

DOCUMENT RESUME

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[Operation Heatwave Program at Gaston Community Action, Inc.].
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Report to Sen. Jesse Helms; by Elmer B. Staats, Comptroller
General.

Issue Area: Income Security Programs: Program Effectiveness
(1302); Energy: Federal Efforts to Conserve Energy (1602).

Contact: Human Resources Div.

Budget Function: Income Security: Public Assistance and Other
Income Supplements (604).

Organization Concerned: Community Services Administration;
Department of Commerce; Gaston Community Action, Inc., NC;
North Carolina: Economic Opportunity Office.

Congressional Relevance: Sen. Jesse Helms.

Authority: Public Works and Economic Development Act of 1965,
title X.

Questions were answered relating to the Operation Heatwave Program operated by Gaston Community Action, Inc., in North Carolina to provide assistance to low-income people in meeting fuel needs and reducing energy consumption. Questions related to administrative expenses, personnel activities and qualifications, agency representation, eligibility criteria, and alleged theft of fuel. Findings/Conclusions: Administrative portions of the program budget for FYs 1976 and 1977 were relatively high, but reclassification of some program items reduced the percentages of these costs. No evidence was found of illegal actions or misappropriated funds. However, there were some weaknesses in administrative procedures related to fuel supply controls and in accounting classifications for salaries. These weaknesses were corrected by Gaston Community Action, Inc. (Author/HTW)



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

JUN 7 1977

02746

B-163922

The Honorable Jesse Helms
United States Senate

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

Dear Senator Helms:

In response to your June 15, 1976, letter and subsequent agreements with your office, we have answered your questions about the Operation Heatwave program operated by Gaston Community Action, Inc., Gaston County, North Carolina.

The Operation Heatwave program is designed to provide assistance to low-income individuals and families to lessen the impact of the high cost of energy and to reduce individual and family energy consumption. The program provides funds for home repairs to minimize heat loss and improve thermal efficiency, for assistance to prevent hardship or danger to health due to utility shutoff or lack of fuel, and for other related activities. During fiscal year 1976, the program received \$41,966 from the Community Services Administration, the North Carolina State Economic Opportunity Office, and the Department of Commerce.

We examined the program's financial accounts for fiscal year 1976, analyzed the program's administrative costs, verified benefits distributed, inquired into the eligibility of program recipients, and investigated into the alleged theft of fuel.

We found no evidence of illegal actions or misappropriated funds; however, we did find some administrative weaknesses in fuel supply controls and in accounting classifications for salaries. These weaknesses were corrected by Gaston Community Action, Inc.

As requested by your office, we did not obtain written comments from officials of the Community Services Administration on information contained in this report.

Sincerely yours,

Comptroller General
of the United States

Enclosure

HRD-77-100

QUESTION 1

The fiscal year 1977 budget request for the Operation Heatwave program is \$17,800. About \$16,800 of this amount is for administrative expenses. The administrative expenses in the preceding budget year included the salaries of two janitors that are no longer paid under Operation Heatwave. If the janitorial cost is no longer included, why hasn't the ratio of administrative/direct expenses changed and why are the administrative expenses such a large portion of the new budget?

ANSWER

The fiscal year 1977 budget requested \$13,364 in Federal funds and provided for \$4,450 non-Federal contributions, bringing the total to \$17,814. The non-Federal contributions may be cash or "in kind." Under Community Services Administration (CSA) regulations, in-kind contributions may include such items as volunteer time, donated office or storage space, and donated materials. Instructions are provided to value these contributions. Non-Federal contributions may be provided by any public or private agency or individual, but assistance provided through other Federal programs is generally excluded.

The ratio of administrative expenses/direct expenses changed, but not significantly. This change, before our reclassification of budget items, is shown below.

	<u>Fiscal years</u>		
	<u>1976</u>	<u>1977</u>	
Federal share:			
Administrative (including salaries)	\$15,049	\$12,214	
Program	<u>1,026</u>	<u>1,150</u>	
Total	16,075	13,364	
Non-Federal share	<u>5,358</u>	<u>4,450</u>	
Total	<u>\$21,433</u>	<u>\$17,814</u>	
<u>Administrative cost as a percentage of total budget</u>	<u>FY 1976</u>	<u>FY 1977</u>	<u>Change</u>
	(percent)		
Excluding non-Federal share	94	91	-3
Including non-Federal share	70	69	-1

The administrative portions of the program budget for fiscal years 1976 and 1977 were relatively high because they included the salary cost of the Operation Heatwave program director and most of the other administrative costs. For example, the salary and fringe benefit costs of the program director budgeted for fiscal year 1976 and 1977 were \$8,483 and \$8,950, respectively. The salary costs budgeted for fiscal year 1976 also included salary costs of \$4,241 for two custodians for September 1975 through January 1976.

However, the foregoing analysis addresses only those local initiative CSA funds which were intended to support the administrative burden of Operation Heatwave. Additional energy funds were received from CSA's Emergency Energy Conservation Services program, the State Economic Opportunity Office's energy program, and the Department of Commerce's weatherization labor program, as authorized in title X of the Public Works and Economic Development Act of 1965. An analysis of the total budget, before our reclassification of budget items, is shown on the following table.

1976 BUDGET--OPERATION HEATWAVE

<u>Funding source</u>	<u>CSA local initia- tive</u>	<u>CSA Emergency Energy Conserva- tion Service</u>	<u>State Economic Opportunity Office</u>	<u>Title X weather- ization labor program</u>	<u>Total</u>
Federal funds:					
Administrative	\$15,049	\$ 271	\$ 450	\$ 0	\$15,770
Program	<u>1,026</u>	<u>5,500</u>	<u>5,969</u>	<u>13,701</u>	<u>26,196</u>
Total	16,075	5,771	6,419	13,701	41,966
Non-Federal:					
Volunteer time (note a)	<u>5,358</u>	<u>1,924</u>	<u>1,375</u>	<u>0</u>	<u>8,687</u>
Total	<u>\$21,433</u>	<u>\$7,695</u>	<u>\$7,794</u>	<u>\$13,701</u>	<u>\$50,653</u>

Administrative costs

Excluding non-Federal share $\frac{\$15,770}{\$41,966} = 38$ percent

Including non-Federal share $\frac{\$15,770}{\$50,653} = 31$ percent

a/Volunteer time oriented towards programmatic rather than administrative activities.

ENCLOSURE I

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	Fiscal year 1976 <u>budget</u>	Fiscal year 1976 <u>actual</u>	Fiscal year 1977 <u>budget</u>
Federal:			
Administrative Program	\$10,925 <u>31,041</u>	\$10,683 <u>20,383</u>	\$ 6,985 <u>34,317</u>
Total	<u>41,966</u>	<u>31,066</u>	<u>41,302</u>
Non-Federal:			
Volunteer time	8,687	7,362	11,948
Space donated	0	530	0
Other in kind	0	141	0
Total (note a)	<u>8,687</u>	<u>8,033</u>	<u>11,948</u>
TOTAL	<u>\$50,653</u>	<u>\$39,099</u>	<u>\$53,250</u>

(percent)

Administrative costs:			
Excluding non-Federal	26	34	17
Including non-Federal	22	27	13

a/Non-Federal contributions oriented towards the programmatic rather than administrative activities.

The nature of the administrative costs shown in the preceding table were identified as follows:

<u>Description</u>	Fiscal year 1976 <u>budget</u>	Fiscal year 1976 <u>actual</u>	Fiscal year 1977 <u>budget</u>
Salaries	\$ 7,748	\$ 7,738	\$4,198
FICA fringe	481	540	252
Other fringe	411	462	294
Local travel	560	342	684
Non-local travel	215	266	208
Audit	0	0	75
Utilities	370	370	360
Office supplies	170	161	420
Insurance and bond	260	145	110
Telephone	370	318	360
Postage	30	29	24
Contract services	310	310	0
Miscellaneous	<u>0</u>	<u>2</u>	<u>0</u>
Total	<u>\$10,925</u>	<u>\$10,683</u>	<u>\$6,985</u>

QUESTION 2

To what extent did the director of Operation Heatwave perform programmatic work?

ANSWER

We reviewed weekly reports the director submitted showing his daily actions for the first 8 months of the 1976 program year. We determined that he spent 74 days (47 percent) on programmatic activities and 84 days (53 percent) on administrative work.

Programmatic work included:

- Installing plastic on windows, caulking, or insulation in homes.
- Making repairs to homes.
- Attending weatherization workshops.
- Delivering coal and fuel oil.
- Speaking at community group meetings on weatherization.

- Cutting down weeds and plowing gardens.
- Issuing seeds and fertilizer.
- Inspecting gardens and giving advice on canning foods.
- Working with local businesses, public officials, and charity groups to obtain and distribute resources to aid the poor.
- Talking to citizens door to door about forming community groups or block clubs in their neighborhood.

Administrative work included:

- Preparing weekly and monthly reports.
- Working to obtain in-kind contributions.
- Attending meetings with the board of directors, the executive director, or staff.
- Gathering information and preparing grant proposals.
- Working with the advisory committee on Operation Heatwave.
- Documenting all program work and services.

QUESTION 3

Determine circumstances involved with janitors being included in the Operation Heatwave budget. Was this to circumvent excessive payroll expense in another Gaston Community Action program? Why were janitors later transferred out of Operation Heatwave?

ANSWER

Gaston officials said the janitors were included in the Operation Heatwave budget to reduce the overall administrative costs of the community action agency. Under CSA regulations, overall administrative costs may not, without prior approval of CSA, exceed 15 percent of the total funds allotted to the community action agency. Because of this, in 1976 a CSA field representative advised Gaston officials to lower costs; Gaston officials placed the salary costs of the two janitors into the Operation Heatwave budget.

Gaston officials said that salary payments for the janitors were transferred out of the Operation Heatwave budget because of the adverse publicity.

QUESTION 4

Identify actual janitorial work under Operation Heatwave budget.

ANSWER

The fiscal year 1976 program budget submitted on August 26, 1975, included the salaries for one custodian and one maintenance man. The custodian is responsible for all general light cleaning at the agency. She sweeps the floors; dusts all desks, window sills, and other items; empties office trash cans; and cleans bathrooms. While assigned to Operation Heatwave, she performed no duties specific to that program.

The maintenance man said that he opens and closes the building each day, carries typewriters and adding machines, mops and waxes floors, delivers supplies to homes, cuts the grass, and performs any other duties deemed necessary. While assigned to Operation Heatwave, he performed some duties specific to that program--issuing coal and fuel oil and delivering building materials. He was not required to record the time devoted to any particular activity.

The janitors' salaries were paid out of the local initiative funds provided by CSA which were intended to support the administrative burden of Operation Heatwave. Since the janitors performed work for the entire agency, their salaries may have been better allocated among all programs at the agency, rather than just to Operation Heatwave. However, we were unable to make this allocation because Gaston Community Action, Inc., did not have a system which would enable us to distribute the custodians' time accordingly.

QUESTION 5

Are there discrepancies between CSA statements that grantees were visited twice a year and the situation at Gaston not being discovered because there was no representative in the area?

ANSWER

Our review of CSA records showed that regional representatives had made two field trips to Gaston during each of calendar years 1975 and 1976. The following are excerpts taken from the field representatives 1975 trip reports.

--Field Trip Report February 18 through 21, 1975--"We found that objectives are being met with strong emphasis being placed in developing and carrying out the objective in Operation Heatwave (energy crisis)* * *."

--Field Trip Report May 20 through 23, 1975--"The objectives are being met with strong emphasis being placed in developing and carrying out the objectives in Operation Heatwave (energy crisis) program* * *."

We noted the reports for trips made during April 13 through 15 and December 9 through 10, 1976, contained no comments on Operation Heatwave. We also noted that although two field trips were recorded for each of calendar years 1975 and 1976, there was no record of any field trip following May 1975 until April 1976.

QUESTION 6

What are the qualifications of Gaston employees involved in the Operation Heatwave program?

ANSWER

Information about employees' qualifications was obtained from agency records and interviews for the following employees.

The former executive director of Gaston graduated from Winchester Avenue High School, Monroe, North Carolina, in 1951 and received a degree in vocational agriculture from Agricultural and Technical State University at Greensboro, North Carolina, in 1957. He worked as an insurance agent for North Carolina Mutual Life Insurance Company from 1959 to 1963. In February 1963 he began work for Winston Mutual Life Insurance Company, Charlotte, North Carolina, as an agent and staff manager. He came to work for Gaston in May 1966 as a neighborhood center director and head start director and was promoted to executive director on January 2, 1970. He held this position until April 1976.

The current executive director of Gaston received a high school diploma from Lincoln High School, Bessemer City, North

Carolina, in 1966. She attended Durham Business College for 2 years, receiving a diploma in secretarial science in 1968.

She began work at Gaston Community Action, Inc., as a clerk typist in 1970 and was promoted in 1971 to secretary of community organization, with duties consisting of typing, filing, and other administrative duties for the director, assistant director, eight outreach workers, and eight target area communication systems workers. In 1972 she was promoted to secretary of the youth program, alcohol program, and housing program; handled the clerical work for all three program directors; and was receiving and stockroom officer.

In November 1972 she was promoted to director of internal affairs--secretary. She supervised all clerical staff, and, in the absence of the executive director, she was in charge of the agency. In 1974 she was promoted to director of internal affairs--planner. In this capacity she interviewed applicants for program director positions and made recommendations for employment to the executive director. While in this position, she also served as career development officer and training officer for the agency and conducted regular employee evaluations with program directors. In April 1976 she was appointed acting executive director and was promoted to executive director in September 1976.

The assistant director of Gaston graduated from Ashley High School in 1965. He attended Gaston College but did not receive a degree. From 1970 to 1973 he worked as a lab technician for Sodyeco in Mt. Holly, North Carolina. From May 1973 to September 1974 he worked for Central Yarn and Dyeing of Gastonia as a lab technician and computer controller.

The Operation Heatwave program director graduated from Highland High School in 1951 and attended Friendship College for 2 years, majoring in building trades. He worked in the carding department of Klopman Mills for 8 years and later for the Burlington Industries textile plant. In 1973 he became a self-employed building contractor. On January 3, 1974, he began working for Gaston in community services, and in January 1975 he was appointed program director of Operation Heatwave.

QUESTION 7

What are the criteria recipients must meet to be eligible to receive benefits from Operation Heatwave?

ANSWER

CSA eligibility guidelines for the program are stated in terms of family size and income.

<u>Family size</u>	<u>Nonfarm poor</u>	<u>Farm poor</u>
1	\$2,590	\$2,200
2	3,410	2,900
3	4,230	3,600
4	5,050	4,300
5	5,870	5,000
6 (note a)	6,690	5,700

a/For family units with more than six members add \$820 for each additional member in a nonfarm family and \$700 for each additional member in a farm family.

QUESTION 8

How many persons (or families) received fuel oil and weatherization benefits from the program? CSA's inspection report indicates 33 families received oil; other information shows that 10 families received 14 gallons each. On a sample basis, independently verify that program recipients actually received these benefits and determine if recipients included in the sample meet the eligibility requirements.

ANSWER

Gaston records show that during the 1975-1976 program year the following benefits were distributed:

- 315 gallons of fuel oil to 21 recipients.
- 3,300 pounds of coal to 21 recipients.
- 51 homes winterized (temporary plastic over windows and doors, caulking, and insulation).
- 25 homes weatherized (permanent storm windows and doors).

We visited 9 of 42 oil or coal recipients and 12 of 51 winterization recipients chosen randomly from Gaston records. All recipients interviewed confirmed receiving the oil, coal, or winterization as recorded by Gaston.

Eligibility for assistance is based on family size and income. Recipients are required to provide personal data on income, family size, and need when applying for assistance;

agency officials review the applications and determine eligibility. The officials said that in most cases they know the applicants or have personal knowledge of the situation and that the emergency energy assistance was of such nominal value that a more extensive investigation is not warranted.

Additionally, we asked a CSA official if CSA required any verification of applicant's eligibility. His comments follow.

- CSA has no specific requirements for verification of income.
- Eligibility is based upon a review of the applicant's self-declaration.
- Outreach workers usually have personal knowledge of applicant's financial situation. If additional information is required, the outreach worker will visit applicant.
- Because of the small amounts of benefits involved, agencies rarely conduct extensive investigations on eligibility.

We selected a sample of recipients, 9 of 42 oil or coal recipients and 12 of 51 winterization recipients, from Gaston records and attempted to verify their eligibility. We reviewed the applications and noted that the reported income was within the specified criteria. The applications also showed that 11 were receiving social security benefits, 3 were receiving welfare, 3 were receiving unemployment benefits, 3 were employed, and 1 had no income.

We visited the homes and interviewed these recipients. During the visits we noted that conditions in the homes were poor--much of the housing was dilapidated and had no heat at all. Small children were observed to be in their beds in the middle of the day to keep warm; in two homes children were huddled around a kerosene heater to keep warm.

Because of the small amount of benefits involved, the sources of reported income, and the observed living conditions of the recipients in our sample, we felt that further verification of recipient eligibility was not necessary.

QUESTION 9

What happened to the 128 gallons of fuel oil that were not accounted for? Verify if fuel oil was stolen, the amount involved, and if it was reported to police. Are there government

regulations which require thefts which occur at community action agencies to be reported to both CSA management and to local law enforcement agencies?

ANSWER

On October 2, 1975, Gaston purchased 268 gallons of fuel oil for distribution to needy families. As a general rule, each recipient could receive 10 gallons of fuel at a time. Agency records show that 220 gallons of fuel were issued to 16 recipients between November 3, 1975, and January 24, 1976; 13 recipients were issued 10 gallons each, 1 received 50 gallons, and 2 recipients received 20 gallons each. We could not account for the remaining 48 gallons of fuel valued at about \$19.00.

We could not verify that any fuel oil was stolen. We found some records of fuel issues that had been misfiled which indicated that more fuel could have been issued and the records misfiled.

The Operation Heatwave program director became aware of a discrepancy in the fuel supply in late January 1976 when the fuel storage tank was emptied. On January 28, 1976, he reported to the Dallas, North Carolina, police department that approximately 120 gallons of fuel oil had been taken. CSA instructions require all grantees to report thefts to both local police and the CSA property administrator.

QUESTION 10

Ask the program director about discrepancies in his statements made to the press and to CSA's inspector concerning the 128 gallons of unaccounted for fuel oil.

ANSWER

The program director told a reporter, by telephone, that 10 gallons of fuel were issued to each of 14 families and that he could not account for 128 gallons of fuel. Further, he denied telling the reporter that he was sure that the unaccounted for fuel went to needy families. The director said he was rushed and busy when the reporter called, and he did not make a thorough review of the fuel issue records before responding. The agency had not determined that the fuel had been stolen prior to his conversation with the reporter.

The program director said that after the conversation with the reporter, the fuel was presumed stolen and was reported to the Dallas police and to CSA in Atlanta.