



COMPTROLLER GENERAL OF THE UNITED STATES  
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The Honorable Charles W Whalen, Jr  
House of Representatives

Dear Mr Whalen

On May 21 and September 13, 1974, you asked us to review certain activities of the Model Cities Program in Dayton, Ohio The specific areas of your concern involved

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- 2/* --payments of Model Cities funds to the consulting firm, Jon-Mor and Associates, for a program to recruit and train Dayton residents for the Dayton Police Department and
- the award of contracts by the city to audit certain Model Cities projects

BACKGROUND

The Model Cities Program was established by title I of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U S C 3301) A local Model Cities Program consists of (1) a 5-year comprehensive demonstration plan describing the city's needs in terms of projects required to make a noticeable impact on the social, economic, and physical problems of the city and (2) annual action plans describing projects which are to be implemented each year The Department of Housing and Urban Development (HUD), responsible for administering the Model Cities Program at the Federal level, provides funds to the city for the Model Cities Programs

The Dayton Model Cities Program began in 1967 In 1971 Dayton was selected by HUD to participate in the Model Cities Planned Variations Demonstration Program, and as a result the Dayton Model Cities target area was expanded to the entire city Through fiscal year 1974, Dayton received a total of \$25.2 million in Federal funds for its Model Cities Program

In April 1973 Dayton, with HUD approval, established several Model Cities projects One of these projects, the Martin Luther King Testing Academy, was designed to increase the number of Dayton residents in Federal, State, and local civil service positions The project, estimated to cost \$73,000, was to be administered by the Mid-West Training Institute (MTI), a private, nonprofit corporation One of MTI's first tasks was to increase the number of minorities on

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the Dayton police force by establishing a black police recruitment and training program. In this program, MTI subcontracted with Jon-Mor and Associates, a local, private corporation, to recruit and train minority residents of Dayton to take the civil service examination which was required for employment with the Dayton Police Department.

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Details of our review of the areas that were of interest to you follow.

MODEL CITIES PAYMENTS TO  
JON-MOR AND ASSOCIATES

Information your office provided to us listed three cases of "conflicts of interest" concerning Jon-Mor and Associates. The specific charges and the results of our work are summarized below.

Charge No. 1--Mr. Taylor Jones, Jr., president of Jon-Mor and Associates, was also the executive director of MTI.

The contract between Dayton and MTI states that

"The Contractor covenants that no person who presently exercises any functions or responsibilities in connection with the Program, has any personal financial interest, direct or indirect, in this Contract \* \* \* Provided, however, that this paragraph shall be interpreted in such a manner so as not to unreasonably impede the statutory requirement that maximum opportunity be provided for employment of and participation by residents of the area."

Mr. Jones, as executive director of MTI, did have certain responsibility for the recruiting and training program and, as president of Jon-Mor and Associates, had a financial interest in the contract.

However, HUD guidelines provide that, in applying the contract provision dealing with conflict-of-interest situations, several factors should be considered. These factors include (1) public disclosure of the situation, (2) the substantiality of the individual's interest, and (3) the amount or nature of benefits to the individuals involved.

Information we reviewed showed that Mr. Jones did not conceal his positions in either MTI or Jon-Mor and Associates. The assistant to the city manager for Program Planning and Development had approved the subcontract between MTI and Jon-Mor and Associates. He said that he

knew, before the subcontract was signed, that Jon-Mor and Associates would participate in the police recruitment and training program and that Mr Jones was a key executive of Jon-Mor and Associates. The records showed that Mr Jones received \$954 of the \$7,200 that was paid to Jon-Mor and Associates for its work in connection with the recruitment and training program, he received no salary as MTI executive director.

The city under its contract with MTI and HUD under its guidelines are authorized to determine whether their respective conflict-of-interest provisions have been violated. City officials stated that Mr Jones' actions did not violate the intent of HUD's conflict-of-interest guidelines. Dayton's Model Cities office and its legal department added that the advantages of having Jon-Mor and Associates participate in the recruitment and training program outweighed the possible appearance of conflict of interest. In addition, HUD said that it had not ascertained any violation of its guidelines.

Charge No 2--Mr Jon S Cummings, III, a city of Dayton employee, was paid by Jon-Mor and Associates for services rendered in the police recruitment and training program.

Mr Cummings was an employee of the city when he contracted with Jon-Mor and Associates to teach classes for the police recruitment and training program. Mr Cummings received \$752 from Jon-Mor and Associates.

The contract between the city and MTI provides that no city employee shall have any financial interest in the Model Cities contract. However, HUD guidelines, as previously stated, provide that other factors should be considered in applying the contract provision dealing with conflict-of-interest situations. But we noted that Mr Cummings did not attempt to conceal his employment with Jon-Mor and Associates and that the remuneration he received from Jon-Mor and Associates was relatively small (\$752).

Dayton Model Cities officials concluded that the program was aided largely by having a qualified instructor, familiar with city procedures, such as Mr Cummings and that neither the city nor the Model Cities Program was adversely affected because he had been a city employee and also taught classes for the police training program. The city's legal department concluded that this was not a "substantial violation" when all factors were considered.

Therefore, the employment of Mr Cummings was in violation of the conflict-of-interest provision of the contract between the city and MTI. However, in view of the facts and circumstances in this case, it does not appear that Mr Cummings employment was necessarily inconsistent with HUD guidelines.

Charge No 3--Mr Jimmie Newton, an employee of the Montgomery County Community Action Agency (MCCAA), was employed by Jon-Mor and Associates for the police recruitment and training program

Mr Newton was employed by MCCAA before and after, but not during, the time he worked for Jon-Mor and Associates in the police recruitment and training program

CONTRACTS AWARDED FOR  
MODEL CITIES AUDITS

We received a letter, dated September 6, 1974, from William S Fry & Co , a Dayton certified public accounting firm, concerning the award of two Model Cities audit contracts Mr Fry said his firm was the low bidder on both audits but was not awarded the contracts In accordance with agreements reached with your office, we are including, in this report, the results of our review of the contract awards

Planned Variations Audit Contract

On November 20 and 27, 1973, the city advertised for proposals for the audit of the Planned Variation Demonstration Program This audit was to cover 44 projects plus the Planned Variations administrative operations The city received nine proposals with bids ranging from \$16,500 to \$75,256 The contract was awarded to the second lowest bidder, Mr Joyce M Turney, a minority certified public accounting firm, for \$26,000

The William S Fry & Co , which was the low bidder, stated in its proposal that it would not render an opinion on five projects because these projects were not fully funded by Planned Variations As a result, the city said the proposal was incomplete and eliminated it from consideration

Inner West Audit Contracts

On February 14 and 21, 1974, the city advertised for proposals for an audit of 12 Model Cities projects in its Inner West area The city received nine proposals with bids ranging from \$18,300 to \$56,750 The contract was awarded to Mr David L Jones, CPA, for \$40,000 Three firms submitted lower bids than Mr Jones William S Fry & Co was the low bidder

After the city reviewed the nine proposals, the city's Department of Finance and the city manager said that Touche Ross & Co should be given the contract because of the firm's favorable reputation and it was the second lowest bidder (\$30,000) However, the city later awarded the contract to Mr Jones because of the recommendation made by the Model Cities Planning Council (MCPC), the citizen's participation group for the Inner West area

City officials said that MCPC was given an opportunity to express its views on all decisions concerning Model Cities activities in the Inner West area. Therefore, the MCPC was consulted on the city's award of the audit contract. The city manager told us that MCPC said it would not accept Touche Ross & Co. and added that Mr. David L. Jones should be awarded the contract because HUD guidelines require that preferential treatment be given to firms located in Model Cities areas. Although MCPC did not have the final authority in decisions affecting the Inner West area, the city manager said that, because MCPC was "firm in its position" to select Mr. Jones and because the city and the MCPC in the past had agreed on all decisions affecting the Model Cities program, the city reversed its position and awarded the contract to Mr. Jones.

City officials stated that the city did not have formal procurement procedures for awarding contracts for professional services. When a contract is publicly advertised, the city normally selects the lowest and most suitable bidder. They added that using this criterion they have wide latitude in awarding contracts.

The city's finance director stated that, on the basis of the scope of the audit and the cost of similar contracts, he believed the cost of the contract awarded to Mr. Jones was reasonable.

The city manager said that the award of the Inner West audit contract to Mr. Jones was justified because

- the city honored the agreement with MCPC,
- the award of Model Cities contracts to a target area business was consistent with the intent of HUD's guidelines,
- the award of the contract did not violate the city's normal procurement practices, and
- the cost of the contract was comparable to the costs of previous audits of the Inner West projects.

HUD officials told us that one of the major considerations in the award of contracts was the HUD requirement which states that, whenever feasible, contracts should be awarded to businesses located in the Model Cities area. These officials added that there were no specific HUD guidelines for awarding Model Cities contracts. The guidelines only specify that the city should follow its own procurement policies.

In this case the city followed its normal procurement practices

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

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Aberts". The signature is written in dark ink and is positioned below the typed name.

Comptroller General  
of the United States