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Certain Activities Of The Little River Community Action Corporation, Daphne, Alabama

B-130515

Office of Economic Opportunity
Department of Labor

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

089766

JUNE 23 1970



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

B-130515

Dear Mr. Dickinson:

This is our report on our review of certain activities of the Little River Community Action Corporation (Corporation), Daphne, Alabama, a grantee of the Office of Economic Opportunity (OEO), and a contractor of the Department of Labor (DOL). Our review was undertaken pursuant to your letter dated January 29, 1970, and discussions with you.

The Corporation, OEO, DOL, and other parties mentioned in this report have not been given an opportunity to formally examine and comment on the contents of this report.

As agreed in our meeting with you on May 26, 1970, we are sending copies of this report to the Director, Office of Economic Opportunity, and to the Secretary of Labor in order that appropriate corrective actions in areas in need of improvement may be undertaken.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States

The Honorable William L. Dickinson
House of Representatives

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ABBREVIATIONS

DOL	Department of Labor
GAO	General Accounting Office
OEO	Office of Economic Opportunity

D I G E S T

WHY THE REVIEW WAS MADE

The Little River Community Action Corporation (Corporation)--a grantee of the Office of Economic Opportunity (OEO) and a contractor of the Department of Labor--administers antipoverty programs in the Alabama counties of Baldwin, Escambia, and Monroe.

From April 1966 through November 1970, the Corporation was authorized about \$5.1 million under OEO grants and Department of Labor contracts. The money was used for a full-year Head Start program, multipurpose services, commodity (food) distribution program, summer recreation program, emergency food and medical program, and Operation Mainstream program.

Congressman Dickinson asked the General Accounting Office (GAO) to examine into charges made by one of his constituents that

- construction of a ferry boat had been mismanaged,
- travel expenditures of the former executive director were questionable,
- employees of the Operation Mainstream program cleared and improved land owned by the former executive director while playground equipment at a Head Start Center was not assembled because of a lack of manpower,
- many poor children could not participate in the Head Start program because available spaces were occupied by children from families with incomes above the poverty level,
- Corporation employees earning over \$5,000 a year were receiving food under a commodity distribution program but poor people were not advised of their eligibility,
- the director of the commodity distribution program sold supplies to the Corporation from a business which he owned and conducted personal business during working hours,
- Corporation employees were dismissed because they tried to reform the program, and
- funds were used to construct tennis courts which poor people were not using.

The Corporation, OEO, Department of Labor, and other parties mentioned in this report have not been given an opportunity to formally examine and comment on this report.

FINDINGS AND CONCLUSIONS

Ferryboat

The Corporation engaged in a joint effort with the County Commission of Monroe County, Alabama, to construct a ferry which would provide the poor with a more accessible means of transportation to Packer's Bend--an isolated area located in the northwest corner of Monroe County and separated from the rest of the county by the Alabama River. The Corporation was to provide a barge and the County Commission was to furnish a power unit, access roads, ramps, and cables and towers for guiding the ferry.

In GAO's opinion the Corporation's management of the project has been poor. Grant funds were used to construct the barge without the required written authorization of OEO. The first contract for construction of the barge was entered into under noncompetitive conditions and was made apparently without due regard to the contractor's ability to perform. The Corporation learned that the contractor was not performing satisfactorily, but it did not take actions to obtain timely completion of the barge and initiation of ferry service.

Subsequently the contractor had financial difficulties and the Corporation took possession of the uncompleted barge. Because of a shortage of Corporation funds to complete the project, the County Commission agreed to complete the barge at its own expense and use it to serve the poor in the Packer's Bend area--provided that it received title to the barge. However, OEO did not authorize the Corporation to transfer title and instead authorized funds for completion of the barge by the Corporation. (See p. 8.)

The Corporation's estimated cost for the barge is \$37,000, or 131 percent more than the original estimate. The barge was to have been delivered in 45 days. However, it still was not completed 2-1/2 years later. The Corporation was unable to tell GAO when the ferry service would start.

Travel expenses

GAO identified payments of \$4,150 for travel performed by the former executive director during her employment (June 6, 1966, to March 15, 1968). The payments to the former executive director were questionable because in all cases supporting documentation was inadequate. (See p. 12.)

Land improvement

Employees of Operation Mainstream (funded by the Department of Labor) cleared a 3/4-acre portion of land leased to the Corporation by the former executive director. They also built tables and benches, constructed a small bridge, and improved the access road to the property. The cost of labor was \$756 (540 hours). The Corporation apparently did not need the land and the lease was not renewed.

During the period these improvements were made, there was some delay by the Corporation in assembling playground equipment at a Head Start Center. However, it did not appear that the delay was associated with the land improvements. (See p. 14.)

Head Start eligibility

GAO reviewed the eligibility of 94 children who had enrolled in the 1969-70 Head Start program at the Daphne center. Twenty one (11 more than should have been) were from families whose reported incomes were above the poverty guidelines. One of the ineligible was a child whose parent worked for the Corporation. Thirty-eight additional children applied for the program but were not enrolled, and 25 of these were from families whose incomes were below the poverty guidelines.

The Head Start program director told GAO that the 38 children were not enrolled because--among other reasons--they were not eligible, had moved, or were not living near the routes followed by the Head Start buses. (See p. 17.)

Commodity distribution

A large number of eligible poor people were not participating in the commodity distribution program. In part, this may be attributed to the Corporation's lack of a program for contacting potential participants. Ten Corporation employees were temporarily dismissed from their jobs for a 2-week period because of a lack of grant funds. They were certified to receive commodities for a 30-day period after authorization was obtained from the Alabama Department of Pensions and Security. (See p. 20.)

Personal business

During October 1966 through June 1969, the Corporation bought janitorial supplies worth \$1,135 from the Sanitary Chemical Supply Co., a firm owned by the director of the commodity distribution program. The director said that he was not aware of the OEO requirement dealing with conflict of interest until it was brought to his attention in January 1970 and since then his company had not sold any supplies to the Corporation and that he had not conducted any personal business during Corporation working hours. (See p. 22.)

Dismissed employees

OEO reviewed the Corporation's compliance with requirements of nondiscrimination in employment and program participation by eligible beneficiaries. As a result, the Corporation was told to take a number of actions to adhere to OEO regulations governing the hiring of the poor. They dismissed 12 nonprofessional employees from families whose income exceeded the OEO poverty guidelines. GAO did not find any evidence that the employees were dismissed for trying to reform the program. (See p. 23.)

Tennis courts

The Corporation spent \$16,800 of OEO grant funds--about \$9,400 more than authorized--for constructing three tennis courts, repairing an existing court, and purchasing athletic equipment. Only one of the tennis courts was being used. About \$3,175 was spent for athletic equipment but only about \$2,000 worth was on hand. The rest could not be found. (See p. 25.)

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Copies of this report are being provided to the Director, OEO, and to the Secretary of Labor in order that corrective action may be taken.

CHAPTER 1

INTRODUCTION

The General Accounting Office has reviewed certain activities of the Little River Community Action Corporation of Daphne, Alabama, which administers antipoverty programs in the Alabama counties of Baldwin, Escambia, and Monroe, under grants from the Office of Economic Opportunity and an employment training program under contracts with the Department of Labor (DOL).

The review was performed pursuant to the request contained in a letter dated January 29, 1970, to the Assistant Comptroller General by Congressman William L. Dickinson. (See app. I.)

Our review, which was conducted primarily at the Corporation's office in Daphne, Alabama, was made during the period February through April 1970 and was directed toward charges by one of Congressman Dickinson's constituents that:

1. A project for the construction of a barge for use as a ferry had been mismanaged.
2. Travel expenditures by the former executive director were questionable.
3. Employees of the program funded by DOL cleared property owned by the former executive director while playground equipment at the Daphne Head Start Center was not assembled because of a lack of manpower.
4. Many poor children could not participate in the Head Start program because available spaces at the Daphne center were occupied by children from families with incomes above the poverty level.
5. Corporation employees earning over \$5,000 a year were receiving food under a commodity distribution program but poor people were not advised of their eligibility to participate in the program.

6. The director of the commodity distribution program was selling supplies to the Corporation from a business which he owned and was conducting personal business during the Corporation's working hours.
7. Employees of the Corporation were dismissed because they tried to reform the program.
8. Funds were used for constructing tennis courts which poor people were not using.

We reviewed Corporation records and interviewed Mr. Richard D. Taylor, the individual to whom we were referred by Congressman Dickinson, and certain other persons associated with the Corporation, OEO, and Monroe County, Alabama, who we had reason to believe had information concerning the matters under review. We were unable to locate the former executive director, who had resigned from the program in March 1968 and had moved from the Daphne area. We did not make an evaluation of the effectiveness of the Corporation's antipoverty programs.

The Corporation, a community action agency, was incorporated in June 1965 as a private nonprofit corporation to administer antipoverty programs in the three Alabama counties. The Corporation is governed by a board of directors which, in February 1970, was composed of 35 members--13 represented public institutions, 12 represented the poor, and 10 represented the various business and community organizations.

According to data obtained from the 1960 census, 10,534 families, or about 42 percent of the 24,798 families residing in the three counties served by the Corporation, were poor. To assist the poor in these three counties, the Corporation has been granted Federal funds by OEO and DOL amounting to \$5,139,959 for the period April 30, 1966, through November 30, 1970, for operating the following programs and activities.

	Program year				Total
	1966-67	1967-68	1968-69	1969-70	
OEO programs or activities:					
Conduct and administration	\$164,907	\$ 70,742	\$ 71,203	\$ 80,684	\$ 387,536
Head Start	362,526	468,385	494,864	468,385	1,794,160
Multipurpose service (Neighborhood referral center)	137,671	215,650	172,182	-	525,503
Commodity distribution	83,490	113,338	153,368	153,368	503,564
Summer recreation	7,422	-	-	-	7,422
Emergency food and medical	-	14,000	14,000	14,000	42,000
Neighborhood services	-	-	-	11,650	11,650
Community organization	-	-	-	105,402	105,402
Housing services	-	-	-	22,826	22,826
Economic development	-	-	-	22,826	22,826
Total	756,016	882,115	905,617	879,141	3,422,889
DOL program:					
Operation Main-stream	-	703,430	469,960	543,680	1,717,070
Total	<u>\$756,016</u>	<u>\$1,585,545^a</u>	<u>\$1,375,577^a</u>	<u>\$1,422,821^a</u>	<u>\$5,139,959</u>

^aIncludes reprogrammed prior year's unexpended funds.

CHAPTER 2

MANAGEMENT OF FERRY PROJET

It was charged that a project for the construction of a barge for use as a ferry had been mismanaged by the Corporation. In our opinion, the Corporation's management of the project has been poor. Grant funds were used to construct the barge without the required prior written authorization from OEO. The contract for construction of the barge was made under noncompetitive conditions and apparently without due regard to the contractor's ability to perform. When placed on notice that the contractor was not performing satisfactorily, the Corporation did not take actions to obtain timely completion of the barge and initiation of the ferry service.

On the basis of the Corporation's most recent estimates, the Corporation's cost to complete the barge will amount to about \$37,000, or 131 percent more than the \$16,000 cost as originally estimated. Moreover, as of April 29, 1970, 2-1/2 years after the project was started, the barge, which was to have been delivered in 45 days, still was not completed, and the Corporation was unable to provide us with an expected date for initiation of the ferry service.

The County Commission of Monroe County, Alabama, agreed to complete the barge at its own expense and abide by the Corporation's objective that the ferry serve the poor in the Packer's Bend area provided that it received title to the barge. OEO, however, did not authorize the Corporation to transfer title to the county and instead authorized additional funds for completion of the barge by the Corporation.

The purpose of the ferry project was to provide the poor with a more accessible means of transportation to an isolated area known as Packer's Bend, which is located in the northwest corner of Monroe County and is separated from the rest of the county by the Alabama River. The construction of the ferry is a joint effort of the Corporation and the County Commission of Monroe County. The Corporation was to provide a barge and the County Commission was to

furnish a power unit for the barge, vehicle access roads, ramps, and cables and towers for guiding the barge.

The project was initiated by the Corporation on September 28, 1967, when it entered into a contract with Atlantic-General Fiberglass Products, Inc., of Mobile, Alabama, for the construction of a fiber glass barge at a cost of \$16,000. The Corporation officials did not obtain the required written OEO approval for the project and, although not specifically required by OEO, did not obtain competitive bids for construction of the barge.

The September 1967 contract stated that Atlantic-General would complete the barge in a period of 45 days. However, the Monroe County engineer inspected the barge 3 days before it was to have been completed and estimated that it was only 66 percent complete. At that time, he recommended in his inspection report, a copy of which was sent to the Corporation, that steps be taken to ensure proper design, fabrication, and timely completion of the barge.

No evidence was available, however, to show that the contractor made any further progress on completing the barge or that the Corporation officials acted on the county engineer's recommendations until April 1969, or 19 months after the date of the contract, when the Corporation took possession of the uncompleted barge from Atlantic-General and released the contractor "*** of all obligations and liabilities concerning the Ferry Boat Project." By that time, the Corporation had made payments totaling \$11,000 to Atlantic-General. The executive director stated that these actions were taken because the contractor was having financial difficulties and he was concerned that the Corporation might lose its investment in the barge if it were attached by the contractor's creditors. In April 1970 Atlantic-General, as a result of its financial difficulties, was undergoing bankruptcy proceedings.

By June 1969, an additional \$5,000 of OEO funds and \$2,100 of DOL funds had been spent by the Corporation to move the uncompleted barge from the contractor's site and to procure additional fiber-glassing and power train parts for the barge. Since the Corporation had depleted the funds which were set aside for the barge, it negotiated with the

Monroe County Commission for the Commission to use county funds to complete the project and to make the ferry operable. Because State and local laws did not allow Monroe County to appropriate funds to the Corporation's antipoverty programs, the County was required to obtain title to the barge before contracting for its completion. The county assured the Corporation that, if title to the barge was transferred, the county would abide by the objective of the ferry project to serve the poor in the Packer's Bend area.

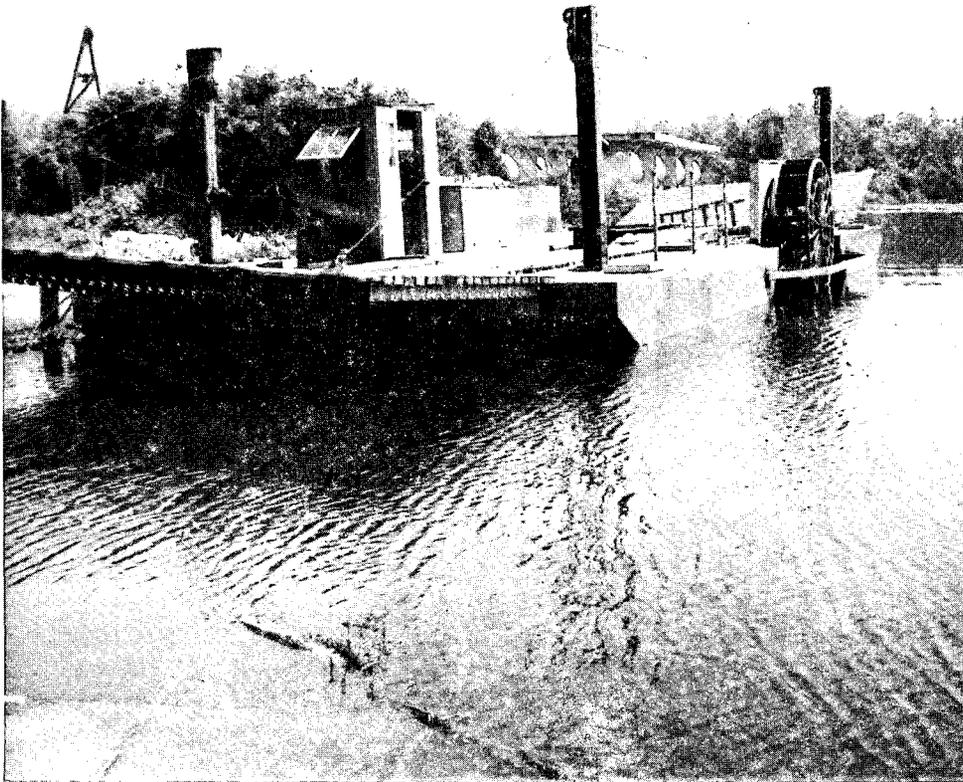
In June 1969 the Corporation requested permission from OEO to transfer the Corporation's title to the barge to the county of Monroe but OEO refused. OEO subsequently approved the expenditure by the Corporation of funds totaling about \$18,900 for completing the barge. OEO regional officials advised us that their refusal was based on the policy contained in the OEO Property and Supply Management Guide which provides that the Government retain an interest in the disposition of all personal property acquired with grant funds. In explaining this policy to the Monroe County Commission, the Assistant Counsel for the OEO Southeast Region stated in a letter dated June 3, 1969, that "*** the U.S. Government's interest in the boat is residual; the Little River CAA [Community Action Agency] can dispose, sell, or transfer title only through the Government Regional Property Administrator. Very briefly, this means the property must be sold according to the rules and procedures of the Government [sic] Services Administration (GSA), which call for public listings and bidding. I know of no shortcut to these procedures."

The county, on the assumption that it was going to take responsibility for completing the barge, advertised for bids for completion of construction in May 1969 and obtained one bid from the Bender Welding and Machine Co., Inc. The Corporation considered the bid submitted to the county and obtained an additional bid from Slocum Iron Works. In December 1969 the Corporation entered into a contract for completion of the barge by March 23, 1970, with Slocum Iron Works which had submitted a low bid of \$10,200. The barge was not completed as of April 29, 1970, when we completed our fieldwork.

The Corporation estimates that, in addition to the \$28,300 already expended or contracted for, \$8,700 additional will be needed for fiber-glassing, towing, docking, insuring, and outfitting the barge for use as a ferry.

As of April 1970 the county had furnished the power unit, and Slocum Iron Works had installed it in the barge. The county had also prepared the roadbeds for the access roads. Work remaining to be done by the county consisted of paving the access roads, constructing the ramps, and installing the guidetowers and cables. The executive director informed us that the county had not established a date for completing the remaining work. In addition, the Corporation and the county had not reached agreement as to who would be responsible for operation of the ferry once it was ready for use.

A photograph of the barge taken on April 29, 1970, at the Slocum Iron Works yard in Mobile, Alabama, is shown below.



CHAPTER 3

QUESTIONABLE TRAVEL EXPENDITURES

It was charged that the travel expenditures by the former executive director were questionable. We identified payments by the Corporation of about \$4,150 to the former executive director for travel performed by her during the period of her employment, June 6, 1966, to March 15, 1968. The payments to the former executive director were questionable because in all cases supporting documentation was inadequate.

OEO guidelines issued in June 1965 require that travel be approved in advance and that the travel authorizations state the purpose of the trip, the mode of transportation, the destination, and the period during which the travelers will be in travel status. The OEO guidelines state that reimbursement of travel expenses be supported by vouchers. The guidelines further state that travel outside the community be allowable only when essential to the effective administration of the program and when specifically authorized by the governing body of the grantee.

Available documentation shows that, during the period of her employment, the former executive director made, from Daphne, Alabama, 12 trips to Atlanta, Georgia; 14 trips to Montgomery, Alabama; two trips to Birmingham and to Opp, Alabama; three trips to Washington, D.C.; and single trips to Jasper, Cordova, Anniston, and Troy, Alabama; New Orleans, Louisiana; and Wilmington, North Carolina. In addition, she made numerous trips to communities within the area served by the program. In all, 44 payments were made. Three vouchers were approved for payment by the chairman of the board, six were approved by the former executive director, 27 vouchers were not approved for payment, and 8 vouchers could not be located.

None of the out-of-town travel was approved in advance by the board of directors although required by OEO, and, generally, we could not find any evidence that such travel was essential to the effective administration of the program.

Our examination of each of the recorded payments revealed one or more of the following discrepancies (1) vouchers or other documentation were not on file in support of the expenditure, (2) vouchers on file did not show the purpose of the trip, (3) vouchers did not show dates and times of arrival and departure to provide a basis for determining entitlement to per diem claimed, (4) vouchers did not show odometer readings to provide a basis for determining entitlement to mileage claimed, (5) vouchers did not show destination, or (6) vouchers did not show approval for payment.

We were unable to discuss these discrepancies with the former executive director because, after her resignation from the program in March 1968, she had moved from the Daphne area and we could not locate her.

CHAPTER 4

IMPROVEMENT TO PROPERTY OF

FORMER EXECUTIVE DIRECTOR

It was charged that participants in the DOL-funded employment training program improved the former executive director's property and that, at the same time, playground equipment at the Daphne Head Start Center was not assembled because of a lack of manpower. The former executive director did have her land improved by program participants under an arrangement whereby she leased the land to the Corporation. The Corporation apparently did not need the property, and the lease was not renewed. It did not appear that delay in making playground equipment available at the Head Start Center was associated with the use of program participants to improve the former executive director's land.

The Corporation has administered an Operation Mainstream program funded by DOL since 1967. Operation Mainstream was initially authorized under title II, section 205(d), by the 1965 amendments to the Economic Opportunity Act (42 U.S.C. 2701). The 1967 amendments provided for inclusion of Operation Mainstream under the Comprehensive Work and Training Program. The program is designed to promote work activities directed to the needs of chronically unemployed poor persons who have poor employment prospects and who are unable--because of age, lack of employment opportunity, or otherwise--to secure appropriate employment or training assistance under other programs. In addition, the program is designed to help such persons participate in projects for the betterment or beautification of the community or area served by the program. These projects include activities which will contribute to the management, conservation, or development of natural resources; recreational areas; Federal, State and local government parks; highways; and other lands.

The DOL handbook on Standards and Procedures for Work-Training Experience Programs provides that, generally, Operation Mainstream projects be limited to public institutions or lands and that, if projects are designed specifically to provide work-training in privately owned institutions,

or on privately owned land, permission to fund such projects be obtained from the National Office of DOL's Bureau of Work-Training Programs.¹

The Mainstream project director advised us that the former executive director, in November 1967, asked him to have Mainstream employees clear her land. He stated that he had advised her that Mainstream employees could not perform work on private property and that it would be necessary for the Corporation to obtain a lease for the property. He further stated that, subsequently, he was provided with a document which showed that the former executive director had leased her property to the Corporation for use in the Head Start program.

The document, which we obtained from the Corporation's files, was signed only by the former executive director as owner of the property and provided for the lease of 40 acres of her property for the term of 1 year with an option of renewal for an additional term of 4 years for the sum of 1 dollar and for other valuable consideration. The document showed that other consideration would include the clearing of brush, drainage, or other types of improvements at the expense of the Corporation.

The Mainstream project director stated that, after the document was received, the Mainstream employees, in a 2-week period, cleared a 3/4 acre portion of the land, built some tables and benches, constructed a small bridge across a creek, and improved the access road to the property. The total cost of 540 hours of labor of Mainstream employees for improving the property was \$756. Material used in this work was obtained in the area at no cost to Operation Mainstream.

¹Under a reorganization plan effective March 17, 1969, in the National Office and effective March 24, 1969, in the field, the Bureau of Work-Training Programs was discontinued as a separate entity within DOL. The functions of the Bureau of Work-Training Programs were assumed by the U.S. Training and Employment Service, a component within the Manpower Administration created by the reorganization plan.

The Mainstream project director informed us that he did not obtain approval from the National Office of DOL's Bureau of Work-Training Programs to perform work on the former executive director's land.

Except for a picnic held for Head Start participants, the Corporation had made no use of the property. The lease was not renewed at the end of the first year.

With respect to the installation of recreational equipment at the Head Start center, the Mainstream project director informed us that he had not been requested to install the recreational equipment; that the clearing of the former executive director's property would not have prevented him from installing the equipment; and that, in the event Mainstream employees had been asked to install the equipment, Mainstream employees assigned to the town of Daphne would probably have been used rather than the employees who cleared the property.

The executive director stated that the janitors at the Head Start Center began to install the playground equipment on December 16, 1967. He stated also that, because of the janitors' inexperience, the installation work was inadequate and that in February 1968 the Corporation engaged the services of a laborer to complete the work.

CHAPTER 5

ENROLLMENT IN HEAD START PROGRAM

It was charged that many poor children could not participate in the Head Start program because available spaces at the Daphne Head Start Center were taken up by children from families with incomes above the poverty line and by children of nonpoor Corporation employees. Our review of the eligibility of the 94 children at the Daphne Head Start Center, who had enrolled in the 1969-70 full-year Head Start program, showed that 21 of the enrollees were from families whose reported incomes were above the poverty guidelines. Under OEO requirements, only 10 children, 10 percent of the enrollment, were permitted to be from such families.

The Corporation's records indicated that 38 additional children applied for the program but were not enrolled and that 25 of these 38 were members of families whose incomes were below the poverty guidelines. The Head Start program director told us that the 38 children were not enrolled because--among other reasons--the children were not eligible, had moved, or were not living near the routes followed by the Head Start buses.

The Head Start program is designed to assist economically disadvantaged preschool children to achieve their full potential. The full-year Head Start programs are primarily for children from age 3 up to the age when the child enters the school system. OEO has established a poverty-line index for determining eligibility of children for Head Start and has required that at least 90 percent of the children be from families meeting the poverty criteria. OEO's Head Start manual provides that, when more children are available than the program can handle, children from the most economically deprived families should be enrolled. The Head Start manual states that recruitment efforts be measured by the composition of enrollment and that grantee programs which have less than 90 percent of their enrolled children from families who meet the OEO poverty criteria face a reduction in grant funds or suspension of the grant.

The OEO poverty guidelines for nonfarm families in effect during calendar year 1969 were as follows.

<u>Family size</u>	<u>Poverty annual income line</u>
1	\$1,600
2	2,100
3	2,600
4	3,300
5	3,900

For families with six to 13 members, \$500 was added to the poverty income line for each additional family member.

Our review of the eligibility of the 94 children who were enrolled in the 1969-70 full year Head Start program at the Daphne center showed that 21 of the children were from families whose reported income exceeded the poverty guidelines by the following amounts.

<u>Excess income</u>	<u>Number</u>
\$50 to \$500	3
\$501 to \$1,000	8
\$1,001 to \$1,500	3
\$1,501 to \$3,500	5
\$3,501 and over	<u>2</u>
	<u>21</u>

One of the 21 children was a member of a family of a Corporation employee whose reported annual income exceeded the poverty guidelines by \$3,900. On the basis of an estimated average cost of \$1,100 for each enrollee, the cost of the Head Start services provided to the children from families whose income exceeded OEO's guidelines, after consideration of OEO's 10 percent allowance, would amount to about \$12,000.

In April 1970 the director of the Head Start program provided us with the following statement concerning the 38 children who had applied but were not enrolled.

"The Daphne Head Start Center operates two school buses in order to serve as wide an area as possible. One bus goes into the town of Fairhope which is six miles away picking up children on the way to Fairhope, making a circle through the town and returning to the Center. In good weather the average time is an hour of travel. In bad weather the bus cannot go on some of the roads and the staff at the Center picks up some of the children in their own cars. The Daphne bus services the town of Daphne and goes south of the town on the country road of Belforest as far as time will allow, returns and circles through the subdivisions of Banksville, Whispering Pine, Daphmont and Dauphine Acres, and the route covered takes an hour of time.

"There were 38 applications screened and not enrolled for the following reasons: 16 were either over income or moved before the session opened; 12 lived too far off the bus route; 2 families have one child enrolled in Head Start; 1 did not enroll until February, 1970 and will enter school in September, 1970; 6 children are eligible to be enrolled now because there are 6 openings in Daphne due to families relocating; 1 registered child is retarded."

CHAPTER 6

PARTICIPATION IN COMMODITY

DISTRIBUTION PROGRAM

It was charged that Corporation employees earning over \$5,000 received food under the commodity distribution program operated by the Corporation while poor people in Baldwin County were not advised of their eligibility for the program. We found that a large number of eligible poor people in the three-county area served by the Corporation were not participating in the commodity distribution program, which, in part, may be attributable to the Corporation's lack of an active outreach program for contacting potential program participants. Also, 10 Corporation employees, who were temporarily dismissed from their jobs for a 2-week period because of a lack of grant funds, were certified to receive commodities for a 30-day period after such authorization was obtained from the Alabama Department of Pensions and Security.

The objective of the program is to distribute U.S. Department of Agriculture surplus commodities to needy people in the three-county area served by the Corporation. To meet this objective, the Corporation was awarded funds by OEO for the rental of facilities to be used as warehouses and distribution centers and for the payment of salaries to employees who unload freight cars, issue the commodities, and assist in determining eligibility of program applicants. The commodity distribution program is operated by the Corporation under the terms of an agreement with the Alabama Department of Pensions and Security.

The Department of Pensions and Security establishes program eligibility on the basis of the number of members in a household and the monthly household income. The Department's procedures require that persons who have recently become unemployed and whose prior monthly income exceeded the income eligibility requirements must wait 30 days after their unemployment begins before they may participate in the program. All persons on welfare are considered eligible and are certified by the Department of Pensions and

Security. Persons who are not on welfare are certified by the Corporation on the basis of data submitted on their applications for participation.

The rolls of eligibles for the commodity distribution programs in Baldwin County during program years 1969 and 1970 included 10 Head Start employees of the Corporation who participated in the program. These employees had been temporarily laid off from Corporation employment for a 2-week period because of a lack of grant funds. Seven of the 10 employees had prior monthly incomes that exceeded the Department's income eligibility standard, including five employees who had annual incomes of \$5,000 or more prior to their dismissals.

In November 1969 the Corporation obtained permission from the Department of Pensions and Security to waive the 30-day waiting period and to certify the temporarily dismissed employees as eligible recipients of commodities. As a result, the 10 Head Start employees were certified to receive commodities for a 30-day period.

The work program for the commodity distribution program for program year 1969-70 showed that approximately 44,600 persons in the counties of Baldwin, Escambia, and Monroe were eligible to receive food under existing regulations. The program director informed us that he could obtain sufficient surplus commodities to serve all eligible persons. At the time of our review, approximately 23,000 of the 44,600 eligible recipients were participating in the program.

The commodity distribution program director indicated that the lack of an active outreach function may be a reason for less than full participation in the program. The executive director and the program director has advised us that, because of recommendations made by OEO representatives, the Corporation no longer provides direct outreach services as a means of contacting eligible poor persons to participate in the commodity program. They stated that the poor were contacted after they had been referred to the program by Corporation employees, advisory and governing board members, relevant public and private agencies, or individuals in the community.

CHAPTER 7

OTHER CHARGES

CONFLICT OF INTEREST BY AN EMPLOYEE

It was charged that the director of the commodity distribution program sold supplies to the Corporation from a supply business which he owned. It was further charged that he conducted personal business during the Corporation's working hours.

During the period October 1966 through June 1969, payments totaling about \$1,135 for the purchase of janitorial supplies were made by the Corporation to the Sanitary Chemical Supply Co., a janitorial supply firm owned by the program director. The janitorial supplies were for use in the Corporation's various programs, of which \$624 worth were for use in the commodity distribution program.

The Corporation's fiscal officer stated that, in June 1969, she directed the discontinuance of all business transactions between the Corporation and persons directly associated with the Corporation. Subsequently, the Corporation discontinued purchasing goods from the Sanitary Chemical Supply Co.

With respect to the charge that the program director was conducting personal business during the Corporation's working hours, we found that the former executive director, in a memorandum dated November 13, 1967, had advised the program director that he was not permitted to enter into any private business affairs on the Corporation's time. The memorandum also stated that the program director was prohibited from using travel funds and his position with the Corporation for the enlargement of his janitorial supply business. The memorandum further stated that, if these practices did not cease, he would be released immediately.

In discussing this matter with the program director, he provided us with the following statement dated April 2, 1970.

"This is to state that the Sanitary Chemical Supply Company of Fairhope, Alabama, in which I own an interest, did a small amount of business with Little River Community Action Program during the last three and one half (3-1/2) years.

"The Chairman of the Board of Directors of Little River Community Action Program, directed that supplies be purchased from businesses within the three county area in which we operate. At the time, these sales were made with the Sanitary Chemical Supply Company; this company was the only firm in the three counties which sold a full line of janitorial supplies. One other company is located in Monroe County, but this firm sells mostly liquid janitorial supplies. The quantities purchased by Little River Community Action Program were too small to procure from large janitorial supply firms in Mobile because of the freight rates.

"I was not aware of OEO requirements dealing with the conflict of interest until it was brought to my attention in January 1970, and since then the company has not sold any other supplies to Little River Community Action Program. I have not conducted any personal business during Little River working hours."

DISMISSAL OF EMPLOYEES

It was charged that Corporation employees were dismissed because they tried to reform the Head Start program whereas the Corporation officials claimed that their dismissals were justified on the basis that their family incomes were too high. Our review showed that 12 nonprofessional employees whose family incomes were over the poverty line were dismissed from the Head Start program as a result of a rescreening of Corporation employees that was directed by OEO.

In addition to Head Start programs being designed to foster the development of children, they are designed to create opportunities for development of adults through

employment of nonprofessionals. In the Head Start context, a nonprofessional is a person (1) who may lack significant formal training or experience but who, by virtue of his personality or informal experience, shows potential to perform the duties of the position for which he is employed and (2) who, at the time of his initial employment, is poor. The Head Start manual provides that nonprofessional jobs as aides, janitors, bus drivers, cooks, cafeteria workers, and clerks be made available to poor persons.

In a letter, dated June 11, 1969, OEO advised the chairman of the board that a review of the Corporation's compliance with OEO requirements of nondiscrimination in employment and program participation by eligible beneficiaries had been performed in February 1969 and reported that there was a need for more involvement of low-income persons in the Corporation's programs. As a result, OEO directed the Corporation to take a number of actions to adhere to OEO regulations governing the hiring of the poor. Corporation officials stated that, subsequently, OEO representatives of the Southeast Regional Office recommended that, at the end of the program year, nonprofessionals be rescreened to determine whether they qualified on the basis of the poverty guidelines established by OEO. The officials stated that the OEO representatives emphasized that failure to comply with the recommendation would result in denial of refunding.

Corporation officials stated that, as a result of the recommendations, all nonprofessionals were rescreened and the 12 Head Start employees who did not meet the OEO poverty guidelines were dismissed in October 1969 and replaced by persons who did meet the guidelines. We could not find any evidence that the employees were dismissed for any reasons other than that their family incomes were over the poverty guidelines.

Two of the 12 employees contested their dismissals on the basis that they had been discriminated against. In January 1970 the two employees appealed to the Corporation's board of directors and the board reaffirmed both terminations by a vote of 21 to 1.

In April 1970 the dismissal of the 12 employees was being reconsidered by the OEO regional office.

CONSTRUCTION AND USE OF TENNIS COURTS

It was charged that program funds were used to construct tennis courts which poor people were not using.

In June 1967, OEO granted the Corporation \$7,422 to conduct a summer recreational project. The project was designed to provide jobs and recreational opportunities for the poor population of Bay Minette, Alabama, through the procurement of equipment and the construction of a tennis court at a local junior college in Bay Minette.

Corporation records indicated that about \$16,800 of OEO grant funds, about \$9,400 more than authorized, was spent under the program for the procurement of various types of athletic equipment, such as basketball backboards and soccer balls; for the construction of three new tennis courts in Daphne, Bay Minette, and Vredenburgh, Alabama; and for the repair of an existing tennis court at Bay Minette, Alabama. The executive director and the fiscal officer stated that OEO had not approved the additional costs of the project and that the additional amounts expended were charged to Corporation grant funds provided by OEO for the multipurpose service program (neighborhood referral center).

The executive director and his assistant stated that the tennis court in Vredenburgh was being used but that the remaining tennis courts had not been used to any great extent. They informed us that, apparently, poor people in the area were not interested in tennis. They stated also that the Corporation had not employed four recreational specialists and a recreational supervisor for the project, although proposed in the grant application.

On the basis of available invoices, the cost of recreational equipment which the Corporation had purchased was approximately \$3,175. At the time of our review, Corporation officials were not aware that this equipment had been procured and were unable to provide records which would identify the location and the use of the acquired property. An official of a junior college, where one of the tennis

courts was constructed, informed us that, of the \$3,175 expended for equipment, about \$2,000 worth was on hand at the junior college. The remaining equipment could not be located.

APPENDIX

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WILLIAM L. DICKINSON
2ND DISTRICT, ALABAMA

WASHINGTON OFFICE:
204 CANNON HOUSE OFFICE BUILDING
PHONE: AREA CODE 202-225-2901
WASHINGTON, D.C. 20515

2ND DISTRICT COUNTIES:
BALDWIN CRENSHAW
BUTLER ESCAMBIA
CONECUH LOWNDES
COVINGTON MONTGOMERY
PIKE

Congress of the United States
House of Representatives
Washington, D.C. 20515

January 29, 1970

WALTER J. BAMBERG
FIELD REPRESENTATIVE

DISTRICT OFFICES:
ROOM 401 POST OFFICE BUILDING
PHONE: AREA CODE 205-263-7521, EXT. 453
MONTGOMERY, ALABAMA 36104

STAPLETON BUILDING
111 HOYLE AVENUE
PHONE: AREA CODE 205-837-8818
BAY MINETTE, ALABAMA 36507

COMMITTEES:
ARMED SERVICES
HOUSE ADMINISTRATION

Mr. Robert Keller
Assistant Comptroller General
General Accounting Office
Washington, D.C.

Dear Bob:

Enclosed is the information which I discussed with you recently. There is an agreement by Mary Grice to lease her property to the Little River Community Action Program for one year for one dollar. You will recall that she was also the head of the Little River project. There is also a statement that the project then spent at least 150 man hours clearing and improving her property. Additionally, there is a copy of the contract agreement by the Little River CAP and Atlantic General to build a ferry boat for \$16,000 to be delivered within 45 days of September 18, 1967. This boat has not been completed to date, but they are still spending money on it having paid \$9,000 of the original \$16,000 contract applied price plus \$18,857 more plus other sums that we are not sure about. These are just two of the many items which seem highly irregular and possibly even criminal.

Mr. Richard D. Taylor, P. O. Box 713, Daphne, Alabama, is the person your office should contact since he has spend a great deal of time in ferreting out the information and has a very broad knowledge of the entire scope of the information on the Little River CAP.

Very truly yours,



WM. L. DICKINSON

WLD:kl

Enclosure