance with wage laws. The investigation included four employers FEA listed as participating in the program. State investigators found three of the employers violating State labor laws in the area of working conditions, overtime payments, and time card preparation.

We discussed our findings with the Oakland project manager who initially accepted them and agreed with our conclusions. Subsequently he took exception to the manner in which we described his involvement in the Oakland project.

By letter dated January 4, 1974, we provided him with a summary of our understanding of his involvement and activity and asked for any clarification he might wish to offer. As of March 30, 1974, he had not responded.

San Francisco operation

Although program goals in San Francisco were generally being accomplished in terms of assisting the elderly poor, the recordkeeping activities and internal control procedures needed improvement. The following problems existed.

- No documentation to support about \$60,000 of in-kind contributions and certain expenditures.
- Time cards were not properly prepared for 32 (40 percent) of 79 sampled enrollees who received pay checks on September 20, 1973. For the most part worksite supervisors had signed time cards for enrollees and some time cards had not been signed by either the supervisor or the enrollee.
- 33 (42 percent) of the 79 had no record of DHRD eligibility certification on file at the JOA San Francisco office.

When the eligibility certification problem was brought to the attention of the California project director, she visited two local DHRD offices involved in screening applicants and obtained written statements verifying the eligibility of some of the sampled enrollees. She also sent five other enrollees to DHRD offices to obtain certification cards, which they did. These actions reduced the number of individuals not having a DHRD eligibility certification to 21 (27 percent). We were unable to arrive at a reliable estimate of the number of ineligible enrollees in our sample or in the California program.

An indication of the possible magnitude of the problem of enrollee ineligibility based on income can be obtained from the results of a Labor-instituted study of family income data for all active Operation Mainstream enrollees. Labor directed all Operation Mainstream contractors to re-screen family income data for all active enrollees. FEA's final report on its California project showed that about

20 percent of the enrollees had income sufficiently exceeding the maximum to require termination from the program.

JOA reported that from July 20, 1972, to September 20, 1973, 61 enrollees had been placed in unsubsidized jobs through the efforts of the San Francisco office. We selected a random sample of 20 enrollees claimed as placements by the San Francisco office and found that 2 enrollees had been placed in the same industry in which they had worked within the past year. The two cases were brought to the attention of the California project director who stated that the enrollees in question had been recalled to work by firms that had laid them off earlier in the year. As a result, all 20 appeared to be eligible based on a check of earnings records.

The various deficiencies were pointed out to the project's director and she subsequently advised us of actions being taken to overcome the problems, which included hiring a bookkeeper.

CHAPTER 6

FINANCIAL ACTIVITIES

The Committees asked that we review FEA's financial activities under the Labor contract and the OEO grant. We reviewed transactions covering the period from the inception of the contract and grant through June 30, 1973.

RESULTS OF REVIEW

FEA maintained a double-entry accounting system to record receipt and expenditure of Federal funds; however, the manner in which these records were maintained and the lack of appropriate checks and balances rendered the accounting system and related internal controls inadequate. Appropriate controls had not been established to encourage compliance with prescribed Labor and OEO requirements and to insure that grant and contract funds were used only for authorized purposes or to check the accuracy or reliability of accounting records.

When reviewing financial activities, we questioned expenditures of about \$184,000 under the contract and about \$30,000 under the grant. Labor and OEO will make final disposition of these questioned expenditures. On February 19, 1974, Labor began an audit of FEA transactions from July 1, 1973, to the end of the contract period. It will also audit FEA transactions under the OEO grant from July 1, 1973, to the end of the grant period.

No separation of duties to insure proper internal control

The duties and responsibilities for receiving cash and check disbursements were not divided among employees to insure proper internal control.

The president received all moneys for the corporation and also deposited the funds and directed his accountant as to recording the receipts in the accounting records. Either the president or his secretary prepared and signed all checks without requiring a counter signature by another officer of the corporation.

Adjustments recorded without explanation

FEA's accounting records contain numerous adjusting entries made at various times during the year to reclassify transactions which were apparently incorrectly recorded. However, the adjustments were not explained to permit a determination of the propriety and allowability of such costs.

Inadequate travel procedures

FEA employees traveled outside the program area without prior Labor and OEO authorization. Employees did not document the purpose of the trip and did not report on the business conducted. Travelers were reimbursed on an actual expense basis rather than in accordance with the per diem limitations of the Standard Government Travel Regulations as required by the grant and contract. We questioned about \$23,700 in travel expenses because of a lack of documentation to support the travel or because the travel was unauthorized or the cost claimed exceeded the maximum allowed.

For example, FEA paid \$1,313 to a travel agency for four air fares for FEA personnel to Las Vegas to attend conference meetings, however, there was no documentation present that the trip was connected with contract or grant business.

The president of FEA and his wife traveled to Hawaii in April 1973 and submitted expense reports totaling \$1,325 although no contract or grant activity was being conducted there. He did not prepare a report on the business he conducted, when we questioned him about the trip, he advised us that he went to Hawaii to observe a day care center for the elderly and that his wife provided secretarial service and accepted transportation in lieu of salary.

Allowability of staff salaries and use of leave could not be verified

OEO instructions provide that no employee shall, without OEO approval, be hired at a rate of compensation which exceeds, by more than 20 percent, the salary he was receiving in his immediately preceding employment. Salary increases of more than 20 percent, or \$2,500, whichever is smaller, within a single 12 month period must be approved by OEO. Since FEA did not maintain individual personnel files or other records indicating earnings prior to employment under the Federal programs, we could not verify if amounts paid to employees were within OEO guidelines.

We did note, however, that FEA employed one individual as a director of Federal Aging Programs at a starting salary of \$7,200 at January 2, 1973 and that by June 1973 FEA had raised her salary by 56.5 percent to \$11,267, without OEO approval.

We also could not ascertain the accrued annual and sick leave balances for staff employees because FEA did not maintain these records.

Inadequate procurement practices

A large number of equipment and supply purchases under the contract were made through private suppliers without first obtaining written permission from the contracting officer. Under Labor's general provisions for cost-reimbursement-type contracts, contractors are to use the procurement sources available through the General Services Administration to the extent possible prior to considering private source procurement, unless otherwise authorized in writing. FEA paid \$5,063 from contract funds for equipment and supplies, of which \$3,809 were purchases made through private suppliers.

Unauthorized charges to Labor and OEO funds for personal insurance and medical bills

From Labor and OEO funds FEA paid \$15,000 for life and disability insurance for FEA's president and his wife and paid \$1,670 for medical bills for FEA's president and his family. The beneficiary of the president's \$300,000 whole life and \$40,000 term policy was his wife. The first beneficiary of the wife's \$100,000 whole life policy, according to letters from an official of the insurance company, was FEA or the U.S. Treasury for premiums paid. The FEA president and his two sons were the beneficiaries for remaining death benefit proceeds.

Our review also showed that the insurance company refunded \$270 of the premiums paid for life and disability insurance discussed above which was not redeposited.

Rental of an apartment as additional office space

FEA paid \$281 out of OEO grant funds in May 1973 for 1 month's rent for an apartment in Washington, D.C., and classified the expenditure as rental expense for additional

office space. We were informed that the apartment was used by visitors and employees of FEA. We visited the apartment and found it to be an efficiency-type (1 room and bath) containing two day beds, a table, four chairs, and chest of drawers. At the time of our visit in August, the apartment was still being rented by FEA, but rent payments were 2 months in arrears. The rent payments were ultimately made after the end of the period covered by our review.

Grant and contract funds used
for wrong purposes

In several instances FEA used contract funds to pay for grant expenditures and grant funds to pay for contract expenditures.

For example:

- FEA paid \$2,045.50 from Labor funds for staff salaries, accounting fees, and travel under the OEO grant.
- FEA paid \$1,800 from Labor funds for consulting services relating to the OEO grant proposal.
- FEA paid \$1,500 out of OEO funds for legal fees in defense of a suit brought by a subcontractor under the Labor contract.¹

FEA also paid \$4,722 from Labor funds for an automobile purchased by FEA's president for his personal use. He reimbursed the Department account the next day.

SUMMARY OF QUESTIONED EXPENDITURES
UNDER LABOR'S CONTRACT AND OEO'S GRANT

We reviewed FEA's expenditures under the Labor contract for the year ended June 30, 1973, and under the OEO grant for the 8 months ended June 30, 1973. Summarized in the following schedules are the expenditures incurred under Labor's contract and OEO's grant for the periods. The

¹FEA was involved in a law suit with its initial subcontractor RJ1 over termination of RJ1's subcontract.

schedules also contain those costs which we believe were inadequately supported or which either were not supported or not properly authorized. Labor and OEO will make the final disposition as to the allowability of the various questioned expenditures.

Labor Contract
Expenditures questioned relating
to Transactions Between June 30, 1972 and June 30, 1973

<u>Account</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Total ques- tioned</u>	<u>In-adequate support</u>	<u>No support</u>	<u>Unauthor- ized</u>
Enrollee wages	\$700,000	\$635,597	\$ 5,655	\$ -	\$ 5,655	\$ -
Enrollee fringe benefits	85,000	62,078	^b 61,175	-	61,175	-
Other enrollee costs	14,386	13,456	13,456	-	5,220	8,236
Staff salaries	83,279	86,874	36,689	-	31,031	5,658
Staff fringe benefits	10,793	13,096	7,433	-	1,806	5,627
Consultants	26,200	23,249	22,669	10,975	8,894	2,800
Accounting	2,720	2,847	1,681	-	1,383	298
Rent	12,682	13,044	7,139	-	7,139	-
Telephone	5,600	5,876	2,893	-	1,860	1,033
Office supplies	2,717	1,550	^a 2,383	-	2,353	30
Travel	17,870	17,308	16,097	-	16,097	-
Reproduction	920	677	677	-	677	-
Equipment	3,272	3,513	2,027	-	2,027	-
Postage	1,200	1,095	626	-	626	-
Insurance	2,003	1,985	1,108	-	319	789
Florida State University overhead	2,544	1,302	1,302	-	1,302	-
Bank charges	34	-	-	-	-	-
Miscellaneous	-	815	715	76	639	-
Total expenditures	\$971,220	\$884,362	\$183,725	\$11,051	\$148,203	\$24,471

^aExcess of questioned over actual expenditures represents account adjustments which were not identifiable.

^bThis item questioned because the CPA firm handling FEA's accounts had not provided requested data at the time this statement was prepared.

OEO Grant
Expenditures questioned relating
to Transactions Between November 1, 1972 and June 30, 1973

<u>Account</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Total ques- tioned</u>	<u>In- adequate support</u>	<u>No support</u>	<u>Unauthor- ized</u>
Salary and wages	\$127,875	\$ 75,545	\$ 1,586	\$ -	\$ -	\$ 1,586
Temporary as- sistance	-	3,555	-	-	-	-
Fringe benefits	19,182	15,550	9,501	-	-	9,501
Consultants	32,000	18,823	6,150	3,150	1,275	1,275
Travel	44,788	23,327	7,593	-	-	7,593
Rent	4,200	2,681	281	-	-	281
Other direct costs	77,444	15,000	-	-	-	-
<u>Overhead</u>						
HRC staff sala- ries	-	42,547	-	-	-	-
HRC fixed fee	-	8,958	-	-	-	-
FEA advertising	-	18	-	-	-	-
FEA promotion	-	1,629	1,603	-	-	1,603
FEA telephone	-	1,109	-	-	-	-
FEA conference lunches and meetings	-	108	108	-	-	108
FEA equipment	-	2,197	707	-	-	707
FEA accounting	-	917	918	-	-	918
FEA dues and sub- scriptions	-	446	264	-	-	264
FEA insurance	-	190	190	-	-	190
HRC miscellaneous costs	-	1,847	-	-	-	-
FEA miscellaneous costs	-	402	377	-	7	370
FEA supplies	-	1,732	942	-	16	926
Total overhead	<u>94,350</u>	<u>62,100</u>	<u>5,109</u>	<u>-</u>	<u>23</u>	<u>5,086</u>
Total expendi- tures	<u>\$399,839</u>	<u>\$216,581</u>	<u>\$30,220</u>	<u>\$3,150</u>	<u>\$1,298</u>	<u>\$25,772</u>

CHAPTER 7

SCOPE OF REVIEW

We began our review under the initial request in March 1973 and the review under the second request in June 1973 with fieldwork substantially completed by November 30, 1973.

Our work was done at FEA headquarters offices; the Department of Labor; and OEO, Washington, D.C.; the offices of Florida State University; Human Resources Corporation in San Francisco; and FEA's JOA in San Francisco and Tallahassee. We examined policies and procedures of the Federal agencies and FEA, contract and grant provisions, income and expenditures from inception of the contract (June 30, 1972) and the grant (November 1, 1972) through the end of fiscal year 1973, and the system of accounting and related internal controls. We visited FEA, JOA, and HRC offices, selected enrollees' worksites, and a prototype resources center.

We also examined certain facets of the operations of the Florida State University and the Human Resources Corporation. These organizations were affiliated with FEA as subcontractors to carry out activities under the contract and the grant.

We made random statistical samples of current enrollees and those that were reported placed into unsubsidized employment by the JOA California programs. As of September 20, 1973, there were 237 active enrollees in the JOA California project. We selected a random sample of 79 enrollees to determine individual eligibility for the program. To determine individual eligibility and placement of enrollees terminated from the program after being placed into unsubsidized employment, we randomly selected 79 of the 297 individuals reported by JOA as being placed into unsubsidized employment as of September 20, 1973.

We interviewed employers, enrollees, and former enrollees who had participated in the JOA California project. We observed the enrollee pay check distribution process used by the California and Florida JOA projects.

FRANK CHURCH, IDAHO, CHAIRMAN

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JOHN GUY MILLER, MINORITY STAFF DIRECTOR

United States Senate

SPECIAL COMMITTEE ON AGING

(PURSUANT TO S. RES. 51, 93D CONGRESS)

WASHINGTON, D.C. 20510

March 5, 1973

Honorable Elmer B. Staats
Comptroller General
of the United States
General Accounting Office
441 G Street, Northwest
Washington, D. C. 20548

Dear Mr. Staats:

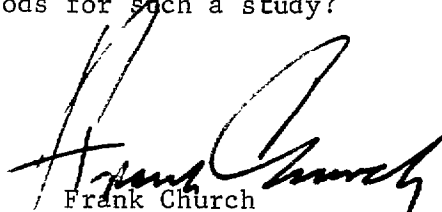
Enclosed are copies of letters sent by us to the Department of Labor in regard to a contract awarded to the Federation of Experienced Americans.

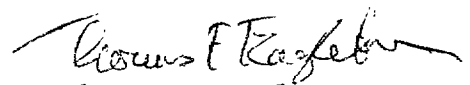
We have not received a reply to either letter.

We would like, therefore, to request the Government Accounting Office to make inquiries into the issues raised in that report.

May we ask, therefore, that you ask the appropriate person at GAO to get in touch with William Oriol of the Committee on Aging staff and James Murphy of the Subcommittee staff to discuss objectives and methods for such a study?

Sincerely,


Frank Church
Chairman
U.S. Senate Special
Committee on Aging


Thomas F. Eagleton
Chairman, Subcommittee on
Aging, Committee on Labor
and Public Welfare

Enclosures

FRANK CHURCH, IDAHO, CHAIRMAN

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DAVID A. AFFELDT, CHIEF COUNSEL
JOHN GUY MILLER, MINORITY STAFF DIRECTOR

United States Senate

SPECIAL COMMITTEE ON AGING

(PURSUANT TO S. RES. 51, 91D CONGRESS)

WASHINGTON, D.C. 20510

June 29, 1973

Honorable Elmer B. Staats
Comptroller General
of the United States
General Accounting Office
441 G Street, Northwest
Washington, D.C. 20548

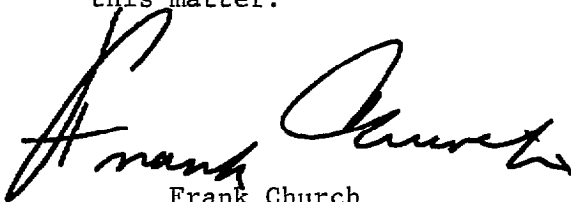
Dear Mr. Staats:

On March 5, we requested that the General Accounting Office make inquiries with regard to certain federal contract and grant awards to the Federation of Experienced Americans. At this time we would ask that the scope of the investigation be expanded to include a full financial audit of the Federation of Experienced Americans.

The objective of the investigation, in addition to the audit of financial transactions of FEA, would be to determine the basis upon which the contract and grant awards were made and the identification and activities of persons involved.

We appreciate the attention which you and the staff have given this matter.

Sincerely,



Frank Church
Chairman
U.S. Senate Special
Committee on Aging



Thomas F. Eagleton
Chairman, Subcommittee
on Aging, Committee on
Labor and Public Welfare