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

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B-178942

MAR 21 1974

The Honorable Lou Frey, Jr.
House of Representatives

Dear Mr. Frey:

In response to your June 15, 1973, letter we inquired into the activities and expenditures of the Brevard Management Information System (BMIS), a group established by Brevard County, Florida, under an Emergency Employment Act of 1971 (EEA) (42 U.S.C. 4871) grant from the Department of Labor to provide jobs for unemployed aerospace workers.

As your letter suggested, we talked to the BMIS director, a TODAY newspaper reporter, a Labor regional manpower representative, the administrative director of the Brevard County Board of Commissioners, and the former BMIS employee who claimed that the project's operations had resulted in willful and gross mismanagement of Federal funds.

We also discussed the matter with other Labor, Florida, and Brevard County officials and with the president of Management Information Systems of Brevard County, Incorporated (MIS, Inc.), a private consulting firm closely associated with BMIS. In addition, we examined records of the project from its inception through October 1973.

BACKGROUND

EEA's purpose is to provide public service jobs to unemployed and underemployed persons during high unemployment and to train them for employment not directly supported by EEA. Aerospace workers who have become unemployed or underemployed as a result of technological changes or shifts in Federal spending are a hiring priority group under EEA.

The Florida Department of Health and Rehabilitative Services (HRS) proposed to help Brevard County alleviate unemployment by using EEA funds to expand a planning-programing-budgeting system (PPBS) in Florida. HRS uses

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PPBS to measure the cost of health and social services. HRS proposed to place all its health and social services in Brevard County under PPBS, which eventually was to help the county pinpoint gaps and unmet needs in services.

Brevard County accepted the HRS proposal and applied to Labor for an EEA grant to finance the project. On March 16, 1972, Labor awarded the county a 1-year grant for \$318,777. In September 1973 Labor increased the grant to \$528,888 and extended the expiration date to February 28, 1974. Brevard County was to supply 10 percent of the total, or \$52,888, in in-kind contributions. The grant was to fund 30 jobs--22 for the BMIS project and 8 for a countywide beautification project.

HRS had proposed that the grant would help expand PPBS throughout the State, but under the terms of the grant, the funds were for use in, and for, Brevard County only.

Although not specifying a number, HRS promised that persons who obtained experience with PPBS would be considered for selection within the county structure after the system was implemented. The county, on the other hand, committed itself to a goal of retaining at least 50 percent of participants in regular jobs and to permit all productive participants to enter permanent positions as they became available.

On February 24, 1972, the county and HRS entered into an agreement which defined their responsibilities under the then-anticipated grant. HRS agreed to train and supervise BMIS participants and the county agreed that grant funds would be used to develop PPBS. HRS also agreed to make maximum effort to employ within Brevard County 11 or more participants before the grant period expired.

Project expenditures

BMIS was formed on April 1, 1972. As of September 30, 1973, it had employed 33 individuals for varying periods. Wages and project costs at that time totaled \$319,000; the additional estimated costs to completion date were \$37,214.

SUMMARY

Although the project was not without problems, it did fulfill several important EEA objectives. Neither our investigation nor a prior one by Labor turned up evidence of willful or gross mismanagement of Federal funds.

The project provided unemployed aerospace workers with transitional employment in a region of high unemployment. Former aerospace workers were trained in other areas which may have aided them in attempting to move into other employment. Also, most participants who left the project did obtain other employment, although not necessarily with the county, contrary to what was originally proposed.

Aside from managing EEA funds and paying project bills, the county exercised essentially no control over project personnel or activities. The county, in fact, acted mostly as a conduit for the Federal funds.

In accordance with an agreement between the county and the State and as specified in the project application that Labor approved, the project was under State direction and in furtherance of a State program. Other than employment and training for some of its residents, the county was not a principal beneficiary of the project's work, contrary to what the grant application proposed.

According to a monitoring visit that a Civil Service Commission representative made for Labor, three participants were not unemployed when BMIS hired them and were therefore ineligible under EEA. Also BMIS was not reimbursed for certain services it rendered for MIS, Inc.

PROGRAM OPERATION

In May 1973 Labor investigated two former BMIS employees' allegations that several staff members had performed work which, because it was for private gain and was not part of their duties, constituted gross misuse of Federal funds. A Labor representative interviewed most of the then BMIS staff; five former BMIS employees; HRS officials; the president of MIS, Inc.; and others. In addition, the

representative examined travel vouchers and weekly activity reports of project personnel.

Labor's report on the investigation concluded that the allegations were essentially unfounded and recommended that the investigation be closed. The report states:

"* * * None of the employees or former employees had any knowledge of any outside contracts (other than one with INSTEP^[1] or of any consulting fees being paid to any PEP [EEA] participants. It was the opinion of all, except the two who made the allegations, that no contracts were entered into and no fees paid.

"From the beginning of the Brevard PPBS project all of the participants were aware of the temporary nature of their employment. There was open discussion of forming a corporation which would be in a position to continue the type of work they were doing and to hire some or all of the participants when the grant expired. The project manager, John Redmond, had included this possibility in a presentation he made to county personnel in September 1972. There was discussion of such a corporation at a staff meeting in October, during which a tape recording was made with the knowledge of John Redmond, who was presiding. The activity report for the week of December 21, 1972 indicates that Redmond contacted the County Attorney and inquired how to handle a proposed agreement with the INSTEP Project. There was not sufficient time to get his answer before the INSTEP Director had to have the agreement or contract signed.

"Prior to this time the County's EEA liaison official had inquired of the Regional Office as to how they should handle any funds generated by

¹Integrated Nutrition Social Services to Elderly Persons.
(See p. 5.)

the PPBS project. PPBS project staff had carried out work assignments for the city of Titusville and Orange County Community Services Council. Each of these sent checks to Redmond as reimbursement to the project for expenses. Both checks were turned over to the county. * * *"

We reviewed the BMIS weekly activity reports for the period April 26, 1972, through October 2, 1973, and travel vouchers the BMIS director prepared and HRS approved for the period April 3, 1972, to September 18, 1973. We also discussed the allegations with the Brevard County administrative director and the EEA project coordinator.

Our review and discussions support Labor's findings that the allegations were essentially unfounded. Through September 1973, BMIS provided services to and received checks totaling \$900--\$400 from the Orange County Community Services Council and \$500 from the city of Titusville. Brevard County held these funds pending disposition instructions from Labor. The county EEA coordinator said that as far as he knew these were the only funds paid to BMIS since the project's inception.

Services for a private consulting firm

During December 1972 the BMIS director signed a contract with HRS--totaling \$7,935 for five tasks, excluding travel--to provide services to INSTEP, and to be completed by May 25, 1973. INSTEP was funded through a Department of Health, Education, and Welfare grant and involved three Florida counties.

In January 1973 a Labor representative notified county and HRS officials and the BMIS project director that, because BMIS was funded under EEA, it could not be reimbursed for its services on INSTEP. On January 31, 1973, the contract was transferred from BMIS to MIS, Inc. (at that time a newly formed, and yet unchartered, private consulting firm).

BMIS, nevertheless, continued to work on the contract's first two tasks, but without reimbursement--in essence the EEA grant funded this work--and MIS, Inc., was to complete the final three tasks for \$5,316. BMIS completed its two tasks in April 1973.

A modification to the INSTEP contract dated August 27, 1973, added two new tasks that MIS, Inc., was to accomplish. MIS, Inc., was to receive \$7,935, and the completion date was extended to October 31, 1973. Thus, BMIS should have no longer been involved in INSTEP.

During July 1973, however, the BMIS director and another staff member traveled to two counties on INSTEP business and in September 1973 to Jacksonville to present INSTEP goals to HRS officials. The director said that these trips were associated with the original contract's two tasks which BMIS supposedly completed in April but which needed more work.

The President of MIS, Inc., on the other hand, said that the BMIS staff was working on tasks 1 and 2 of the modified contract (for which HRS paid MIS, Inc.). He estimated that BMIS employees did about 60 percent of the work on the two tasks. MIS, Inc., did not reimburse BMIS for services under the modified contract. Labor expects to resolve this matter through the proposed audit of the grant discussed later.

BMIS employees ineligible under EEA

On the basis of an investigation that a Civil Service Commission representative made for Labor in June 1973, three BMIS employees were ineligible EEA participants because they were not unemployed when they applied to BMIS. The representative said one applicant was employed as a club attendant, one as a life insurance agent, and one as a self-employed management consultant.

The Commission's report, sent to Brevard County by Labor in July 1973, recommended that the county discharge the ineligible participants within a minimum period. As of September 1973, they were still on the EEA payroll. The EEA project coordinator said that he intended to allow them to

remain with BMIS until the project was phased out in January 1974 because Labor had not given him specific instructions on their release.

Apparent lack of control by county over BMIS

To HRS, BMIS was an added manpower resource available to work on projects to improve delivery of social services. Therefore HRS directed and supervised, at least part time, the work of BMIS employees. It also approved their out-of-county travel and reimbursed their travel expenses.

Initially, HRS trained--in Tallahassee--certain key BMIS employees on PPBS assignments. These employees, in turn, trained other BMIS personnel. HRS periodically visited Brevard County to review BMIS activities but did not maintain a full-time supervisor there. Brevard County's relationship with BMIS was limited essentially to such certain administrative matters as processing the biweekly payroll. The county also prepared reports for Labor on grant expenditures and job placements.

Because HRS was not providing onsite supervision of BMIS, Labor recommended in March 1973 that (1) the county exercise greater control over the project, (2) the project furnish the county with copies of work assignments, activity reports, and travel vouchers, and (3) the county approve out-of-county travel and insure that such travel would benefit the county. Nevertheless, the county did not change its procedures and HRS continued to direct project activities and approve travel.

The Brevard County administrative director said that, because BMIS employees worked primarily on State projects, the county was in no position to supervise them.

BMIS work not primarily for
benefit of Brevard County

Though BMIS employed and trained Brevard County residents, it did so for work which was not primarily "in and for" the county, contrary to the grant terms. Through October 1973, BMIS worked on 18 projects--mostly for management

and control of delivery of social and health services--only 7 of which concerned Brevard County. Others involved HRS, other Florida counties, Iowa, and the Salvation Army.

BMIS did not record employees' time spent on individual projects, but estimates by the project director and HRS and county officials of time spent on work for the county varied from 26 percent (project director) to 15 percent (other officials). The county administrative director said that he was not aware of any project which BMIS completed and the county accepted. He added, however, that if HRS installed PPBS in Brevard County as planned, then the county could very well benefit from the BMIS work.

Some BMIS employees traveled throughout Florida and, to a limited extent, into other States. HRS approved the travel on the basis that it supported HRS programs and was in accordance with its agreement with the county. Through September 1973, the costs of such travel totaled \$13,419. The State paid \$3,402 from its general revenue funds and the remainder from other Federal grant funds.

Few BMIS employees were
placed in county or State jobs

Most participants who left the project obtained other employment, although not necessarily with the county, contrary to what was proposed. As of October 17, 1973, 25 participants had left BMIS and 8 remained. Of those who left 18 were employed in nonsubsidized jobs--8 public and 10 private. The employment status of the other seven was unknown.

The county and State each employed two former BMIS participants, and the city of Titusville, a local community action agency, and the Brevard transit authority hired four others. Neither the State nor the county planned to hire any of the eight remaining BMIS workers when the project was phased out.

Of the eight BMIS people still employed at the time of our fieldwork, seven were seeking other employment.

Most BMIS employees were junior and senior systems analysts; 21 analysts were employed in the project. From April 1972 through September 1973, only one position became available in the county government for a systems analyst and a former BMIS employee filled it. We did not examine reasons why the county did not hire other BMIS employees-- mostly clerks and secretaries.

HRS did not, contrary to what was planned, establish a comprehensive services delivery systems office in the county and, therefore, did not hire any former BMIS employees. Assuming favorable action by the State legislature, HRS plans to establish such an office by June 1974.

Although the county could not meet its goal of retaining at least 50 percent of participants in regular jobs, 18 of 25 BMIS employees found permanent, nonsubsidized employment--a major EEA objective.

INDEPENDENT AUDIT OF GRANT

After BMIS is phased out, Labor expects to have a certified public accounting firm audit the Brevard County grant to determine whether the use of funds conformed to grant terms. Labor also expects to seek refunds from the county for wages to ineligible participants or to participants who may have worked outside the grant's scope.

As your office agreed, to expedite issuance of the report, we did not obtain formal Labor comments; however, we are furnishing Labor with a copy of the report. We do not plan to distribute this report further.

Sincerely yours,



Comptroller General
of the United States