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Activities Of The California State
Economic Opportunity Office B-130515

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

~~7-350~~ 093411

JUNE 14, 1973

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ABBREVIATIONS

CSE00	California State Economic Opportunity Office
GAO	General Accounting Office
OEO	Office of Economic Opportunity

COMPTROLLER GENERAL'S
REPORT TO TWENTY-TWO
MEMBERS OF CONGRESS
FROM CALIFORNIA

ACTIVITIES OF THE CALIFORNIA
STATE ECONOMIC OPPORTUNITY
OFFICE
Office of Economic Opportunity
B-130515

D I G E S T

WHY THE REVIEW WAS MADE

At the request of 22 Members of Congress from California (see apps I and II), the General Accounting Office examined charges made about certain activities of the California State Economic Opportunity Office--an Office of Economic Opportunity (OEO) grantee

The California State office provides technical assistance to OEO grantees and advises OEO and the Governor regarding the operations of antipoverty programs within the State

During program years 1966 through 1972, the State office received \$4 million from OEO including \$1 million for program year 1972.

FINDINGS AND CONCLUSIONS

Investigations and evaluations

It was charged that the State office had used technical assistance resources to conduct investigations hostile to OEO grantees and not authorized by the grant

The OEO grant for program year 1972 prohibited the State office from conducting investigations of OEO grantees. The grant did permit the State office to evaluate these same grantees, but only in conjunction with OEO. Investigations were to

be conducted by the State Department of Human Resources Development. (See p 9.)

Investigations are generally initiated in response to complaints of irregularities in the program activities of OEO grantees or individuals associated with or employed by grantees. Evaluations, on the other hand, cover program effectiveness, personnel, and fiscal aspects of grantee operations.

During program year 1972 the State office had an average of 25 professional staff, 9 of whom were used to conduct at least 12 investigations and 13 unilateral evaluations of OEO grantees. These activities accounted for over 30 percent of total staff time at an estimated cost of about \$133,000 (See p 10.)

The OEO San Francisco regional office was aware of the State office's unilateral evaluation activities. Although such evaluations were prohibited, GAO found no evidence that OEO had sought to prevent the State office from performing them.

Regional office officials said they were in contact with the State office on this matter and that the evaluations were useful to the regional office in discharging its responsibilities

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OEO regional office officials informed GAO they were unaware that the State office was conducting investigations during program year 1972. The State office informed GAO it considered its investigative activities necessary and simply the routine gathering of information to use in making recommendations to the Governor. They further said State Department of Human Resources Development investigators were not used more extensively because they were not trained adequately in OEO regulations (See p 10.)

OEO headquarters informed GAO that the evaluations and investigations were performed by the State office with full knowledge on the part of OEO and thus it may be said that these prohibitions were implicitly waived by OEO.

Professional staff qualifications and salaries

It was charged that the State office had filled professional staff positions with persons lacking proper qualifications.

GAO's comparison of the State office's written job qualifications with personnel records showed that it was questionable as to whether 13 of 27 professionals employed as of August 1972 met specific job qualifications relating to education and/or experience at the time they were hired.

However, the ambiguous language of the job descriptions prevented GAO from conclusively determining whether the employees met the qualifications required for their positions. (See p 17)

Ten of the 27 employees were hired at salaries, or given salary increases, exceeding OEO's limitations

without obtaining OEO's required approval (See p 21)

Consultant contracts

It was charged that the State office had contracted for consultant services in violation of maximum fee regulations.

Section 602(b) of the Economic Opportunity Act provides that consultants may not be paid more than \$100 a day. During program year 1972 the State office spent about \$158,000 for 15 consultant contracts--9 with individuals for consultant services on a daily fee basis and 6 with consultant firms on fixed-price contracts.

The \$100 a day limitation applies only to the contracts with individuals, none of the nine contracts with individual consultants provided for payments of fees exceeding the \$100 limitation.

GAO noted, however, that the State office

--Spent at least \$60,657 of technical assistance funds to hire consultants without the necessary authority

--Engaged consultants without competition or without adequate justification for going sole source, contrary to State regulations and OEO instructions

--Issued contracts and authorized contractors to proceed before obtaining the required approval from designated State agencies

The State office's internal controls over contracting procedures generally were inadequate, the State office consistently went outside normal administrative

channels established by the State to obtain consultant services (See p 24)

Unexpended carryover funds

It was charged that OEO had violated its regulations relating to carry-over balances in order to increase the State office's funding level.

Although OEO established a policy in April 1970, aimed at having a grantee's unexpended funds returned to the U.S. Treasury or reprogrammed to reduce Federal funding of grantee's operations, the State office was permitted to keep \$64,343 in unexpended funds. This increased the funding level of its technical assistance grant for program year 1972 from \$790,339 to \$854,682

OEO said its policy represented sound fiscal policy when issued but was not required by law and that OEO was not legally obligated to recover the unexpended funds. OEO said the State office was permitted to use the unexpended funds to cover a disputed claim for expenses incurred in connection with a legal services program. (See p 30)

Non-Federal contribution

It was charged that the State office had failed to comply with the non-Federal contribution requirements for program year 1972

OEO requires State agencies to provide either cash or in-kind contributions of at least 20 percent of program costs

The State office's non-Federal contribution requirement for program year 1972 amounted to \$249,436, including \$78,436 of mostly non-Federal contributions which had been questioned by OEO audits in

previous years. GAO found that the State office's non-Federal contribution for program year 1972 may have been deficient by \$143,585 because of questionable claims. (See p 33.)

Prior year audit exceptions

In addition to the specific charges GAO examined into the disposition of prior years' OEO audit exceptions.

Two OEO audits of the State office covering program years 1970 and 1971 identified recorded claims of \$101,167 as being questionable (audit exceptions) because they were not considered allowable under OEO's grant terms and regulations

OEO subsequently determined that \$22,731 was allowable. The remaining \$78,436 was cleared by increasing the State office's non-Federal contribution for program year 1972 for the same amount. (See p 35.)

Other matters

The State office did not fully comply with the 1972 grant conditions concerning the establishment of an advisory committee and preparation and implementation of an affirmative action plan. (See pp 37 and 38)

In four contracts with hotels, the State office spent \$508 more than allowed under the State travel regulations. (See p 41)

It was also charged that the State office had used grant funds in partisan political campaigns. This was the subject of a previous report to Congressman John E. Moss, in that report GAO concluded that the charge was not valid. (See app III)

RECOMMENDATIONS OR SUGGESTIONS

GAO recommends that the Acting Director, OEO see that the corrective action proposed by the State office and the OEO San Francisco regional office is taken. (See p 43)

AGENCY ACTIONS AND UNRESOLVED ISSUES

OEO headquarters stated that corrective actions have begun in response to specific identified problems and that it would continue to monitor these actions.

CHAPTER 1

INTRODUCTION

Pursuant to the June 30, 1972, request from 22 Members of Congress from California (see apps. I and II) and subsequent discussions with Senator Cranston's office (which acted as liaison for the requesting Members of Congress), we examined into charges made concerning certain activities of the California State Economic Opportunity Office (CSEOO)--an Office of Economic Opportunity (OEO) grantee.

We examined into charges that, during the 1972 program year (July 1, 1971, to June 30, 1972)

- CSEOO had used technical assistance resources to conduct investigations hostile to OEO grantees and not authorized within grant provisions.
- CSEOO had filled professional staff positions with persons lacking proper qualifications.
- CSEOO had contracted for consultant services in violation of OEO maximum-fee regulations.
- OEO had violated its regulations relating to carry-over balances in order to increase CSEOO's Federal funding level.
- CSEOO had failed to comply with non-Federal contribution requirements.

We also examined into the disposition of audit exceptions taken by OEO to CSEOO expenditures during program years 1970 and 1971.

It was also charged that CSEOO had used grant funds in partisan political campaigns. This was the subject of a previous report to Congressman John E. Moss, in that report we concluded that the charge was not valid. (See app. III.)

Our review, which was generally limited to CSEOO activities during program year 1972, was conducted from July 1972 to April 1973 at the CSEOO office, Sacramento, OEO San Francisco regional office, and OEO headquarters in Washington, D.C. When necessary, the scope of our review was expanded

to cover other program years and a number of other matters relating to the charges.

We reviewed applicable legislation, OEO and State policies and instructions, the grant agreement, and OEO and CSEOO records. We also interviewed officials of OEO, CSEOO, two contractors, and number of OEO community action program grantees in California.

On May 11, 1973, we submitted a draft of this report to the Acting Director, OEO, for review and comment. OEO comments, which were received by letter dated May 21, 1973, are included as appendix V and are incorporated in the applicable sections of the report.

BACKGROUND

CSEOO is funded under sections 231 and 242 of the 1964 Economic Opportunity Act, as amended (42 U.S.C 2701), to render technical assistance to OEO grantees and to advise OEO and the Governor about the operations of antipoverty programs within the State.

During program years 1966 through 1972, CSEOO received about \$4 million from OEO, \$1 million of this was for program year 1972.

CSEOO is administratively responsible to the California Department of Human Resources Development. The Director, CSEOO, however, reports directly to the Governor's office on programmatic matters.

CSEOO ACTIVITIES

Early in January 1971, two oversight subcommittees of the House Education and Labor Committee conducted hearings and, according to the Chairman of one of the subcommittees, found deficiencies in the CSEOO operations, including misuse of Federal funds, failure to observe OEO guidelines, and certain "irresponsible" acts against other OEO-funded programs within the State.

In January 1971 CSEOO issued a controversial evaluation report on the activities of the California Rural Legal Assistance, Inc., an OEO grantee. The report contained charges that the corporation had violated its grant

conditions on numerous occasions, rendered poor quality legal assistance, and engaged in political activities. The Corporation challenged the validity of the charges.

OEO appointed an independent commission of three non-California judges to determine the validity of the charges. The commission reported in June 1971 that CSEOO had sometimes taken evidence out of context and misrepresented the facts and that many of the charges of wrongdoing were unfounded and without merit.

In a March 1971 report to the Director, OEO San Francisco regional office, an OEO evaluation team stated that CSEOO had "inadequately" complied with the CSEOO grant. In essence, the team concluded that, instead of rendering primarily technical assistance (namely helping grantees resolve management and programmatic problems) to OEO grantees in California as called for by its 1971 grant, CSEOO had used the majority of its staff to perform investigations which were interpreted by the grantee as being antagonistic toward them. The team also stated that CSEOO had hired staff who lacked sufficient technical backgrounds or experience to provide quality technical assistance.

The team recommended that, if CSEOO were to be refunded for program year 1972, CSEOO activities be redirected to provide technical assistance and that CSEOO discontinue its investigative activities.

On July 20, 1971, during congressional hearings, the Special Hearing Subcommittees of the House Committee on Education and Labor questioned OEO on its decision to refund CSEOO for program year 1972 and to increase its funding level by \$134,000. OEO officials testified that they expected better performance because the 1972 grant agreement re-emphasized and directed the role of CSEOO to that of providing technical assistance. Although OEO did not earmark the \$134,000 for any specific activity, the funds were to be used to carry out the evaluation team's recommendations and to regroup and redirect CSEOO activities.

OEO officials also stated that the 1972 grant eliminated CSEOO's investigative activities by transferring that function to CSEOO's parent agency, the Department of Human Resources Development. The 1972 grant redefined the role of CSEOO's community program analysts--the group which had carried out the investigative activities--as follows

"The CPA's [community program analysts] role as evaluator has not proven to be compatible with his role as a provider of assistance * * * thus we are limiting the role of the CPA [community program analyst] to primarily mobilizing State and other resources and helping to deliver those resources to CAAs [community action agencies]."

The 1972 grant stated that, when OEO specifically requested and CSEOO agreed, community program analysts could participate in joint evaluations or task forces with the OEO regional office staff to address a wide range of problems within a limited number of OEO grantees.

Essentially, the 1972 grant redirected the role of CSEOO primarily toward providing technical assistance and prohibited the CSEOO staff from conducting investigations as well as unilateral evaluations.

CHAPTER 2

CSEOO INVESTIGATIONS AND EVALUATIONS

It was charged that CSEOO had used technical assistance resources to conduct investigations hostile to OEO grantees and not authorized by the grant.

The OEO grant for program year 1972 prohibited CSEOO from conducting investigations of OEO grantees. The grant did permit CSEOO to make evaluations of these same grantees, but only if such evaluations were carried out jointly with OEO

During program year 1972, CSEOO employed an average of 25 professional staff members, 9 of whom were used to conduct 12 investigations and 13 unilateral evaluations of OEO grantees in California. These activities accounted for over 30 percent of total staff time during the year and cost about \$133,000.

The CSEOO staff involved in these prohibited investigations and evaluations were essentially the same community program analysts criticized by OEO in March 1971 for conducting similar activities.

The OEO San Francisco regional office was aware of CSEOO unilateral evaluation activities, which were prohibited by the grant, but we found no evidence that OEO had sought to prevent CSEOO from performing them. Regional office officials informed us that they were in contact with CSEOO on this matter and that the evaluations were useful in discharging their responsibilities. Although CSEOO did not give OEO reports of its investigations, it did furnish reports of evaluations and OEO used them to assess grantee performance.

OEO headquarters informed us that the evaluations and investigations were performed by CSEOO with full knowledge on the part of OEO and thus it may be said that these prohibitions were implicitly waived by OEO.

In October 1972, by questionnaire, we solicited the views of 44 OEO grantees (42 community action agencies and 2 intertribal councils) in California to determine their relationship with CSEOO. Of the grantees, 18 expressed their relationship as favorable, 9 criticized CSEOO activities, and 7 had mixed feelings. The other 10 grantees did not respond.

RESTRICTED

APR 1972

CSEOO ACTIVITIES DURING PROGRAM YEAR 1972

The grant called for CSEOO to (1) provide technical assistance to OEO grantees, primarily community action agencies, (2) advise the Governor and OEO about the operation of poverty programs, and (3) mobilize State resources to help the poor

CSEOO was engaged in all of these activities during program year 1972. However, as during the previous year, CSEOO's major thrust was to investigate and unilaterally evaluate OEO grantees within the State. These activities, which were specifically prohibited by the grant, accounted for about 1,850, or 30 percent, of a total of 6,130 man-days of professional staff time for the year at an estimated cost of about \$133,000. CSEOO spent 1,700 man-days in providing technical assistance to OEO grantees (including legal services grantees) and the remaining 2,580 man-days on various other program activities, primarily administrative.

The CSEOO professional staff was augmented by 96 enrollees of the U.S. Department of Labor's Public Employment Program, at least 6 of whom were involved in assisting CSEOO's community program analysts in conducting investigations and unilateral evaluations.

INVESTIGATIONS

The grant permitted investigations by Department of Human Resources Development investigators pursuant to requests from the Governor's office, the State Legislature, community action agency staff or boards, or concerned citizens. Such investigations were to occur only after OEO was made aware of the request and OEO and CSEOO jointly determined the need for the Department of Human Resources Development to conduct an investigation. Any reports prepared by Department of Human Resources Development's investigators were to be shared with OEO and CSEOO.

The Department of Human Resources Development spent 100 man-days investigating one OEO grantee and 70 man-days on miscellaneous services, such as personnel fingerprinting and background checks, which cost an estimated \$8,136. These costs had not been charged to the CSEOO grant, although \$30,000 had been budgeted for this purpose. A department official informed

us that additional staff positions were never budgeted to conduct investigations for CSEOO and that CSEOO only requested one investigation. CSEOO informed us that department investigators were not used more extensively because the investigators, although highly competent, were not adequately trained in OEO regulations and were better trained for criminal-type investigations.

Contrary to the grant prohibitions, CSEOO conducted at least 12 investigations involving 9 OEO grantees. We could not determine whether these were the only CSEOO investigations during the 1972 program year as CSEOO files contained only 12 investigative reports and CSEOO did not maintain a control record of investigations.

We reviewed the contents of each report with the Deputy Director for Operations, CSEOO. He identified the reports as being of an investigative nature and told us that CSEOO investigations were generally initiated in response to complaints of irregularities by legislators, State officials, or concerned individuals connected with the program activities of OEO grantees. The investigative reports contained information about these individuals' and organizations' backgrounds, associations with political organizations, and outside business interests. CSEOO obtained information from such sources as police records, informants, individuals in the communities, and individuals connected with OEO grantees. The CSEOO Deputy Director for Operations advised us that CSEOO did not notify OEO of these activities and that, because the reports were internal CSEOO documents, they were not furnished to OEO.

Following are excerpts from the investigation reports which illustrate the nature of the information included

"Another Board member * * * has been identified by reliable sources as a strong supporter of the Brown Berets and Venceremos * * * He was observed in attendance at a Venceremos Brigade recruitment session and according to the same source, it is believed that he held a similar meeting at his residence * * *."

"We are investigating the recent complaints you made against * * * As part of our investigation we will require * * *."

"We should like to preface this memo by advising that all the information obtained was from sources outside of the Community Action Agency * * * and only partial documented substantiation is available at this time. In the process of this initial phase we interviewed the following people Chief of Police * * *, Undersheriff * * *, investigative reporter, * * *, of television station * * * "

CSE00 told us that it considered its investigative activities necessary and simply the routine gathering of information to use in making recommendations to the Governor. CSE00 also pointed out that the use of department investigators proved to be unworkable and OEO did not carry it over into the 1973 program year

OEO regional office officials informed us that they were unaware that CSE00 was conducting investigations during program year 1972. They stated that these activities violated the grant, that the regional auditors would look into the matter, and that action would be taken to recover the costs incurred by CSE00 for investigations

EVALUATIONS

During program year 1972, CSE00 unilaterally conducted 13 evaluations of OEO grantees. Six additional evaluations were conducted jointly with OEO regional office staff, as permitted by the grant. Evaluations, whether unilateral or joint, took from a few days to several weeks and involved from one to several staff members

CSE00 officials told us that most evaluations covered program effectiveness, personnel, and fiscal aspects of grantee operations and that the reports were usually sent to OEO and the grantees.

CSE00 staff members informed us that in conducting evaluations of grantees, whether unilateral or joint evaluations, they usually followed a number of review steps to determine whether grantees complied with grant requirements and applicable OEO instructions. These review steps include:

- Comparing grantee program activities to those allowed by the grant.

- Comparing the composition of the grantee boards with that required by OEO.
- Comparing personnel qualifications with position requirements
- Comparing budgeted with actual expenditures
- Evaluating the propriety of financial transactions and accounting controls.
- Reviewing the adequacy of management over consultant contracts

The CSEOO Deputy Director for Operations informed us that the review steps had not been formalized but that he was designing a uniform evaluation guide patterned, in part, upon the audit guidelines of the OEO external audit division. He also explained that CSEOO evaluations often were based upon audit programs tailored to specific areas to be evaluated.

The OEO regional office director informed us that his office was aware that CSEOO was violating the grant provisions by conducting unilateral evaluations but assented to the evaluations because it found them useful in assessing grantee performance and in making funding decisions. The OEO regional director pointed out that CSEOO was providing a needed service because he did not have enough people to perform evaluations.

CSEOO informed us that it continued to perform evaluations in program year 1972 because of an informal understanding with the OEO regional office at the time of negotiation of the 1972 grant that CSEOO would continue independent evaluation activities when joint evaluations with OEO were not feasible. CSEOO pointed out that the 1973 grant was written to acknowledge and approve unilateral evaluations by CSEOO.

The former OEO regional director informed us that there was no informal understanding between OEO and CSEOO during the negotiations of the 1972 grant that would have allowed CSEOO to continue independent evaluation activities. The current OEO regional director also was unaware of any such understanding.

ROLE OF COMMUNITY PROGRAM ANALYSTS

We questioned the nine community program analysts about their roles and activities during the 1972 program year. Generally, they defined their roles and activities as evaluating, reviewing, and investigating OEO grantees. Seven of the nine analysts told us that, while evaluating grantees, they had also been involved in providing technical assistance, such as formalizing job structure and defining grantee employees' duties. These analysts provided the following time estimates of their activities during program year 1972.

	<u>Percentage of time</u>
Investigations and unilateral evaluations	^a 66
Joint evaluations	13
Technical assistance	13
Mobilization of State resources	3
Other	<u>5</u>
Total	<u>100</u>

^aCSEOO did not maintain time records of the analysts' activities, and the analysts could not precisely break down their activities as investigative or evaluative.

CSEOO's Deputy Director for Operations informed us that the role of the community program analysts served to (1) inform the Governor of the administrative problems of each grantee to give him a basis for approving or vetoing the grant when it came up for refunding and (2) uncover weaknesses in the programs and make recommendations to grantees. The CSEOO deputy director also told us that this second function could be considered a form of technical assistance, although many of the grantees did not recognize it as such.

We noted, however, that OEO specifically provided the mechanisms in the 1972 grant to fulfill these responsibilities. Investigations were to be conducted by the Department of Human Resources Development and evaluations were to be conducted jointly with OEO. The grant states that the role of the community program analyst was to be limited primarily to mobilizing State and other resources and helping to deliver these resources to community action agencies.

OEO headquarters informed us on May 21, 1973, that the 1972 grant could easily have been construed as contrary to the review rights given all Governors under the Economic Opportunity Act and that evaluations are an appropriate and expected function to be performed by the State offices

OEO GRANTEEES' VIEWS OF CSEOO ACTIVITIES

A key element in the charge that CSEOO was using technical assistance resources to conduct investigations was that such investigations were hostile to OEO grantees.

To evaluate this aspect, we sent questionnaires to 44 OEO grantees in California to get their comments on (1) their relations in general with CSEOO and (2) the nature of their contacts with CSEOO during the 1972 program year (evaluation, investigation, or technical assistance). Thirty-four grantees responded to the questionnaires. A tabulation of their responses concerning their relationship to CSEOO follows

	<u>Responses</u>
Favorable	18
Unfavorable	9
Mixed	<u>7</u>
Total	<u>34</u>

The grantees' comments ranged from highly complimentary to critical. Examples of the comments follows.

"We feel very fortunate with our excellent relationship with SEOO and feel they are capable of providing continuing services much needed by our agency."

"Virtually all SEOO work here was disruptive and counterproductive * * * we find SEOO staff to be intent on (1) investigation * * *."

"* * * SEOO was led to plunge into * * * attack on this CAA strictly as a result of collusion between it and two or three local opponents of the CAA * * * with emphasis on investigating the personal life of the CAA's Executive Director."

"* * * since July 1, 1971, CSEOO's approach and attitudes have been extremely positive "

Of the 34 grantees, 26 acknowledged 64 contacts with CSEOO during the year. Our tabulation of these contacts indicated 24 had been of a technical assistance nature and 18 of an investigative or evaluative nature. The remaining 22 contacts had been a combination of the above or had been of an informal nature.

To evaluate the validity of some of the comments, we visited five grantees, two of which had recently been criticized in CSEOO evaluation reports. The two grantees claimed the CSEOO reports were inaccurate. The other three grantees claimed CSEOO had not been responsive to requests for technical assistance.

We reviewed the two CSEOO critical evaluation reports and, through reviews of supporting documentation and discussions with grantee officials and the community program analysts responsible for conducting the evaluations, determined that the findings in the reports were accurate and adequately documented.

Two of the three remaining grantees commented in their questionnaires that CSEOO had not been responsive to their requests for technical assistance (some of which were made as late as July 1972), and one grantee commented that CSEOO had been responsive only occasionally. The grantees were able to document most of the requests for technical assistance mentioned in their questionnaires.

We were told by CSEOO officials that, although they were aware of grantees' requests, they had not always provided technical assistance because, among other things, they had insufficient staff.

In commenting on our draft report, OEO headquarters stated that any charges of these investigations being unreasonably antagonistic should be weighed against the recent action taken by the California Community Action Program Directors' Association in the association's sponsorship of a bill before the California Legislature which would grant CSEOO full supervisory and evaluative responsibility.

CHAPTER 3

PROFESSIONAL STAFF QUALIFICATIONS AND SALARIES

It was charged that CSEOO had filled professional staff positions with persons lacking proper qualifications

Our comparison of CSEOO's written job qualifications with personnel records showed that it was questionable as to whether 13 of 27 professionals employed as of August 1972 met specific job qualifications relating to education and/or experience at the time they were hired. However, the ambiguous language of the job descriptions prevented us from conclusively determining whether they met the qualifications required for their positions. Eight of the 13 staff members were hired by CSEOO before 1972 and 5 during that program year. In addition, 10 of the 27 were hired at salaries, or given salary increases, exceeding OEO's limitations without obtaining OEO's required approval.

CSEOO stated that its education requirements were written to provide latitude in determining the suitability of an applicant's training and abilities. It felt it had complied with the OEO evaluation team's March 1971 recommendation that more qualified personnel be hired. CSEOO said it had recently adopted the State's job classifications and requirements and that it was taking corrective action on the excess salary payments.

We did not evaluate the qualifications of the clerical staff hired under California's civil service system.

PERSONNEL QUALIFICATIONS

As of August 1972 CSEOO had 6 professional job classifications held by 27 employees. It was questionable as to whether the following personnel met the qualifications in CSEOO's written job descriptions.

<u>Job classification</u>	<u>Number of employees</u>	<u>Number of employees with questionable job qualifications</u>
Director	1	-
Program development and evaluation consultant	1	-
Administrative assistant	1	-
Assistant for research and evaluation	3	3
Community program analyst	9	5
Special technical assistance consultant	<u>12</u>	<u>5</u>
Total	<u>27</u>	<u>13</u>

Appendix IV includes a list of all employees and the specific qualifications they appeared to be lacking at time of hire.

CSE00 established the following job qualifications for the administrative assistant and assistant for research and evaluation positions.

Education requirements--Ability and training usually associated with graduation from a 4-year college with specialization in business, public administration, economics, statistics, or computer sciences. Postgraduate work in one of these disciplines is preferred.

Experience requirements--Minimum of 1 year in the analysis, implementation, and operation of research and evaluation systems; various Government experience preferred and knowledge of socioeconomic problems.

Three assistants for research and evaluation did not appear to meet either the education or the experience qualifications. One of the assistants had a high school education, accounting training, and about 19 years of clerical and book-keeping experience. The other assistant had an associate

arts degree in education (junior college), had taken additional classes, such as bookkeeping, shorthand, data processing, and community relations, and had about 12 years' experience as a communications expert with the telephone company and 7 years' experience as a job counselor with the State. The third staff member met the educational requirements, but his previous work as an assistant manager of a sporting goods store did not appear to meet the experience requirements. These three staff members did not perform the duties of the positions for which they were hired. One assistant was employed in an accounting/bookkeeping and clerical capacity and the other two as administrative assistants.

CSE00 established the following job qualifications for the community program analyst and special technical assistance consultant positions.

Education requirement--Ability and training usually associated with graduation from an accredited 4-year college or graduate school in one or more disciplines pertinent to work mandated by the Economic Opportunity Act.

Experience requirement--Demonstrated ability to work harmoniously with people of all socioeconomic and cultural backgrounds, to analyze problems correctly and recommend and/or take appropriate action to deal with them, to plan, direct and evaluate the work of others, and to write and speak well. A background which has provided a working knowledge of Federal, State, and local government, functions, relationships, and resources and experience in OEO policies, procedures, and programs.

Personnel records showed that when 4 of the 21 staff members holding these positions were hired, they had had 2 to 3 years of college, 2 of them had less than 1 year. The remaining 15 had 4 or more years of college.

Six of these 21 staff members lacked prior work backgrounds indicating a working knowledge of Federal, State, and local government, functions, relationships, and resources and experience in OEO policies, procedures, and programs. These six members had work backgrounds relating to such areas as insurance and general business.

The OEO evaluation team criticized CSEOO in March 1971 for having too many professionals who lacked special qualifications of the job for which hired, such as experience in OEO related projects. CSEOO officials informed us that the job qualifications requirements had been prepared in 1970, probably by the former CSEOO assistant director. They stated that the ambiguous terminology used in describing educational requirements should be given a broad interpretation to allow discretion in determining whether an applicant's abilities and training had reached a level that could be associated with graduation from an accredited 4-year college. CSEOO officials stated further that the March 1971 OEO evaluation team's recommendation for hiring more qualified personnel had as its thrust the hiring of personnel with OEO or social services background. CSEOO felt that the employees hired subsequent to the recommendation were well qualified.

OEO San Francisco regional office officials informed us that the test for hiring should be whether the CSEOO had reasonable cause to believe that an employee was competent to perform the job if he did not meet the basic written qualifications for the position. OEO instructions state only that a grantee should employ persons who can perform their duties with competence and integrity.

CSEOO officials told us on April 4, 1973, that they had adopted job classifications and qualifications designed by the State personnel board and that they would hire new personnel on this basis. They stated that the board's qualifications were written in specific terms.

We did not attempt to determine whether the lack of qualifications had a detrimental effect on the performance of professional staff

EMPLOYEES' SALARIES EXCEEDING AUTHORIZED LIMITATIONS

Through September 1972, 10 of the 27 professional staff members had received salary payments of \$26,406 in excess of authorized limitations.

The Economic Opportunity Act of 1964, as amended, provides that no person whose annual salary exceeds \$6,000 shall be employed at a salary which exceeds his former

salary by more than 20 percent unless approved by OEO. OEO instructions implementing the act provide that, unless OEO approves, salaries exceeding \$5,000 for new employees may not exceed their previous salaries by more than 20 percent and that employees may not receive salary increases during any 1 year exceeding 20 percent of their salary or \$2,500, whichever is smaller.

Our examination of the personnel folders of 27 professional staff members employed at the time of our review showed that 8 employees received starting salaries and 2 employees received salary increases exceeding OEO's limitations. OEO had not approved these salaries and increases. The total overpayments amounted to \$26,406, as shown below.

<u>Employee</u>	<u>Month overpayment started</u>	<u>Number of months overpayment lasted</u>	<u>Amount of overpayment as of 9-30-72</u>
A	8-71	14	\$ 783
B	9-71	13	2,184
C	9-69	37	8,295
D	2-72	8	1,277
E	1-72	9	2,418
F	3-72	7	450
G	6-72	4	1,234
H	9-70	19	3,343
I	10-70	24	4,293
J	10-70	12	<u>2,129</u>
	Total		<u>\$26,406</u>

Employees A and B received salary increases exceeding the 20-percent limitation. For example, employee B's salary was increased from \$7,992 to \$12,576 in September 1971, although the salary would have been \$9,588 if the limitation had been applied. This employee's classification was changed from clerical to assistant for research and evaluation, however, OEO had denied CSEOO's request to increase the employee's salary above the 20-percent limitation.

Employees C through J were hired at salaries exceeding their previous salaries by more than 20 percent. For example, employee E was hired in January 1972 as a community program

analyst at a salary of \$14,556; his previous salary was \$9,900. Had he been hired within the OEO limitation of 20 percent, his maximum starting salary would have been \$11,880.

In October 1972, CSE00 requested OEO salary waivers for 5 of these 10 employees. On November 17, 1972, OEO informed CSE00 that it could not grant waivers retroactively and denied the CSE00 request.

On April 13, 1973, CSE00 informed us that several of the employees whose salaries we had questioned had left CSE00, that the salaries of other employees had been reduced to acceptable levels, and that it was actively pursuing a waiver from OEO for the one salary which was yet to be resolved. CSE00 stated that it had taken steps to eliminate the conditions which contributed to the salary overpayments and that, since the new controls were instituted in October 1972, no individual had been hired above the 20-percent limitation unless a waiver was first obtained from OEO.

OEO San Francisco regional office officials informed us that excess salary payments had always been disallowed and they would continue to be. They stated that payments will be recovered according to pertinent OEO regulations.

CHAPTER 4

CONSULTANT CONTRACTS

It was charged that CSEOO had contracted for consultant services in violation of maximum fee regulations. Section 602(b) of the Economic Opportunity Act provides that consultants may not be paid more than \$100 a day

During program year 1972 CSEOO spent about \$158,000⁽¹⁾ for 15 consultant contracts--9 with individuals for consultant services on a daily fee basis and 6 with consultant firms on fixed-price contracts. The \$100 a day limitation applies only to the contracts with individuals, none of these nine contracts with individual consultants provided for payment of fees exceeding the \$100 limitation

We found that CSEOO violated numerous OEO instructions and State regulations and practices in its administration of consultant contracts. CSEOO

- Spent at least \$60,657 of technical assistance funds to hire consultants without the necessary authority
- Engaged consultants without competition or adequate justification for going sole source, contrary to State regulations and OEO instructions
- Issued contracts and authorized contractors to proceed before obtaining the required approval from designated State agencies

CSEOO's internal controls over contracting procedures were generally inadequate and CSEOO consistently went outside the normal administrative channels established by the State to obtain consultant services. Cognizant State agencies rebuked CSEOO several times during program year 1972 for its unorthodox practices.

¹The \$158,000 for consultant contracts consisted of \$125,000 of technical assistance grant funds and \$33,000 of legal services grant funds.

UNAUTHORIZED USE OF FEDERAL FUNDS
TO PAY CONSULTANTS

During program year 1972, CSEOO spent about \$125,000 of technical assistance grant funds on seven contracts to hire consultants. In our opinion, CSEOO spent at least \$60,657 without the necessary authority.

Although the grant provided \$51,000 under the budget line item "Consultant and Contract Services," these funds were specifically earmarked to pay for Department of Human Resources Development investigations. The grant did not preclude CSEOO from hiring consultants if it paid for them with State funds or if the consultants donated their services.

On May 18, 1972, OEO approved an amendment to the grant retroactive to July 1, 1971, the beginning of program year 1972. The amendment authorized CSEOO to use \$64,343 of prior years' carryover funds to "commence designing model legal assistance programs to be conducted in the State of California in order to develop or assist new approaches or methods of delivering legal services." The amendment also authorized CSEOO to hire consultants for these activities. No budget was attached to the amendment specifying how the funds were to be spent.

CSEOO interpreted the amendment as authorizing (1) payment of all planning expenses, including consultants' fees, incurred in the development of the legal services program model during the 1972 program year with technical assistance grant funds and (2) use of the \$64,343 to pay for a consultant (approved by OEO officials) hired in February 1972 to design a legal services model. CSEOO stated that it had used technical assistance funds to perform legal services work because it had no other funds available.

In a December 26, 1972, letter, OEO headquarters informed us that the amendment authorized payment for CSEOO's substantial planning expense for the legal services program model incurred before written authorization had been granted in the May 1972 amendment. CSEOO claimed, however, that the amendment was not intended to provide reimbursement for planning expenses but was to pay for the consultant hired in February 1972.

It appears, therefore, that, of the \$125,000 of technical assistance grant funds spent by CSE00 for consultant services, only as much as \$64,343 was authorized by the May 1972 grant amendment and that the remaining \$60,657 was spent without the necessary authority

OEO regional office officials stated that no funds were provided in the 1972 grant for consultants and that they were unaware that CSE00 had awarded consultant contracts during the year. They stated that they would look into the matter further and, should they determine that these activities were not within the scope of their work program or OEO regulations, CSE00 will be required to reimburse the Federal Government for these costs

COMPETITIVE BIDDING

OEO guidelines and State procurement regulations provide that, when feasible, consultant contracts should be awarded competitively. The State regulations require agencies to make a conscientious effort to use detailed requests for proposals, to solicit proposals, to secure at least three competitive bids, and to award the contract to the lowest responsible offeror.

CSE00 did not comply with these guidelines and regulations in arranging for consultants and other contract services from January 1971 through July 1972. CSE00 staff were unable to document any instances where requests for proposals were prepared and competitive bids were solicited. We were unable to determine the basis for selecting any contractor, the basis for arriving at the contract amount, or the feasibility of obtaining competitive bids.

For example, between November 1971 and March 1972, CSE00 awarded three contracts, totaling \$100,000, to a firm of certified public accountants. One contract for \$30,000 (later terminated and limited to \$10,000) called for the firm to determine the economic feasibility of a firewood project. The other two, for \$5,000 and \$65,000, called for the firm to provide preliminary planning data for the California Legal Services Experiment

In February and in March 1972 the State Department of General Services objected to CSE00's failure to obtain

competition before awarding the contracts. The department contended that CSE00 had no excuse for going sole source because an adequate number of firms were available in the field to perform the service called for in the contracts.

CSE00 replied that it initially selected the firm of certified public accountants because it believed the firm was best qualified to prepare the economic study. CSE00 stated that the other two contracts had been awarded competitively and that the firm was the lowest bidder.

According to a CSE00 official, no request for proposals had been sent to prospective contractors. The Director, CSE00, had made an announcement to the press stating that CSE00 needed a firm to perform the services, that the announcement had received press coverage, that two firms had submitted bids, and that the lowest bid had been selected. However, CSE00 officials were unable to document these comments

CONTRACTS AWARDED WITHOUT APPROVAL BY STATE AGENCIES

CSE00's contracts had to be approved by its parent agency, the Department of Human Resources Development, and, according to the California State Code, by the California Department of General Services. State agencies must explain the purpose and necessity of contracts, the reasonableness of the cost, and any other information necessary to afford a basis for approval.

Between January 1971 and June 1972, CSE00 bypassed this State requirement. Of the 18 contracts awarded by CSE00 during this period, 17 were dated, or performance began, from 1 to 4-1/2 months before the required approval had been obtained from the Department of General Services.

In an April 1971 memo the Director of the Department of General Services reminded all State agencies that contracts were not legal unless and until approved by his department. In March 1972, the department's deputy director complained to CSE00 that performance on one contract began on November 30, 1971, but that the contract was not submitted for review until January 24, 1972. In an August 10, 1972, memo to CSE00, the State Department of Human Resources Development also cited

CSEOO for submitting contracts for approval after performance under the contracts had begun.

INTERNAL CONTROLS

CSEOO's internal controls over procurement and other contract services during the 1972 program year were inadequate because one individual, the former CSEOO assistant director, usually handled the complete contracting process, including selecting consultants and reviewing and approving invoices for payment. An adequate system of internal control would have these functions performed by different individuals.

Department of Human Resources Development officials stated that their administrative reviews and approval of CSEOO contracts were essentially a "rubber stamp" approval. They told us that, since a political determination had been made that CSEOO was performing sensitive tasks for the Governor's office, the department would stay out of CSEOO's operations and would limit its role to bookkeeping. Department officials informed us that they relied on CSEOO to insure that State procurement procedures were followed, that the contractor performed the services specified by the contract, and that the contract services were consistent with the activities authorized by the OEO grant.

ANALYSIS OF TWO CONSULTANT CONTRACTS

Two of the 15 consultant contracts that we reviewed had been selected for review at the request of Senator Cranston's office. The contracts, for \$36,818 and \$23,131, were in force during program year 1972, although the contractors had been hired late in 1970. The contract work statements follow.

--Consultant A--Prepare a comprehensive inventory and written evaluation of public and private employment programs for the disadvantaged

--Consultant B--Conduct surveys and demographic studies of community attitudes concerning programs funded and supported by Federal OEO

Although both contracts required comprehensive written reports on the results of the services provided, the reports

were not in the contract files and CSEOO officials could not provide us with any reports

Interviews with the consultants and CSEOO officials and a review of CSEOO files showed that both consultants

1. Lived in the Los Angeles area and commuted to Sacramento when needed
2. Helped CSEOO prepare and edit the controversial report on the California Rural Legal Assistance program in early 1971 and later worked to improve the CSEOO public image and communication skills. Consultant A stated that he also spent several months evaluating community attitudes toward legal services programs
3. Had backgrounds in political campaign management, communication skills, and public relations.
4. Knew the CSEOO director at the time they were selected, one had previously been his business partner. Both attributed their selection to these factors.

CSEOO's records did not contain any contract modifications changing the scope of the work the consultants were to perform. Although the consultants' work was not in accordance with the requirements of the contract, CSEOO accepted the monthly invoices and reports of consultant activities, which reflected the actual work performed, as bases for payment. The former CSEOO assistant director reviewed and approved the invoices submitted by the consultants.

CSEOO officials told us on April 4, 1973, that CSEOO was satisfied with these contractors' work. They did not know why the loosely written contracts prepared by the former CSEOO assistant director had not been written to reflect the work CSEOO intended the contractors to perform.

Consultant A was under contract to CSEOO from November 1970 to May 1972, or 18 months, and Consultant B from December 1970 to September 1971, or 10 months. The contracts had been extended through a series of contract amendments, which often

were submitted for Department of General Services approval several months after the fact. After 18 months, the California personnel board objected to further extensions of the one contract because they were inconsistent with the State Constitution and the State Civil Service Act. The personnel board stated that continued renewals of the contract, the duties performed, and the methods of compensation all suggest that the work was no longer sufficiently unusual to warrant its being continued outside the State's exempt appointment procedures.

CSEOO officials informed us that the contract was subsequently terminated because the contractor was going to be heavily involved in political campaign management, not because of the board's objections.

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On April 13, 1973, CSEOO informed us that new contract procedures had been established which provided for increased internal control and the adherence to the contract provisions set forth in the State Administrative Manual.

CHAPTER 5

UNEXPENDED CARRYOVER FUNDS

It was charged that OEO violated its regulations relating to carryover balances in order to increase CSEOO's Federal funding level.

Although OEO established a policy in April 1970, aimed at having a grantee's unexpended funds returned to the U.S. Treasury or reprogramed to reduce Federal funding of the grantee's operations, CSEOO was permitted to keep \$64,343 in unexpended funds. This increased the funding level of its technical assistance grant for program year 1972 from \$790,339 to \$854,682.

OEO informed us that its policy represented sound fiscal policy when issued but was not required by law and that OEO was not legally obligated to recover the unexpended funds. OEO stated that CSEOO was permitted to use the unexpended funds to cover a disputed claim for expenses incurred in connection with a legal services program.

HOW THE FUNDS BECAME AVAILABLE

The \$64,343 balance of unexpended carryover funds was identified in a fiscal year 1970 State audit, the balance was reported in an OEO audit report to the regional director on January 13, 1971. The carryover funds were accumulated as follows

<u>Program year</u>	<u>Fiscal year</u>	<u>Adjusted unexpended carryover funds (note a)</u>
A	1966	\$56,002
B	1967	-2,919
C	1968	-1,789
D	1969	12,110
E	1970	<u>939</u>
Total		<u>\$64,343</u>

^aCSEOO had previously reported unexpended funds to OEO for the program years A through E, and those funds had been either recovered or reprogramed. The amounts shown here are the adjusted unexpended fund balances as determined by the OEO audit made in November 1970.

ACTIONS TAKEN TO RECOVER FUNDS

Until April 20, 1970, unexpended funds from one program year could be reprogramed for use during the next program year.¹

In an April 20, 1970, telegram, OEO headquarters directed all regions to:

- Deobligate funds unexpended during fiscal years 1965 and 1966 and return them to the Treasury.
- Reprogram those funds unexpended from fiscal year 1967 to date and deobligate an equal amount of the current program year Federal funds to be used for other purposes.

The telegram also specified that reprogramed funds not be used to increase the operating level of any program.

If CSEOO had followed the OEO headquarters directive, it would have returned the \$56,002 in unexpended 1966 funds and reprogramed the net of unexpended funds from program years 1967 to 1970.

On January 25, 1971, the OEO regional office directed CSEOO to comply with the OEO directive by sending OEO a check for \$56,002 made payable to the Treasury. CSEOO replied on January 26 that it was its understanding that an amendment to its program year 1971 grant had authorized it to use the \$56,002 of unexpended funds.

In a February 3, 1971, internal memorandum to the OEO's Program Coordinator for CSEOO, the OEO regional office Chief of Planning, Budgeting and Evaluation stated

"* * * The California SEOO response is totally irrelevant to the issues raised by our audit letter, and further indicates a gross misconception of the fiscal responsibility we require them to exercise."

¹At the time of our review, OEO's policy was to allow unexpended funds to be reprogramed to the next program year.

In a February 12, 1971, letter to CSE00, OEO stated that the amendment which CSE00 referred to in its January 26 reply had nothing to do with the use of unexpended carryover funds. The letter concluded by again directing that a check for \$56,002 be returned to OEO.

On February 17, 1972, about 1 year later, the OEO regional auditor again reported to the OEO regional director that the \$56,002, along with the \$8,341 to be reprogramed, was still outstanding and recommended that it be recovered.

In May 1972, however, OEO amended CSE00's grant and authorized it to use the \$64,343 for planning expenses for a legal services program model retroactive to July 1, 1971.

On December 26, 1972, OEO informed us that the April 1970 telegram was issued to recoup funds resulting from errors in reporting expenditures during earlier years and that OEO was attempting to foster greater fiscal responsibility among its grantees, as well as achieving the benefits of returning such moneys to the Treasury. Further, while it represented sound fiscal policy when issued, its issuance was not required by law nor was OEO legally obligated to engage in the process of recovering funds which the telegram called for.

CHAPTER 6

NON-FEDERAL CONTRIBUTION

It was charged that CSEOO failed to comply with the non-Federal contribution requirements for program year 1972.

OEO requires State agencies to provide either cash or in-kind contributions of at least 20 percent of program costs.

CSEOO's non-Federal contribution requirement for program year 1972 amounted to \$249,436, including \$78,436 of mostly non-Federal contributions which had been questioned by OEO audits in previous years. We found that CSEOO's non-Federal contribution for program year 1972 may have been deficient by \$143,585 because of questionable claims.

CSEOO recorded claims for non-Federal contributions of \$482,500 for the year, \$233,064 more than actually required. Our examination of CSEOO's documentation, however, showed that about \$376,649 of the total was questionable because of inappropriate claims or improper valuation. The balance, \$105,851, was either not examined or not questioned. Details of the amounts we examined and questioned are shown below.

	<u>Description</u>	<u>Non Federal contributions</u>		
		<u>Claimed</u>	<u>Examined</u>	<u>Questioned</u>
1	Migrant program "excess" The amount claimed represents the State's required contributions under another OEO grant not involving CSEOO. OEO required this contribution so the State could qualify for Federal funding under the migrant program.	\$276 700	\$276 700	\$276 700
2	Volunteer services About \$38,800 of the amount questioned consists of Federal and matching non Federal expenditures by a county under a Department of Housing and Urban Development grant. The remaining \$14,649 consists of claims for donated services unrelated to CSEOO unidentified or unfairly valued.	95 200	95,200	53 449
3	Administrative overhead This amount represents CSEOO's share of the State's administrative overhead allowable by OEO.	48 000	48 000	
4	State supportive services The amount claimed consists of difference between what the State charged CSEOO for services rendered and what CSEOO estimates the actual cost would be outside the State system. For example, CSEOO estimates it would have cost \$3,600 more to rent private space rather than use State-owned space. In another instance CSEOO claimed \$8 700 as the difference between what the State charged it for duplicating services and what it estimated such services actually should cost.	30 200	30 200	26 500
5	State expenditures under Emergency Employment Act The amount claimed is actually the State's required in-kind contribution under another Federal (Department of Labor) grant.	20,000	20 000	20 000
6	Governor's office	12 300	-	-
7	State cash contribution	<u>100</u>	-	-
	Totals	<u>\$482,500</u>	<u>\$470,100</u>	<u>\$376,649</u>

In a March 17, 1971, audit report OEO pointed out that CSEOO had not established an adequate system to account for in-kind contributions and recommended that such a system be established. However, CSEOO did not establish the system until the start of program year 1973 (July 1, 1972). At the time of our review no transactions had been recorded.

On October 11, 1972, we sent letters to CSEOO and the OEO regional office to inform them of these questioned costs and to get their comments. On April 4, 1973, CSEOO officials told us that they were waiting for a decision from OEO headquarters regarding the allowability of the \$276,700 of migrant program excess. CSEOO officials also stated that the non-Federal contribution was not a statutory requirement but rather an OEO administrative requirement and that, therefore, OEO could waive the requirement.

The OEO regional director advised us on April 12, 1973, that the OEO Office of General Counsel had not yet determined whether the questioned costs should be allowed.

CHAPTER 7PRIOR YEARS' AUDIT EXCEPTIONS

In addition to the specific charges discussed in the preceding chapters, we agreed to examine into the disposition of prior years' OEO audit exceptions.

Two OEO audits of CSEOO covering program years 1970 (July 1, 1969 to June 30, 1970) and 1971 (July 1, 1970 to June 30, 1971) identified recorded claims of \$101,167 as being questionable (audit exceptions) because they were not allowable under OEO's grant terms and instructions. OEO subsequently determined that \$22,731 was allowable. The remaining \$78,436 was cleared by increasing CSEOO's non-Federal contribution requirement for program year 1972 by the same amount.

OEO instructions provide that audit exceptions may be cleared by OEO in any of the following ways

- Require a cash repayment from the grantee
- Increase the non-Federal contribution of the grantee over and above the 20 percent normally required and decrease the Federal funds by the same amount.
- Increase the non-Federal contribution of the grantee without decreasing the Federal contribution.

OEO audit reports, dated March 1971 and February 1972, questioned the allowability of CSEOO claims for the following non-Federal and Federal contributions

Description	<u>Amount</u>
Non-Federal contributions	
Services of State employees which are furnished routinely or on a demand basis (program year 1970)	\$ 25,571
Services furnished by public officials in their public capacity and by private individuals (program year 1971)	63,054
Federal contribution	
Staff salaries which exceeded OEO limitations (program years 1970, 1971)	10,440
Cost of a telegram considered to have been for political purposes (program year 1971)	<u>2,102</u>
Total	<u>\$101,167</u>

During program years 1971 and 1972, CSEOO submitted additional documentation to justify some of the costs the OEO audits questioned. As a result, these costs were reduced from \$101,167 to \$78,436 as follows

Total costs questioned		\$101,167
Items resolved		
Additional documentation provided for non-Federal contribution	\$4,073	
California Farm Bureau Federation activities in connection with CSEOO report on California Rural Legal Assistance, Inc. OEO ruled that these activities were related to the CSEOO role as an OEO grantee	^a 9,672	
Salary waivers approved by OEO	6,884	
Telegram ruled by U.S. Civil Service Commission as not being political and therefore eligible for Federal reimbursement	<u>2,102</u>	<u>22,731</u>
Items unresolved		\$ <u>78,436</u>

^aThese claims are subject to OEO audit to determine validity. The ruling only made them eligible as claims for in-kind contributions.

On May 2, 1972, OEO approved the repayment of \$78,436 in audit exceptions by increasing the required CSEOO non-Federal contribution by that amount for program year 1972. On August 28, 1972, OEO also decreased the Federal funding for program year 1973 by \$1,171, a portion of the amount of staff salaries which exceeded OEO limitations.

CHAPTER 8

OTHER MATTERS

Our review noted several areas where certain significant grant requirements were not met or where practices were questionable

ADVISORY COMMITTEE

An OEO evaluation team recommendation which was incorporated in the program year 1972 grant required CSEOO to submit to OEO a detailed plan to establish an advisory committee no later than August 15, 1971. The committee's duties were to review and advise CSEOO about its grant application to OEO and all program activities

The advisory committee was to meet at least four times a year. The membership was to reflect, as closely as possible

- One-third representation of low-income groups and community action agencies.
- One-third representation of the private sector concerned with the problems of poverty
- One-third representation of State of California agencies.

CSEOO never submitted the plan, however, the advisory committee was established in March 1972 and held its first meeting in April 1972. Because State officials were not represented, the membership did not meet requirements

In a March 29, 1972, letter to CSEOO, the OEO regional office criticized CSEOO for failing to follow the grant conditions. OEO stated that a satisfactory solution to these problems had to be found before CSEOO could be re-funded for the 1973 program year. OEO specifically noted that

1. The detailed plan to establish the advisory committee had not been submitted

- 2 The grant required the committee membership to be in multiples of three and, although the committee had 13 members, State agencies were not represented CSE00 had not told OEO why it had deviated from the required committee composition.

On April 6, 1972, CSE00 requested OEO to waive the requirement for State agency representation since CSE00 had access to State agencies CSE00 said it would be better to have more representatives from the low-income and private sectors OEO did not accept this rationale, the 1973 program year grant again required the advisory committee to be structured as set forth in the 1972 grant

On October 17, 1972, CSE00 advised OEO that three State representatives would be presented for confirmation by the advisory committee at the next meeting On November 17, 1972, OEO replied that CSE00 had not strictly complied with the representation requirement but that the effort was satisfactory

The advisory committee held four meetings from March 1972 to January 1973 As of April 1973, the advisory committee had 14 members, but none were from State agencies

OEO headquarters informed us on May 21, 1973, that CSE00 was now in compliance with the 1972 grant regarding the establishment of an advisory committee

AFFIRMATIVE ACTION PLAN

The 1972 grant specified that CSE00 would take the following "affirmative actions"

- 1 Contingent upon funding by the California Legislature, implement a special intern career development program to train minorities and low-income persons, over a 2-year period, to become professionals
- 2 Add 15 training slots at State expense for low-income people recruited from OEO-funded manpower programs
- 3 Supplement the training with an educational program and submit quarterly progress reports to the OEO regional office

4. Provide for a professional staff pattern at CSE00 reflective of the racial and ethnic makeup of the State's low-income population.
5. Submit an "affirmative action plan" to OEO by August 15, 1971, including a timetable for implementing the above activities.

The affirmative action plan was not prepared until August 1972, and CSE00 met none of the other grant requirements as of April 1973. CSE00 officials stated that the special intern career development program never came about because it was not funded by the legislature. The 15 training slots which were to be funded with State moneys were not added. CSE00 stated that instead it used U.S. Department of Labor Public Employment Program slots to satisfy the requirement. This program is 90-percent federally funded. The supplemental educational program was never implemented.

CSE00 professional staff racial and ethnic makeup at the end of the program years 1971 and 1972 did not reflect that of the State's low-income population. Five persons, instead of the required 11, in the professional staff of 25 were members of minority groups.

	<u>Professional staff ethnic breakdown</u>		
	<u>CSE00</u>		<u>Required makeup per 1970 census (note a)</u>
	<u>Actual as of 6-30-71</u>	<u>Actual as of 6-30-72</u>	
White	20	20	14
Mexican American	2	2	6
Black	3	2	4
Others (Indians, Orientals, etc.)	<u>0</u>	<u>1</u>	<u>1</u>
Total	<u>25</u>	<u>25</u>	<u>25</u>

^aSource State of California Department of Human Resources California Manpower Indicators from the 1970 Census, November 1972, page 15.

According to CSE00 officials, the affirmative action plan, as negotiated with the OEO regional office, was based on the ethnic and racial makeup of the State's population as a whole and not just on the low-income population

Regional office officials informed us that they considered the plan to be a statement of what the grantee intended to do. Therefore, immediate and absolute compliance with the plan was not required, since this would cause current staff to be summarily fired. The officials stated, however, that they did expect CSEOO to make a good faith effort to meet the goals of its plan and that, to the best of their knowledge, CSEOO did not damage this expectation.

OEO headquarters informed us on May 21, 1973, that CSEOO's present hiring procedures reflect an affirmative action plan consistent with both State and OEO requirements.

EXCESS CONTRACT FUNDS USED TO
INCREASE CSEOO FUNDING LEVEL

During program year 1971, CSEOO received Federal funding under an OEO technical assistance grant and a \$58,756 contract with OEO headquarters to assist the OEO Commission on California Rural Legal Assistance, Inc. From February through June 1971, CSEOO made duplicate charges of \$16,728, representing costs associated with two consultants, against both the technical assistance grant and the contract.

The Department of Human Resources Development handled the accounting function under the OEO grant. The department's accounting officer said his office processed CSEOO invoices for costs charged to the grant but that the CSEOO staff submitted invoices under the contract directly to OEO headquarters. CSEOO did not inform the department of those costs submitted to OEO headquarters to support reimbursements under the contract.

In October 1972 we sent a letter apprising OEO of the duplicate charges. As a result, OEO looked into the charges under the contract and found, in addition to the \$16,728, a number of overcharges and undercharges (still subject to audit), the net effect of which created an unexpended contract balance of \$13,042. On January 31, 1973, OEO informed us that the \$13,042 balance was used to increase CSEOO's 1973 funding level.

CONTRACTS FOR SERVICES
RELATING TO CSEOO CONFERENCES

OEO instructions provide that grantees should comply with either the Standard Government Travel Regulations or their own travel requirements, whichever is more restrictive. Thus, CSEOO is subject to the State of California Travel Regulations.

In program year 1972, CSEOO contracted with a total of four hotels (in San Francisco, Sacramento, and Washington, D.C.) to provide lodging, meals, and other services as needed for California Legal Services Experiment conferences. Instead of submitting travel claims through the normal State process, the CSEOO staff charged their lodging and subsistence costs against these contracts

The \$3,025 in costs associated with the hotel contracts and charged to Federal funding exceeded by \$508 the amount allowed under the State and Federal travel regulations.

We provided OEO regional office auditors with details on these travel expenditures. Regional office officials stated that inappropriate expenditures would be dealt with according to applicable OEO regulations.

CHAPTER 9

CONCLUSIONS AND RECOMMENDATION

CONCLUSIONS

CSE00 did not comply with the special conditions of the 1972 grant which prohibited investigations and unilateral evaluations. The OEO San Francisco regional office was aware that CSE00 was conducting unilateral evaluations, and found them useful for assessing grantee performance. OEO made no effort to prevent CSE00 from conducting evaluations or to modify the restrictions in the grant. The OEO San Francisco regional office apparently was unaware of CSE00's investigative activities. OEO headquarters informed us, however, that it was aware that CSE00 was performing investigations and evaluations and thus it may be said that it implicitly waived these prohibitions.

Our examination of CSE00's professional staff qualifications showed that it was questionable as to whether almost one-half of the professional staff met certain education and/or experience requirements contained in CSE00's written job descriptions. However, because the ambiguous terminology of the job descriptions could support a broad interpretation, we could not make a conclusive determination as to whether the employees met the qualifications required for their positions.

CSE00 spent at least \$60,657 of technical assistance funds for consultant services during program year 1972 without the authority to do so. Moreover, CSE00's internal controls over contracting were inadequate.

Although OEO established a policy in April 1970 of requiring grantees to return prior years' unexpended funds to the Treasury or reprogramed the funds to reduce Federal funding of grantees' operations, the policy was not required by law and CSE00 was permitted to keep its prior years' unexpended funds.

CSE00's recorded non-Federal contributions greatly exceeded the requirement established by OEO. However, the majority of these claims were questionable and CSE00's non-Federal contribution may have been deficient for the 1972

program year. CSEOO could meet its non-Federal contribution requirement if OEO's Office of General Counsel determines that the funds spent by the State under an OEO migrant program are allowable.

OEO generally cleared audit exceptions taken on CSEOO expenditures by increasing the amount of CSEOO's non-Federal contribution in the following year. OEO instructions provide for the clearance of audit exceptions in this manner.

CSEOO did not fully comply with the 1972 grant concerning the establishment of an advisory committee and the preparation and implementation of an affirmative action plan.

RECOMMENDATION

We recommend that the Acting Director, OEO, see that the corrective action proposed by CSEOO and the OEO San Francisco regional office is taken.

- - - -

OEO's Acting Director stated in his letter of May 21, 1973 (see app V.), that OEO's review indicated that corrective actions have begun in response to specific identified problems and that OEO will continue to monitor the actions taken.

HARRISON A. WILLIAMS JR. N.J. CHAIRMAN
 EDWIN S. RANDOLPH W. VA.
 LAIBORNE PELL R.I.
 EDWARD M. KENNEDY MASS
 GAYLORD NELSON WIS.
 WALTER F. MONDALE MINN.
 THOMAS P. EAGLETON MO.
 ALAN CRANSTON CALIF.
 HAROLD E. HUGHES IOWA
 ADLAI E. STEVENSON III ILL.
 STEWART E. MCCLURE STAFF DIRECTOR
 ROBERT E. NAGLE, GENERAL COUNSEL

JACOB K. JAVITS N.Y.
 PETER H. DOMINICK COLO.
 RICHARD S. SCHWEIKER PA.
 BOB PACKWOOD OREG.
 ROBERT TAFT JR. OHIO
 J. GLENN BEALL JR. MD.
 ROBERT T. STAFFORD VT.

United States Senate

COMMITTEE ON
 LABOR AND PUBLIC WELFARE
 WASHINGTON D C 20510

June 30, 1972

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

Dear Mr. Comptroller General

This is to request that your office move as quickly as possible to conduct a complete audit and investigation of the accounts and operations of the California State Economic Opportunity Office (SEOO) and the SEOO's relationship with its Federal funding source, the Office of Economic Opportunity (OEO). During the last twenty-four (24) months, SEOO has received nearly \$2,000,000 in Federal funds from OEO, and has, according to extensive documentation we will cite and material enclosed, continually expended those funds in apparent violation of Federal law and OEO regulations. OEO officials, instead of remedying the abuses brought to their attention by various audits, evaluations and staff reports, as well as hearings of the Congress and California Legislature, have, as far as we can determine, failed to reform SEOO and have, in fact, several times increased the level of Federal funds available to SEOO.

Regarding SEOO's operations in 1971, the OEO Audit Division, Region I, in March reported \$100,000 of SEOO fiscal irregularities. The same month a 12 man team of OEO evaluators - mostly from outside California - found SEOO in such gross violation of the Economic Opportunity Act and OEO regulations that they recommended two of SEOO's special grants be terminated immediately and questioned how OEO could responsibly continue funding SEOO's basic grant.

On May 3, 1971 the California Assembly Ways and Means Committee received so much evidence adverse to SEOO that it voted to cut the agency's State appropriation to \$100 in an attempt to terminate SEOO's capacity to receive Federal funds. The Committee's recommendation was subsequently adopted by the full Assembly and Senate.

APPENDIX I

The same month a special oversight committee of the House Committee on Education and Labor conducted poverty hearings in California, and the oversight committee chairman concluded there was nothing to justify SEOO's receipt of Federal funds.

In June, 1971, the Commission of three State Supreme Court Justices appointed by OEO to examine the raft of public charges made by SEOO against California Rural-Legal Assistance (CRLA) reported that SEOO had "taken evidence out of context and misrepresented the facts" to support its "totally irresponsible" charges against CPLA. The many days of hearings which resulted in this conclusion were estimated by the San Francisco Chronicle and Examiner to have cost \$500,000 in taxpayers' monies.

Despite these facts, in July, 1971, OEO increased SEOO's basic grant by \$137,000

Regarding SEOO's operations since July, 1971, the compilation of materials enclosed indicates a continued pattern of activities in violation of Federal law and OEO regulations. The compilation also contains evidence that OEO officials -- at least in OEO Region IX -- have been aware of these violations and have failed to curb them. Furthermore, as recently as last month, OEO officials, Region IX, seem to have violated their own agency's regulations relating to carry over balances in order to increase SEOO's Federal funding level some \$53,000.

Our concerns include, but are not limited to, the following types of activity attributed to SEOO by the reports cited above and the enclosed compilation, and what actions, if any, OEO has taken with respect thereto

1. using technical assistance resources to conduct investigations hostile to OEO grantees,
2. filling professional staff positions with persons lacking proper qualifications,
3. paying staff to carry out functions not authorized with a grant provision,
4. contracting for consultant services in violation of OEO regulations,

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APPENDIX II

LIST OF MEMBERS OF CONGRESS REQUESTING
GAO TO EXAMINE ACTIVITIES OF CSEOO

United States Senate

Alan Cranston ,
John V. Tunney

House of Representatives

Harold T. Johnson ,
Robert L. Leggett
Phillip Burton
Ronald V. Dellums
George P. Miller
Don Edwards
Jerome R. Waldie
Chet Holifield
Augustus F. Hawkins
James C. Corman
Thomas M. Rees
George E. Danielson
Edward R. Roybal
Charles H. Wilson
John J. McFall
B. F. Sisk ,
Glenn M. Anderson .
Richard T. Hanna .
Lionel Van Deerlin
John E. Moss

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

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DEC 23 1971

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Dear Mr Moss:

The Sacramento Bee of July 21, 1971, carried a news account to the effect that the San Francisco Regional Director of the Office of Economic Opportunity (OEO) overrode an OEO auditors finding that \$2,102 of funds granted by OEO to the California State Economic Opportunity Office (SEOO) were improperly used to finance a sending of telegrams which the auditor had found were "for the purpose of enlisting support for Senator George Murphy in the November 3, 1970 election "

The telegrams in question were sent on October 30, 1970, to 198 OEO grantees including Head Start Projects and County supervisors in California. We are advised that typically the telegrams sent included the following message.

"WE HAVE JUST RECEIVED A VITAL MESSAGE FROM SENATOR GEORGE MURPHY IN RESPONSE TO OUR REQUEST THAT HE SPEARHEAD RESTORATION OF RECENT CUTBACKS IN CALIFORNIA HEAD START FUNDS --

"SENATOR MURPHY STATES. 'CITIZENS FROM ALL CORNERS OF CALIFORNIA HAVE EXPRESSED CONCERN OVER RECENT CUTS IN THE HEAD START BUDGET. AS YOU MAY KNOW, I AM CO-SPONSOR OF LEGISLATION, S 3480, THE COMPREHENSIVE HEAD START AND CHILD DEVELOPMENT ACT OF 1970, WHICH WOULD INCREASE HEAD START FUNDING BY \$123 MILLION OVER THE FY '71 EXPENDITURE. ON RECONVENING OF CONGRESS IN NOVEMBER I PLEDGE TO LEAD THE FIGHT TO RESTORE HEAD START FUNDS FOR CALIFORNIA MY THANKS TO YOU AND CONCERNED CITIZENS THROUGHOUT CALIFORNIA FOR BRINGING THIS CRITICAL SITUATION SO FORCEFULLY TO MY ATTENTION PLEASE CONVEY THIS IMPORTANT MESSAGE TO YOUR ENTIRE STAFF AND TO INTERESTED CITIZENS IN YOUR COMMUNITY.'

"Lewis K Uhler, Director
"State Office of Economic
Opportunity."

According to the press account, the Regional Director of OEO in San Francisco advised that he had decided to override the auditor's finding in light of an earlier decision by the Civil Service Commission that no violation of the Hatch Act or OEO Guidelines against the use of Federal

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APPENDIX III

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funds were committed. The referred to Civil Service ruling was in response to an inquiry of the OEO General Counsel of February 4, 1971, as to whether the sending of the telegrams in question were in violation of subsections 603(a) and (b) of the Economic Opportunity Act as amended.

On March 2, 1971, the General Counsel of the Civil Service Commission advised the General Counsel of OEO as follows:

"We have reviewed the content of the telegram in question, copies of which were allegedly sent by Mr. Uhler to several community action agencies in California. The telegram makes reference to proposed legislation introduced by former Senator Murphy to restore certain funds which were cut in the Head Start program. The content of the telegram indicates that it is a reply by Senator Murphy to an apparent expression of earlier concern over budget cuts made by Mr. Uhler, in his capacity as Director of the State of California Office of Economic Opportunity. In our view, absent a showing that Mr. Uhler actively campaigned for Senator Murphy during the election in question, the sending of copies of the telegram does not, standing alone, constitute a violation of the aforementioned sections of the Economic Opportunity Act or of the Hatch Act. There is no indication that the telegram was used as part of Senator Murphy's campaign for reelection or that Mr. Uhler used copies of the telegram as part of a concerted campaign effort to solicit votes or support for the Senator.

"In our review of this matter, we note that the telegram in question is dated November 2, 1970, and that a copy was sent to the Office of Economic Opportunity on that date by the Chairman of the San Mateo, California, Board of Supervisors. In addition, your covering letter indicates that the telegram in question was sent to 'several community action agencies', but none of these are identified. We would appreciate knowing whether your agency conducted any inquiry in this matter, and if so, whether the results produced any evidence of active campaigning on the part of Mr. Uhler apart from the alleged mailing of the telegram. If not, then we propose to take no further action in this matter, for, as indicated earlier, it is our view that the mailing of the telegram, standing alone, does not constitute a violation of law."

With regard to the last quoted paragraph, we have informally learned from the Civil Service Commission that the Office of Economic Opportunity

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has written nothing further to the Civil Service Commission indicating that an inquiry had been made into the matter. In this regard, our independent review in Washington and California does not indicate that the OEO conducted further inquiry into the matter.

By letter dated July 26, 1971,⁵ you requested our comments on this matter. We requested a complete report from OEO including OEO's views concerning the availability of the grant in question for the purpose of sending the telegrams with special reference to the provisions of the Economic Opportunity Act of 1964, as amended, 42 U.S.C. 2943(b) which prohibits the use of OEO funds for political activities.

The report received by our Office from the Office of Economic Opportunity on November 5, 1971, makes the following points

(1) The situation at the time the telegrams were sent were as follows. The Economic Opportunity Amendments of 1969 authorized an appropriation of \$2,295,500,000 for programs under the act for fiscal year 1971. It also authorized various add-on appropriations including one for \$180,000,000 for Headstart. With respect to the basic appropriation it was specified that \$398,000,000 be earmarked for Headstart subject to certain permitted administrative flexibility. However, the act had also provided that if Congress did not appropriate the full \$2,295,500,000, the earmarking for Headstart, like those for most other programs under the act, would be reduced. In its budget requested for fiscal year 1971 the Administration had requested \$2,080,200,000 for programs under the act. The budget estimated that under an appropriation of this amount, Headstart would obligate about \$339,000,000 in fiscal year 1971. On July 23, 1970, the House of Representatives passed a bill that would have appropriated \$2,046,200,000 for programs under the act. At that level of appropriation the Headstart earmarking would have been about \$321,300,000. On October 13, 1970, the Senate Appropriation Committee reported the House bill with amendments including a change of the amount for programs under the act to \$2,063,900,000 and a specification that \$339,000,000 of that amount was to be earmarked for the Headstart programs. Since July 1, 1970, the appropriation for programs under the act had been contained in continuing resolutions that limited the rate of obligation for Headstart to that of fiscal year 1970, which amounted to \$326,000,000 per annum. Before October 13, 1970, OEO and the Department of Health, Education, and Welfare had informed community action agencies and other grantees under the act, including Headstart grantees, of proposed reductions in assistance to be given them in fiscal year 1971, because of

APPENDIX III

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unexpected low grantee carryover balances and reduced obligational authority from Congress. This situation as to the funding of headstart had caused a great deal of consternation and dissatisfaction throughout the community action agencies and the purpose for which the California OEO sent the telegrams was to ameliorate this dissatisfaction

(2) With regard to the grant funds that were used, one of the functions of SEOO was to engage in activities which would provide State agencies and officials OEO grantees and the general public with information as to statistics of the problems and needs of the poor and the programs in effect to overcome poverty within the State. The work program for the SEOO grant included plans to change or improve its efforts to inform the newsmedia and the public of the needs, problems, and programs of the anti-poverty effort

(3) In view of the fact that there was no showing that Mr Uhler actively campaigned for Senator Murphy in the 1970 election, OEO considered that it was within the discretion of the Regional Director in San Francisco to find that the sending of the telegrams did not violate the OEO act or instructions against political activities. It was OEO's view that the determination of this Civil Service Commission previously discussed clearly established that such a finding was permissible if not required

After receiving OEO's comments and the Civil Service Commission opinion we had our auditors in Washington and California review OEO records including the investigative report files with a view toward ascertaining whether there was any evidence that Mr Uhler had done anything in addition to sending the telegrams which would indicate that he or his staff engaged in activities supportive of Senator Murphy's campaign for reelection. Our auditors were unable to find any evidence which would support such activity. We were advised that in the past our auditors have had occasion to look at SEOO timekeeping records and that it was apparent that these records could not be relied upon to disclose the specific activities of SEOO employees

According to OEO regulations, OEO instructions 6907-1, September 6, 1968, the sender of the telegram in question was subject to the prohibitions of both the OEO restrictions against political activities and the preclusions of chapter 15 of title 5, of the United States Code (formerly called the Hatch Act) which preclude Federal employees from engaging in such activities. While the sender of the telegrams involved was an employee of the OEO grantee rather than a Federal employee and as such would not be subject to the Hatch Act, section 7(c) of the OEO instructions specifically

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provides that "OEO may refer any specific information of apparent violation of the non-Hatch Act restrictions set forth in this instructions to the General Counsel of the Civil Service Commission for investigation and determination. The General Counsel of the Commission may conduct an investigation and inform OEO and the grantee or delegate agency involved of the findings of fact and the corrective action recommended."

Accordingly, under OEO regulations, it was appropriate to refer the matter to the Civil Service Commission for determination and OEO was justified in following the ruling of the General Counsel of the Civil Service Commission in making its determination in the matter.

With regard to the question of whether the sending of these telegrams was in violation of the preclusions against using OEO funds for political activities, the timing of these telegrams raises at first view a heavy presumption that the sender of the telegrams did violate such prohibitions. However, after a review of all the facts involved, we can appreciate the legitimacy of a decision that the sending of the telegrams was a valid public information activity under the grant rather than an unlawful use of OEO grant funds for political activities. Accordingly, inasmuch as our independent review has detected no further actions of the sender which would tend to establish a political activity on behalf of Senator Murphy's campaign, we view the decision of the Civil Service Commission as appropriate and feel that OEO properly relied upon such determination to the exclusion of the OEO auditor's finding in this particular matter.

Sincerely yours,

(SIGNED) ELMER B STAATS

Comptroller General
of the United States

The Honorable John E Moss
House of Representatives

LIST OF EMPLOYEES LACKING SPECIFIC
QUALIFICATIONS AT TIME OF HIRE

<u>Employee</u>	<u>Date hired</u>	<u>Official title</u>	<u>Years of college</u>	<u>Major field of study</u>	<u>Primary work experience</u>	<u>Qualification employee appeared to be lacking at time of hire</u>
A	June 1 1972	Assistant for research and evaluation	Over 4	Recreation administration (some public administration)	Two years as assistant manager of a sporting goods store	Experience in analysis planning organization implementation and operation of research and evaluation systems
B	Sept 1, 1971 ^a	Assistant for research and evaluation	-	Secretarial and some accounting (note b)	About 19 years in clerical and bookkeeping	Education and experience Ability and training usually associated with graduation from accredited 4-year college with specialization in business, statistics etc Experience as stated above for employee A
C	Mar 23 1972	Assistant for research and evaluation	2 (junior college)	Education	12 years as a communication expert and 7 years as a job counselor for State of California	Education and experience (see employee B)
D	Nov 4 1970	Community program analyst	3	Political science	Several years of business experience, primarily as insurance and advertising salesman	Education and experience Ability and training usually associated with graduation from an accredited 4-year college or graduate school in OEO-related subjects Experience which has provided background for working knowledge of Federal State and local government and experience in Office of Economic Opportunity policies procedures, and programs
E	Sept 19 1969	Community program analyst	3 (junior college)	Business and sociology	Several years with grocery store chain, insurance agent and 2 years in job corps and housing authority	Education (see employee D)
F	Jan 21, 1972	Community program analyst	4	Agronomy	Several years as research biologist (some participation in poverty agencies)	Education and experience (see employee D)
G	Sept 1, 1970	Community program analyst	4	Liberal arts	About 6 years accounting and office management and 8 years as interpreter	Experience (see employee D)
H	Feb 1, 1972	Community program analyst	Over 4	Business and law	Insurance underwriter, area and zone manager with grocery store chains	Experience (see employee D)

<u>Employee</u>	<u>Date hired</u>	<u>Official title</u>	<u>Years of college</u>	<u>Major field of study</u>	<u>Primary work experience</u>	<u>Qualification employee appeared to be lacking at time of hire</u>
I	May 1, 1970	Special technical assistant consultant	2	General education	Director deputy director and project director at various OEO grantees, restaurant and service station ownership	Education (see employee D)
J	Nov 1 1971	Special technical assistant consultant	Less than 1	One semester in music and physical education	Director and deputy director of various OEO grantees, real estate salesman	Education (see employee D)
K	Oct 15, 1970	Special technical assistant consultant	2 (junior college)	Accounting	Internal auditor with State of California	Education (see employee D)
L	July 31, 1969	Special technical assistant consultant	Less than 1	Some courses in business	Manager of growers association, restaurant owner, field representative for agricultural labor bureau	Education and experience (see employee D)
M	Sept 1, 1970	Special technical assistant consultant	Over 4	Political science and law	Accounts executive assistant magazine editor, associate attorney	Experience (see employee D)

^aDate transferred from clerical to professional position

^bNon-college-level training

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OFFICE OF ECONOMIC
OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D C 20506

May 21, 1973

Mr Franklin A. Curtis
Associate Director
Manpower and Welfare Division
General Accounting Office
441 G Street, N W.
Washington, D C. 20548

Dear Mr. Curtis

Attached is OEO's response to the "Review of Certain Activities of the California State Economic Opportunity Office" by the Comptroller General, which was submitted to me with your letter of May 11, 1973

Sincerely,



Howard Phillips
Acting Director

Attachment

OEO RESPONSE TO CONCLUSIONS AND RECOMMENDATION SET FORTH IN GAO REVIEW
OF CERTAIN ACTIVITIES OF THE CALIFORNIA STATE ECONOMIC OPPORTUNITY OFFICEGAO CONCLUSION #1

"CSEOO did not comply with the special conditions of the 1972 grant which prohibited the conduct of investigations and unilateral evaluations. The OEO San Francisco Regional Office was aware that CSEOO was conducting unilateral evaluations and found them useful for assessing grantee performance. OEO made no effort to prevent CSEOO from conducting evaluations or to modify the restrictions in the grant. OEO apparently was not aware of CSEOO's investigative activities "

RESPONSE

The special conditions of the 1971-72 grant which prohibited investigations and unilateral evaluations were not met. It must be understood, however, that the work program could easily have been construed as contrary to the review rights secured all Governors through the Economic Opportunity Act. Normally, evaluations are an appropriate and expected function to be performed by a State Economic Opportunity Office. The conditions promulgated in that work program have been deleted from subsequent CSEOO work programs. The evaluations and investigations were performed with full knowledge on the part of OEO. Hence, it may be said that these restrictions were implicitly waived by the Agency.

Any charges of these investigations being unreasonably antagonistic should be weighed against the recent action taken by the California CAP Directors' Association in the Association's sponsorship of a bill before the California legislature which would grant CSEOO full supervisory and evaluative responsibility.

GAO CONCLUSION #2

"Our examination of CSEOO's professional staff qualifications showed that it was questionable as to whether almost half of the professional staff met certain education and/or experience requirements contained in CSEOO's written job descriptions. However, the ambiguous terminology of the job descriptions could support a broader interpretation as to the suitability of an employees' abilities and training for the positions for which they were hired. Accordingly, the ambiguous language of the job descriptions prevented us from making a conclusive determination as to whether the employees met the qualifications required for their positions "

RESPONSE

We concur generally with GAO's conclusion. A cursory review of CSEOO's staff qualifications demonstrate a respectable degree of "suitability" for the positions for which the personnel were hired. OEO Instructions do not require academic credentials when actual experience may be deemed sufficient.

GAO CONCLUSION #3

"CSEOO expended at least \$60,657 of technical assistance funds for consultant services during program year 1972 without the authority to do so. Moreover, CSEOO's internal controls over contracting were inadequate "

RESPONSE

An expenditure for consultant services is normally allowed under the general funding for "technical assistance ". The CSEOO's internal controls over contracting were inadequate in the past, but have now been corrected. The procedures adopted are consistent with GAO's recommendations.

GAO CONCLUSION #4

"Although OEO established a policy in April, 1970 of requiring grantees to return prior years unexpended funds to the U. S. Treasury the policy was not required by law and the CSEOO was permitted to retain its prior years unexpended funds "

RESPONSE

It is correct that SEOO's in California and a number of other states, as well as other OEO grantees, have been permitted to use carryover balances.

GAO CONCLUSION #5

"CSEOO's recorded non-Federal contributions well exceeded the requirement of at least 20 percent of program costs established by OEO. However, we found the majority of these claims to be questionable and, therefore, CSEOO's non-Federal contribution may be deficient for the 1972 program year. CSEOO could meet its non-Federal contribution requirement if OEO's Office of General Counsel determines that the funds expended by the State under an OEO migrant program are allowable.

RESPONSE

The matter is under review by the OEO Office of General Counsel

GAO CONCLUSION #6

"In addition, CSEOO did not fully comply with the 1972 grant concerning the establishment of an advisory committee and the preparation and implementation of an affirmative action plan."

RESPONSE

CSEOO is now in compliance with the 1972 grant regarding the establishment of an advisory committee. Present hiring procedures reflect an affirmative action plan consistent with both State and OEO requirements.

GAO RECOMMENDATION

"We recommend that the Acting Director, OEO, follow up on the matters discussed in this report to see that corrective action is taken as proposed by CSEOO and the OEO San Francisco Regional Office."

RESPONSE TO RECOMMENDATION

Our review indicates that corrective actions have begun in response to specific, identified problems. OEO will continue to monitor and will be pleased to receive any further recommendations of the General Accounting Office.

Copies of this report are available at a cost of \$1 from the U S General Accounting Office, Room 6417, 441 G Street, N W , Washington, D C 20548 Orders should be accompanied by a check or money order Please do not send cash

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