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

RELEASED

B-181303

NOV 5 - 1974

The Honorable Patricia Schroeder
House of Representatives

Dear Mrs. Schroeder:

By letter dated May 17, 1974, and later meetings with your office, you requested that we review certain Community Action Agency (CAA) contracts funded by the Office of Economic Opportunity (OEO) and performed by Contracting Corporation of America. The contracts, totaling \$25,000, were awarded to help five Colorado CAAs in Adams, Boulder, El Paso, Larimer, and Weld Counties to convert from private nonprofit to public agencies. Accompanying your request was an article from Cervi's Rocky Mountain Journal of May 8, 1974, which stated that:

- CAA officials believed that OEO would grant funds for contracts only with the Corporation.
- OEO officials exerted influence to get CAAs to sign contracts with the Corporation.
- OEO could perform the contracted work within OEO due to program cutbacks.
- The Corporation was not registered in Colorado to do business at the time of the contracts or later.
- A conflict of interest was present since the Corporation hired a close friend of the OEO Deputy Regional Director to help complete the contracts.

Your office also asked for information about an investigation made by OEO's Inspection Division resulting from the same news report.

We made our review at OEO's Denver regional office; CAAs in Adams, Boulder, and Weld Counties; and the Colorado Office of Human Resources. As your office agreed, this letter summarizes information provided your staff on August 2, 1974.

In summary:

- There was no evidence that OEO directed the CAAs to deal only with the Corporation.

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BEST DOCUMENT AVAILABLE

- OEO could be considered to have influenced the CAAs to contract with the Corporation.
- There was conflicting evidence as to whether OEO could help CAAs become public agencies.
- The Corporation was not and is not registered to do business in Colorado but this did not and does not prohibit it from doing business in Colorado.
- There was no support for the allegation involving a conflict of interest.

BACKGROUND

During fiscal year 1974, OEO began an organized effort to have public entities take over community action programs. Because of the possible termination of CAA funding by OEO, the objective was to get CAA functions melded into the on-going governmental structure at State and local levels. By becoming public agencies, CAAs would be eligible for financial assistance from State and local general revenue sharing funds.

The five CAAs discussed in this report are those that OEO Denver regional officials believed would be the most difficult to convert to public agencies by June 30, 1974, when OEO funding of CAA operations was expected to end.

OEO'S ROLE IN THE PROCUREMENT

The newspaper article included a statement that discussions with OEO officials gave both CAA directors and county commissioners the impression that the Corporation was the only firm for which OEO funds would be given. The article also quoted a county commissioner from Weld County as saying the OEO Regional Director told him the Corporation was OEO's official agency for the transition.

This commissioner told us he had been misquoted. He told the newspaper reporter that someone in the State OEO office had told him that the Corporation was OEO's official representative. He could not identify this person but said it was not the State Director of Human Resources.

The State Director of Human Resources said that the State granted the Weld County Board of Commissioners OEO

funds to develop a public CAA, but the State did not require the county to employ the Corporation. He had met with OEO regional officials, directors of four CAAs, and the president of the Corporation to discuss the CAAs' becoming public agencies. According to the director, OEO officials did not state that CAAs had to contract with the Corporation to receive funds for this purpose. He had assured some of the directors that they did not have to use the Corporation.

The director of the CAA in Boulder County said that he did not send a letter of intent to the Corporation to contract for its services until an OEO official pressured him to do so. However, the director of the CAA in Adams County and the former director of the CAA in Larimer County said they were under no pressure to sign contracts with the Corporation.

We concluded that OEO did not require the CAAs to award contracts to the Corporation. However, OEO could be considered to have influenced the award of the contracts to the Corporation by taking the following actions.

- OEO did not use its qualified bidders list to identify contractors which might have provided the services rendered by the Corporation.
- OEO arranged for the president of the Corporation to make a presentation to the CAA directors.
- The CAAs were advised that OEO approval was needed before they could sign a contract with any other contractor.
- The director of the CAA in Boulder County sent a letter of intent to the Corporation because he believed he had been pressured to do so by an OEO official.
- OEO ignored a request by one CAA to use local people in helping it become a public agency.
- OEO officials accompanied the president of the Corporation to meetings with members of a CAA board and the board of commissioners of a county, to discuss the CAA becoming a public agency before

that board of commissioners signed a contract with the Corporation.

Although OEO has established policy governing competitive procurement when it contracts directly for supplies and services, CAAs do not have to adhere to this policy. This policy states that all OEO procurements shall be competitive to the extent practicable and stresses that all Government procurement personnel shall conduct business with contractors in a manner above reproach in every respect.

OEO regional officials believed that the Corporation offered the best opportunity to help convert CAAs from private nonprofit to public agencies before June 30, 1974, and thus actively encouraged CAAs to use the Corporation.

According to the OEO official who invited the Corporation's president to meet with several CAA officials, the Corporation was the only firm he knew of that had successfully converted CAAs to public agencies. The OEO Regional Director said that the Corporation had converted a CAA in Colorado to public status, the Corporation's president had been a CAA director, and the Corporation was in a good position to serve as an unbiased third party in helping CAAs convert to public agencies. The Corporation, he said, would be in a good position to negotiate with county commissioners and to complete the necessary paperwork. The Chief of the OEO Regional Community Development Division said that the qualified bidders list was not used because the CAAs, not OEO, were awarding the contracts.

OEO'S CAPABILITY TO ASSIST CAAS

There was conflicting evidence as to whether OEO could help the five CAAs become public agencies. According to the OEO officials who in February 1974 encouraged CAAs to use the Corporation, OEO could not have provided the manpower to help the CAAs become public agencies before June 30, 1974. OEO records indicated, however, that as late as March 1974 other OEO officials believed that OEO could perform some of the contractor's functions.

We inquired about the availability of Regional Community Development Division staff to help CAAs become public

agencies. The Deputy Chief of the division said that available staff was assigned to other tasks. We noted that two staff members, who might have been able to assist CAAs, had been assigned in January 1974 to the Federal Energy Office.

CORPORATION NOT REGISTERED TO
DO BUSINESS IN COLORADO

The Corporation was not and is not registered to do business in Colorado. According to the State Attorney General's Office, failure to register does not prohibit a corporation from doing business in Colorado. This office also said the CAAs' contractual rights were not affected by the Corporation's not being registered. However, the Corporation's rights might have been affected because a firm not registered to do business in Colorado has no right to bring suit to enforce a contract.

CONFLICT OF INTEREST ALLEGATION

We found no evidence that the Corporation hired the person named in the newspaper article because of close friendship with an OEO official.

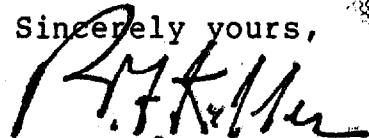
RESULTS OF OEO'S INVESTIGATION

The OEO inspection report generally confirmed the results of our review. However, the report was qualified with statements that it contained unevaluated data and material furnished in confidence by sources of untested reliability.

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As your office requested, we did not give officials of OEO, the CAAs, or the Corporation an opportunity to formally comment on this report. We have, however, discussed these matters with these officials and have included their comments where appropriate. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,



Deputy Comptroller General
of the United States