

089803

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Legislative Liaison, a record of which is kept by the Distribution Section, Publications Branch, OAS

RELEASED

RELEASED



LM089803

Activities Of The Columbus (C Metropolitan Area' Communit tion Organization

B-160000

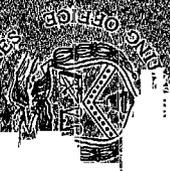
Office of Economic Opportunity

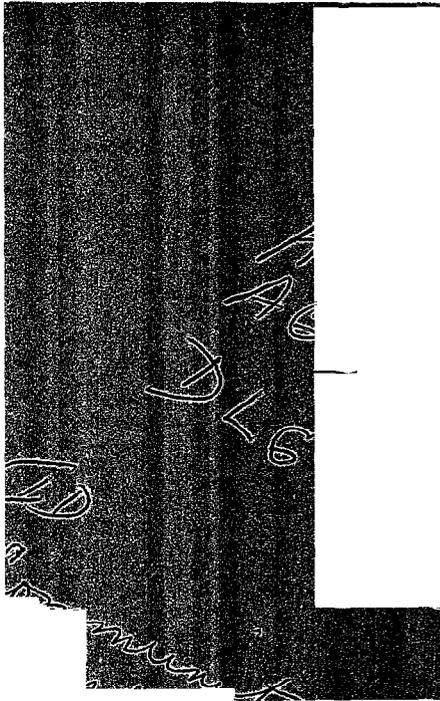
BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

089803

9/15/74

APRIL 1974







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

B-166305

Dear Mr. Devine:

This is a report on our examination, made pursuant to your request, into selected aspects of the antipoverty programs administered by the Columbus Metropolitan Area Community Action Organization, the Community Action Agency established in Columbus, Ohio, to carry out programs authorized by the Economic Opportunity Act of 1964.

Your attention is invited to the fact that officials of the Office of Economic Opportunity, the Department of Labor, and the Community Action Agency have not been given an opportunity to formally review and comment on the contents of this report; however, our findings have been discussed with officials of these organizations.

The report contains recommendations that the Director of the Office of Economic Opportunity take certain actions to strengthen the Community Action Program in Columbus. In addition, we believe that the matters discussed in the report would be of interest to the Secretary of Labor and to officials of the Community Action Agency. Therefore you may wish to make copies of the report available to these officials.

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

Sincerely yours,

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

Comptroller General
of the United States

The Honorable Samuel L. Devine
House of Representatives

C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1 INTRODUCTION	4
Columbus Metropolitan Area Community Action Organization	5
2 FINANCIAL MANAGEMENT	8
Community Action Program	8
Concentrated Employment Program	10
3 NEIGHBORHOOD CENTERS	11
Center objectives, functions, and staffing	12
Recordkeeping	15
Recommendation to the Director, OEO	16
Provision of services	17
Recommendation to the Director, OEO	20
Community organization	21
Coordination with settlement houses	32
Recommendation to the Director, OEO	34
4 ECONOMIC DEVELOPMENT	35
Opportunity Products, Incorporated	36
Federal Credit Union	36
CMACAO Buckeye Maid Company, Inc.	38
Help Employ Youth Corporation	38
Advance Bakery Corporation	38
APPENDIX	
I Letter dated February 20, 1969, from Congressman Samuel L. Devine to the Comptroller General	43
II Annual salaries of \$10,000 and over as of November 19, 1969	45

ABBREVIATIONS

CAA	Community Action Agency
CAP	Community Action Program
CEP	Concentrated Employment Program
CID	Community Industrial Development Corporation
CMACAO	Columbus Metropolitan Area Community Action Organization
DOL	Department of Labor
EOA	Economic Opportunity Act
GAO	General Accounting Office
NNAC	Near Northside Action Center
OEO	Office of Economic Opportunity
SAC	Southend Action Center
SBA	Small Business Administration
SDS	Students for a Democratic Society
SRO	Students' Rights Organization

D I G E S T

WHY THE REVIEW WAS MADE

Congressman Samuel L. Devine asked the General Accounting Office (GAO) to examine into antipoverty programs administered by the Columbus Metropolitan Area Community Action Organization (the agency). GAO obtained general and financial data on certain agency programs and evaluated the Neighborhood Centers program, a major part of the agency's activities. The agency also is involved in economic development, Legal Services, and planned parenthood programs. (See p. 5.)

Organizations and individuals mentioned in the report have not been given an opportunity to formally review and comment on the matters contained in the report. GAO, however, discussed its findings with officials of the Office of Economic Opportunity (OEO), the Department of Labor, and the agency.

The agency receives Federal funds from OEO and the Department of Labor. OEO provided \$1.8 and \$2 million for the years ended January 31, 1969 and 1970, respectively. The Department of Labor provided the agency with some \$6.7 million from August 1967. (See pp. 5 and 6.)

FINDINGS AND CONCLUSIONS

In January 1970 OEO notified the agency that Community Action Program funds for the year beginning February 1, 1970, would be withheld pending resolution of serious questions about the adequacy of the agency's accounting system and internal controls. OEO, however, granted an extension of the prior year's grant during which time the agency provided documentation to OEO that OEO considered to be satisfactory. In March 1970, OEO agreed to release the funds. (See p. 8.)

The agency's accounting for the Department of Labor's Concentrated Employment Program also was deficient. A certified public accounting firm took exception to transactions amounting to \$300,000 because it was unable to find adequate documentation, such as bills and receipts, for the money spent. The Department of Labor, pending the demonstration of fiscal improvements, is funding this program on a month-to-month basis.

The Concentrated Employment Program's former fiscal officer is under indictment on charges that he secreted, with intent to embezzle, \$4,500 in gift certificates which had come into his possession by virtue of his official position. (See p. 10.)

GAO reviewed two of the seven Neighborhood Centers. The centers' staffs have participated in a variety of program activities; however, the program has experienced only limited success. Changes in emphasis--from providing services to area residents, to organizing the community to promote change, and returning to providing services--appear to have been accompanied by a lack of, or undocumented, program accomplishments. (See p. 11.)

Agency reports submitted to OEO showed that many area residents had been served by the centers. Records maintained by the two centers, however, were not adequate to show the extent of personal contact in the neighborhoods (to determine individual needs and provide information on services available), direct services, referrals, and follow-ups. In GAO's opinion, inadequate records impair the centers' ability to perform effectively. (See pp. 11, 15 and 17.)

Partial records which were available, and GAO's observations of Neighborhood Center operations, indicated a need for increased attention to the performance of the centers' personal contact, referral, and follow-up functions. (See pp. 17 and 18.)

There was little evidence of the centers' accomplishments in organizing groups to bring about community changes. Efforts to stimulate educational improvement resulted in controversial incidents which tended to alienate parents, educators, and citizens. The agency's involvement in such controversies and the lack of evidence of accomplishments may account for the recent de-emphasis of community organization efforts. (See p. 21.)

The president of the agency's board of trustees apologized for the agency's involvement in the controversies. The board, however, refused to ratify the apology, and the president resigned. (See p. 25.)

Housing groups achieved some success in improving local housing conditions but were hampered by a shortage of financial and professional assistance. (See p. 28.)

Locally funded settlement houses provided social, educational, and recreational services for the same citizens which the centers were established to serve. Both organizations were providing similar services independently and, in some locations, with little or no coordination of activities. (See p. 32.)

Economic development projects were receiving increased emphasis. The agency had established a youth employment project which was unsuccessful and a credit union and wood-products and jewelry manufacturing organizations which were having financial difficulties. In January 1970

the agency was planning to acquire and expand a bakery. All of these projects were relatively new, and GAO was unable to conclude whether the financial difficulties would seriously impair the projects' ultimate success. (See p. 35.)

RECOMMENDATIONS OR SUGGESTIONS

OEO and the Department of Labor have taken action to strengthen the agency's financial management. OEO should also

- monitor the implementation of proposed improvements in Neighborhood Center recordkeeping practices (see p. 16);
- improve Neighborhood Center personal contact, referral, and follow-up efforts (see p. 20); and
- ensure that the agency coordinates the activities of its Neighborhood Centers with those of the settlement houses (see p. 34).

CHAPTER 1

INTRODUCTION

The General Accounting Office has examined into selected aspects of the antipoverty programs financed by the Office of Economic Opportunity and the Department of Labor (DOL) and carried out by the Columbus Metropolitan Area Community Action Organization (CMACAO) in the Columbus, Ohio, area. Our review was made at the request of Congressman Samuel L. Devine. A copy of the Congressman's letter, dated February 20, 1969, is included as appendix I. Pursuant to subsequent discussions with Congressman Devine, the review was initiated in July 1969.

In Columbus, we obtained basic program and financial data on the program components administered by CMACAO for the period February 1, 1968, through January 31, 1970, and examined into the efficiency and effectiveness of CMACAO's Neighborhood Center program, a major component of the Community Action Program (CAP) in Columbus. The results of our review of Neighborhood Centers should not be considered representative of all programs and activities conducted by CMACAO.

Our fieldwork was performed primarily at the central office of CMACAO and at two of its seven Neighborhood Centers--the Near Northside Action Center (NNAC) and the Southend Action Center (SAC). In addition, work was performed at OEO Headquarters in Washington, D.C. and at the OEO Great Lakes Regional Office in Chicago, Illinois.

We reviewed appropriate legislation and OEO policies and procedures concerning CAP. We also examined program documents, correspondence, and pertinent records and reports, including the certified public accountant's audit report of program expenditures for the year ended January 31, 1969. We also interviewed CMACAO officials and staff members and city, community, local agency, and business officials to obtain their views on the effectiveness of the local CAP.

COLUMBUS METROPOLITAN AREA
COMMUNITY ACTION ORGANIZATION

The Economic Opportunity Act (EOA) of 1964 (42 U.S.C. 2701), commonly referred to as the War on Poverty Act, was enacted on August 20, 1964. Title II of the act, as amended, provides for the establishment of Community Action Agencies (CAAs) and CAPs. The purpose of the CAPs is to stimulate communities to mobilize their resources to combat poverty. The programs are to be developed, conducted, and administered by a State or political subdivision of a State, or a combination of such political subdivisions, or by a public or private nonprofit agency or organization. CMACAO, the CAA in Columbus, filed its Articles of Incorporation as a nonprofit organization with the Secretary of State of the State of Ohio on November 30, 1964.

CMACAO serves Franklin County, Ohio, which, as of January 1968, had an estimated population of 866,000, including 582,000 who lived in Columbus. CMACAO estimates that 19,006 families, or 9 percent of the 211,175 families in the county, are living on annual incomes of less than \$3,000.

The expenditures of OEO funds for CAP components operated by CMACAO in program year C (February 1, 1968, to January 31, 1969) and the budgeted expenditures for program year D (February 1, 1969, to January 31, 1970) are as follows:

Program component	OEO funds	
	Program year C (expenditures)	Program year D (budgeted)
Program administration	\$ 99,133	\$ 207,659
" planning	14,024	22,949
Neighborhood Centers	744,679	530,181
East Central Citizens' Organization service center	41,530	46,062
Head Start	596,760	682,496
Planned parenthood	80,703	158,076
Legal Services	124,635	116,373
Summer program	104,213	101,685
Senior citizens services	23,065	20,009
Concerted management improvement system	7,460	15,000
Model Cities General Assembly	4,650	-
Credit union	-	64,125
Emergency Food and Medical Services	-	75,000
Total OEO funds	1,840,852	2,039,615
Total non-Federal contributions	475,746	572,905
Total	\$2,316,598	\$2,612,520

CMACAO's major item of expenditure was for personal services. For example, for the year ended January 31, 1970, about \$1.6 million, or 80 percent of the budgeted OEO expenditures of \$2 million, was for salaries and related personnel costs. A schedule of CMACAO positions assigned annual salaries of \$10,000 and over is included as appendix II.

In addition to administering the programs funded by OEO, CMACAO administered programs funded by DOL, as follows:

<u>Program</u>	<u>Contract periods</u>	<u>Amount</u>
New Careers	8-14-67 to 12-31-69	\$1,751,560
Neighborhood Youth Corps	12-15-67 to 7-19-70	3,108,870
Concentrated Employment Program	6-28-68 to 2-28-70	1,785,512

The objectives of the New Careers program are to provide (1) social work education and field experience to selected inner-city men and women for positions in the fields of social welfare, mental health, and corrections and in other public or private nonprofit social agencies and (2) sound educational and field experience at the freshman-sophomore college level for those who wish to pursue higher education in preparation for professional social work. The program was operated in conjunction with the Ohio State University School of Social Work.

The purpose of the Neighborhood Youth Corps program is to provide useful work-experience opportunities for unemployed young men and women through participation in State and community work-training programs. Program participants were to be between 16 and 21 years of age and from low-income families. Eligible youths still attending school could participate in an in-school segment of the program, and those who had dropped out of school could participate in the out-of-school segment.

The Concentrated Employment Program (CEP) is designed to serve the hard-core unemployed living within the Model City area. CEP coordinates Federal and local manpower programs to provide adult basic education, consumer education,

hygiene education, and ethnic history to enrollees. Upon completion of the program, enrollees are referred to jobs through New Careers, Neighborhood Youth Corps, and other employers and employment organizations. Originally the CEP contract for the period which began June 28, 1968, was to terminate August 31, 1969; however, a DOL official informed us in March 1970 that the program was being continued on a month-to-month basis.

CHAPTER 2

FINANCIAL MANAGEMENT

COMMUNITY ACTION PROGRAM

In January 1970, OEO notified CMACAO that, because of serious questions as to the adequacy of its accounting system and internal controls that were raised by the public accountant's audit for the year ended January 31, 1969, OEO was withholding funds for the program year to begin February 1, 1970. CMACAO was granted an extension of its grant for the year ended January 31, 1970, during which time CMACAO was to furnish OEO with a certification from a certified public accountant that CMACAO's accounting system and internal controls were adequate for safeguarding the assets of the grantee, checking the accuracy and reliability of the accounting data, promoting operational efficiency, and encouraging adherence to prescribed management policies.

We were advised on March 17, 1970, by an OEO official that generally satisfactory documentation had been provided to OEO and that funds were being released for the current program year.

In May 1969, Ernst & Ernst, a firm of certified public accountants, completed an audit of CMACAO's CAP financial statements for program year C ended January 31, 1969, and reported the following deficiencies in CMACAO's accounting practices and internal controls to CMACAO's board of trustees and to OEO.

- Ineffective functioning of electronic data processing system because of poorly devised procedures.
- Inadequate collection of receivables and the lack of a receivable subsidiary ledger.
- ✓ --Improper use of the petty cash fund.
- Inadequate maintenance of payroll records.
- Incomplete records of nonexpendable property.

--Deficient ordering, purchasing, and receiving procedures.

In November 1969, an OEO Audit Division official requested that Ernst & Ernst provide further information with respect to the adequacy of CMACAO's accounting system and internal controls. Ernst & Ernst responded that, during its audit of the CEP program for the period ended September 30, 1969, it had observed that, although CMACAO had made efforts to correct the deficiencies, they had not been corrected as of December 5, 1969. Ernst & Ernst stated that this was due to the rapid growth of CMACAO, coupled with the difficulties experienced by it in obtaining competent financial and accounting personnel.

The OEO Audit Division recommended to the Regional Director of OEO on December 31, 1969, that he consider suspending CMACAO's OEO grant until the deficiencies in the accounting system and internal controls were corrected.

The executive director, CMACAO, advised OEO on January 6, 1970, that a new accounting system had been installed and that Ernst & Ernst had been requested to audit the financial statements for the year ending January 31, 1970.

On January 28, 1970, the Chief, Program Management and Support Division, OEO Great Lakes Region, requested CMACAO to report to OEO the specific actions taken to correct the deficiencies found by Ernst & Ernst and to provide OEO with a statement prepared by an independent certified public accountant certifying to the current adequacy of the accounting system and internal controls. Also, CMACAO was notified that funds for the program year beginning February 1, 1970, would not be released until receipt of the accountant's certification.

On March 17, 1970, we were advised by an OEO official that generally satisfactory documentation had been provided to OEO and that funds were being released for the current program year.

CONCENTRATED EMPLOYMENT PROGRAM

✓ Ernst & Ernst was engaged in November 1969 to audit the financial transactions of CEP for the period June 28, 1968, through September 30, 1969. Ernst & Ernst took exception to transactions involving about \$300,000 of the \$1.6 million expended under the program, because adequate documentation for the expenditures could not be found. Ernst & Ernst found deficiencies in the payroll system, cash disbursements, and property management and also noted improper transfers of funds between CEP and other programs.

The CEP contract was to have expired August 31, 1969. We were advised by an official of DOL's Chicago Regional Office in March 1970 that the contract had been extended to permit CMACAO to operate CEP on a month-to-month basis but that DOL had not received an acceptable proposal for a follow-on CEP contract. A DOL official had previously told us that CMACAO would be required to show improvement in the fiscal area before the follow-on contract would be awarded.

✓ CMACAO's assistant director for administration told us that, after his employment by CMACAO in December 1968, he had become concerned about the lack of financial records and supporting documents for CEP expenditures. He said that his inquiries had led to disclosure of certain possible financial irregularities which were still under investigation in November 1969, the time of our discussion.

In connection with this investigation, the former fiscal officer for the CEP component was arrested in October 1969. On January 19, 1970, he was indicted by the Franklin County grand jury on a charge that he had secreted, with intent to embezzle, \$4,500 in gift certificates which came into his possession by virtue of his employment at CMACAO. At the time of our latest inquiry, February 25, 1970, the case had not been brought to trial.

CHAPTER 3

NEIGHBORHOOD CENTERS

CMACAO's Neighborhood Centers, the largest of the OEO-funded activities, has experienced only limited success in achieving program objectives. Although staffs at the centers have participated in a variety of program activities, changes in program emphasis in succeeding years--from providing services to area residents, to organizing the community to promote change, and returning to providing services--appear to have been accompanied by a lack of, or undocumented, program accomplishments. CAP

A large number of individuals reportedly received services, but we believe that the centers could increase their effectiveness through the use of improved records which would show (1) the needs of the target-area residents, (2) the services previously provided, and (3) the effects, if any, that such services had on the poor. Such information would be invaluable as a management tool in evaluating the effectiveness of the centers and in giving direction to the administration of center programs. ?

We found little evidence of accomplishments with respect to the objective of organizing groups to bring about "needed" changes in the community. Moreover, it appears that controversies with local residents and school officials in connection with some of CMACAO's organization efforts were not conducive to implementing at least one other planned program activity which required the cooperation of these groups. These circumstances may account for the recent de-emphasis of this objective.

We believe that services extended to the poor can be improved through better coordination between the Neighborhood Centers and locally funded settlement houses which operate in locations proximate to the Neighborhood Centers and which provide similar programs and services. ?

CENTER OBJECTIVES, FUNCTIONS, AND STAFFING

In 1966 and 1967, CMACAO established six Neighborhood Centers in poverty target areas of the city of Columbus and a seventh center in the city of Urbancrest, a suburb of Columbus. The size of the target areas within the city of Columbus subsequently has been increased and now includes most of the city.

According to EOA, the objectives of a Neighborhood Center are to promote (1) the effectiveness of [needed] services in such fields as health, education, manpower, consumer protection, child and economic development, housing, legal, recreation, and social?services and (2) maximum participation of residents in center planning, policymaking, and administration. EOA states that the centers are to be a means for providing services not otherwise available and for ensuring a system whereby existing programs are extended to the most disadvantaged; linked to one another; responsive and relevant to the range of community, family, and individual problems; and fully adapted to neighborhood needs and conditions.

OEO guidelines provide for Neighborhood Centers to

- provide outreach to the target neighborhoods by contacting neighborhood residents to inform them of services available and, at the same time, gather detailed information on their needs;
- provide neighborhood residents with direct assistance, such as food, clothing, and transportation;
- refer neighborhood residents coming into the complexes to the appropriate public or private agency for help;
- provide follow-up to ensure that services to an individual meet his needs; and
- promote maximum participation of residents in center planning, policymaking, and administration.

CMACAO considers its Neighborhood Centers to be the heart of its program. Important functions of the centers are to provide effective outreach, referral, and follow-up services for the target-area populations and to encourage agencies located in the central part of the city to decentralize into the neighborhoods where the people to be served live. OEO considers the decentralization function very important, because people tend to feel uneasy about venturing out of their neighborhoods.

As of July 1969, the typical center staff consisted of the following positions.

- 1 field coordinator
- 1 center manager
- 3 outreach workers
- 1 housing specialist
- 1 education specialist
- 1 youth specialist
- 1 senior citizen specialist
- 1 administrative aide
- 1 receptionist-interviewer
- 1 secretary
- 1 janitor (part time)

Of the total of 87 center employees as of July 1969, 61 were receiving salaries of \$4,500 or less a year. The cost of operating the seven Neighborhood Centers during the program year ended January 31, 1969, was \$910,872, of which \$744,679 was contributed by the Federal Government through OEO. Neighborhood Center expenditures were \$664,753 for personnel; \$154,716 for space; and \$91,403 for consultants, travel, supplies, and other costs. Included in the total center costs were in-kind contributions for personnel and space amounting to \$11,656 and \$137,895, respectively.

The approved budget for operating the Neighborhood Centers during the program year ended January 31, 1970, was \$699,978, of which \$530,181 was to be provided by OEO.

Certain services are directly available at one or more of the centers through personnel of the following programs or agencies that are stationed at the centers on a full- or part-time basis.

Planned parenthood program
Credit union
Neighborhood Youth Corps
Head Start
Food stamp program
Ohio State Employment Service
Vocational planning center
Public health program

Center personnel also refer individuals for assistance to other CMACAO programs and to a number of public and private agencies.

RECORDKEEPING

Records maintained by NNAC and SAC were not adequate for quantifying the extent to which outreach, direct services, referrals, and follow-ups may have been accomplished by the centers. Statistical data on services ^{that had been} provided, ~~and~~ which ^{were} ~~was~~ submitted by CMACAO to OEO under the requirements of its management information system, showed a high volume of activity in these basic areas of Neighborhood Center activities; however, support for such data was lacking either at CMACAO's central office or at the Neighborhood Centers. CMACAO personnel informed us that outreach functions had a high priority during the greater part of the program year ended January 31, 1969, but that outreach workers generally maintained only memoranda-type records which were destroyed after being used for the preparation of formal summary reports of activities. ✓

CMACAO personnel stated that, beginning about September 1968 and continuing through August 1969, outreach, as well as other activities designed to meet the immediate needs of the poor, was de-emphasized by the centers in favor of developing neighborhood organizations for specific purposes, such as improved housing, education, and so forth. Job titles of the neighborhood workers, who were classified as housing specialists, education specialists, senior citizen specialists, and so forth, lent support to this reported change in emphasis as did our examination into certain of these programs. We were told that attention to recordkeeping had been de-emphasized during this period because the usefulness of detailed records had been questioned by Neighborhood Center officials.

Beginning in September 1969, emphasis was again placed on the outreach function, in keeping with a proposal in CMACAO's application for OEO funding for program year E (February 1970 to January 1971) which called for renewed emphasis on meeting the immediate needs of the poor. Officials informed us that greater care would be taken to ensure that outreach workers document their efforts by preparing formal family profile records of information obtained during personal interviews.

Although we were able to make limited analyses and determinations from the records maintained by the centers, records on individuals coming into the centers, services directly provided, referrals made, and follow-ups on such referrals were incomplete for calendar years 1968 and 1969 at NNAC and for calendar year 1969 at SAC. Furthermore, records for 1968 were either nonexistent or not readily available for examination at SAC. For calendar year 1970, CMACAO had devised new forms for recording the actions taken by center personnel in the areas of intake, referral, and follow-up, the use of which could more clearly demonstrate the scope of center activities and the degree of success achieved in meeting the needs of the poor.

In our opinion, the absence of adequate records of the activities for which the centers were responsible prevents an evaluation of the centers' performance and impairs the ability of the centers to perform effectively. For example, in the absence of adequate documentation of outreach activities, the center does not know the range or extent of the needs of the poor; cannot measure the services it provides, directly or indirectly, in relation to such needs; or cannot make fully knowledgeable judgments on the scope and direction of future Neighborhood Center programs. Proposed improvements in Neighborhood Center recordkeeping practices, if properly implemented, should materially assist CMACAO and the centers in their administration of the program.

Recommendation to the Director, OEO

We recommend that the Director, OEO, monitor the implementation of the proposed improvements in Neighborhood Center recordkeeping practices.

PROVISION OF SERVICES

Outreach function

As previously indicated, documentation was not adequate for use as a basis for measuring the effectiveness of the outreach function. However, on the basis of other available information and our observations of the operations of two of the seven centers operated by CMACAO, we question whether past outreach efforts were adequate compared with OEO goals and whether, as of November 1969, the centers had the capability to develop an effective outreach function, in view of the size and distribution of the assigned staffs.

Under OEO's concept of Neighborhood Center operations, outreach is considered to be a primary vehicle for establishing and maintaining direct contact with those in need. Outreach should provide (1) centers with information on individual, family, and neighborhood needs and availability of local resources and (2) neighborhood residents with information about the center, its programs and other available antipoverty services and with the impetus to obtain such services and to organize their own resources to improve their status.

On the basis of census data, CMACAO made the following 1968 population estimates for the two Neighborhood Centers included in our review.

	<u>NNAC</u>	<u>SAC</u>
Population of target area	34,600	61,800
Number of families	8,400	16,000
Number of families with incomes of less than \$3,000	1,400	2,200
Number of substandard housing units	3,400	2,700

OEO believes that centers serving target areas having more than 35,000 people will probably have poor communications with the neighborhood. The population of NNAC's target area approximates the maximum described by OEO, and the

population of SAC's target area far exceeds this maximum. Moreover, from about September 1968 through August 1969, the centers de-emphasized the outreach effort.

Because records were not adequate, we requested NNAC to compile certain data about the clients coming to the center during the week that began November 17, 1969. Of the 54 persons who visited the center seeking assistance during that week, only 10 reported that they had heard of the services available through the center from center personnel and only three of the 10 reported that their contact had been with outreach workers. Generally the clients reported that they had become aware of the center through friends or through church, school, or other antipoverty organizations.

Beginning in September 1969, CMACAO again changed program direction and placed the greater emphasis on meeting the immediate needs of the target population, thus greater outreach efforts were required. Program specialists assigned to the centers were responsible for some outreach functions, but in November 1969 NNAC and SAC had only three and two workers, respectively, who were specifically designated as outreach workers.

✓ We believe that further consideration should be given to the adequacy and distribution of the staff in relation to the size of the task.

Referral and follow-up functions

Although the centers had not maintained records which fully disclosed the extent of client intake, referral, and follow-up, partial records were available which indicated (1) that the needs of a number of people had been recognized, (2) that, to a lesser extent, assistance had been provided directly or through referral, and (3) that very little follow-up to determine whether the services offered fulfilled the needs had been recorded.

As of September 1968, NNAC had prepared family profiles for about 1,100 individuals showing such data as family size, income, and stated needs. For about 1 year, starting with September 1968, the center discontinued preparing family profiles. Instead, center personnel prepared

participant cards to record contacts with persons in need. SAC did not maintain documentation showing the extent of its contacts with persons in need during calendar year 1968. Beginning about January 1969, SAC also began to prepare participant cards showing contacts with those in need.

As of October 1969, about 2,500 participant cards were on file at NNAC and about 1,500 at SAC. Center personnel informed us that the number of cards on hand did not represent the full scope of activities, because cards had not always been prepared when services were requested or contacts made.

Our review of the data available indicated that the most frequently stated needs of those seeking assistance were for employment, housing, and benefits available through the Legal Services, planned parenthood, and youth programs. During the latter part of calendar year 1969, there also appeared to be a high incidence of requests for assistance under the emergency food program.

The most complete records of services provided were maintained for the employment program.

NNAC records show that, from January 1 through November 6, 1969, about 215 participants sought jobs, about 400 referrals were made to potential job opportunities, and 85 persons were employed. On November 6, 1969, the center's pending file contained 300 job applications obtained over several program periods.

SAC employment program personnel informed us that, from January 1 through September 30, 1969, about 600 participants sought jobs, about 400 were referred to jobs, and 117 persons were employed.

On a random-sample basis, we examined 50 of the 1,100 family profiles which had been prepared by NNAC through September 1968 and 128 of the 2,500 participant cards which had been prepared by NNAC from January through October 1969. The 50 NNAC family profiles for 1968 showed that no service had been requested in nine cases and that 66 needs had been identified in the 41 remaining cases. Records indicated that 12 needs had been met. For the remaining 54 needs,

the data was inadequate for determining whether services had been provided or whether the services provided had met the needs of the clients. Data shown on the 128 NNAC participant cards for 1969 generally was not adequate for determining whether services had been provided.

At SAC we examined 76 of the approximately 1,500 participant cards which were prepared from January through October 1969 and which were on file. The selected participant cards for 1969 showed that no service had been required in 26 cases and that, for the remaining 50 cases, 53 needs had been identified, of which 26 needs had been fully met. We could not determine what action had been taken by the center with respect to the remaining 27 needs.

✓ Our review of center records and discussions with center personnel indicated that, with the exception of the employment program, follow-up efforts by the centers to determine the adequacy of services provided to clients generally had not been recorded. The absence of a rigorous and documented follow-up system further reduced the opportunity for the centers to evaluate their effectiveness and to plan future programs.

- - - -

To some extent the lack of evidence of greater accomplishment, with respect to outreach, referral, and follow-up, appears to have been due to the centers' recordkeeping practices, as discussed in the preceding section. We believe, however, that the available data strongly indicates a need for increased attention by CMACAO and OEO to the adequacy of center performance of these basic center functions.

Recommendation to the Director, OEO

We recommend that the Director, OEO, take the action necessary to ensure that CMACAO strengthens the outreach, referral, and follow-up efforts of the Neighborhood Centers.

COMMUNITY ORGANIZATION

Beginning about September 1968, CMACAO redirected the emphasis of its Neighborhood Centers from providing individual services to organizing the community. This redirection included assignment of 70 percent of the staff members at each Neighborhood Center to function exclusively as community organization specialists responsible for involving the poor in the development of projects addressed specifically to priority poverty problems, such as housing and education, or special problem populations, such as youth or the aged. The remaining 30 percent of the staff members were to be concerned exclusively with outreach, referral, and follow-up functions.

CMACAO believed that the redirection would provide meaningful solutions to the causes of poverty and would effectively meet the needs of individuals.

Economic development, education, and housing were determined to be the people's greatest needs on the basis of questionnaires completed by center staffs, advisory councils, and area residents. In response to these priority needs, CMACAO (1) undertook a number of economic development projects (see p. 35) which generally had not been affiliated with the Neighborhood Centers and (2) designated specialists in each Neighborhood Center to organize the community into groups that would attack education, housing, and other neighborhood problems, including those of the youth and the aged.

For the most part, the community organization efforts appeared to have met with minimal success, as discussed below.

Education

CMACAO's planning documents summarized the educational problem and plans for attacking the problem as follows:

"Columbus' education problems with respect to the poor are representative of the nationwide crisis in the schools. Drop-out rates are high;

achievement levels are as much as 2 years below grade level; vocational education opportunities are severely limited; de facto segregation is widespread; low income mothers are kept from employment by home responsibilities because day care facilities are too expensive or not available; children from poverty backgrounds are often so far behind their middle-class counterparts that they cannot possibly succeed without first receiving enriched education experience, health care, etc.; school community relations are, at best, strained. In short, the poor are not being successfully educated, but they find themselves powerless to create equal educational opportunities for themselves.

"In order to attack this problem, top priority will be placed on community organization. Eight specific objectives are seen in this area: place at least one trained para-professional education specialist in each of CMACAO's seven neighborhood action centers; develop community groups which can deal effectively with school problems; make information about relevant education issues available to target area residents; improve community-school communication and relations; build understanding and support for the CAA's advisory role in education; sensitize colleges and universities to ways in which their resources can help the poor and build community interest and response to financial needs of target area residents who are seeking higher education. All of these approaches will rely heavily upon the neighborhood-based CMACAO Action Centers.

"In addition to community organization functions, CMACAO will continue full-day Head Start, part-day Head Start and Summer Head Start Programs."

Efforts by the Neighborhood Centers to stimulate educational improvements through the organization of community groups led to involvement in several controversial

incidents. CMACAO's executive director said that the environment and conditions which existed in the poor community should be considered when reviewing the confrontations between some of CMACAO's Neighborhood Centers and local schools. He said also that adults in poor communities were largely uneducated and that their tactics therefore were not as polished as those of parents from more affluent socioeconomic backgrounds who were able to communicate their concern to educators.

Although our review did not include all aspects of the educational controversy in Columbus, we did inquire into a specific incident related to a junior high school in the target area served by NNAC.

The principal of the junior high school told us that he had spent a substantial portion of his time during the 1968-69 school year dealing with the tension-ridden incidents caused by members of CMACAO's staff. He said that CMACAO seemed to want to cause conflict with existing community organizations, schools, and community service groups. He believed that these tactics had resulted from a lack of professionalism in the CMACAO staff.

The problem arose when NNAC decided to hold a meeting with students from the junior high school to discuss whether student complaints warranted the involvement of parents and the community. Using NNAC equipment and supplies, students prepared a leaflet which stated that rules, regulations, discipline, suspensions, gripes about teachers, and other problems at the school would be discussed at the meeting. These leaflets were distributed at the school without the foreknowledge of the principal. The meeting was held on November 6, 1968, in the basement of a local recreation center with 18 students, two NNAC employees, and a minister in attendance. Parents and other adults were specifically excluded, because the field coordinator of NNAC believed that the students would not speak out if these adults were present.

That evening NNAC staff members took two of the students to a Students' Rights Organization (SRO) meeting held at the Southside Settlement House. The next day these two

students approached the principal of the junior high school to ask him some questions and showed him papers that they had obtained at the SRO meeting. One of these documents was a Students for a Democratic Society (SDS) newsletter.

In a document which was attached to an NNAC report submitted to the NNAC advisory council on November 25, 1968, center staff members explained that, after the SRO meeting at the Southside Settlement House, one of the students had asked about the possibility of distributing a newsletter to students. The document stated:

"We gave him a newsletter to use as a form telling him not to be concerned about content or even to read the articles. The newsletter just happened to be from SDS."

Although several representatives from the community had made statements implying SDS involvement with CMACAO, we did not find any evidence, other than the newsletter, of such involvement.

During the month there were other meetings involving the junior high school students that were open to the public. At one meeting at which parents were present, a parents' committee was formed to present to the board of education the students' grievance against a guidance counselor. The committee believed that this grievance was the most pressing one enumerated by the students. As a result of the committee's efforts, the guidance counselor was transferred for the 1969-70 school year.

In addition to the student-parent meetings, there were other meetings involving NNAC staff, central office personnel, and the director of the Southside Settlement House. A NNAC document states that at one of the meetings an agreement was reached that the center should act only in an advisory capacity in approaching the problems at the junior high school.

Citizens and groups from the near northside expressed concern about the actions of NNAC. Parents complained that their children were being taken to meetings at the south

end of town without parental consent. A representative of the Near Northside Council, comprising local businessmen, professionals, and residents, met with the president of CMACAO's board of trustees and advised the president that, if NNAC did not stop its student organization activities, letters would be sent to the Congress requesting a review of CMACAO. On November 25, 1968, the president obtained the consent of the board of trustee's executive committee to state that CMACAO had not sponsored these NNAC actions. A letter, including such a statement and apologizing for the actions of the NNAC staff members, was sent to the representative of the Near Northside Council.

At a special meeting of the executive committee held a few days later, a representative of the NNAC advisory council read the motion that had been passed by that council as follows:

"That the Advisory Council of Target Area #1 endorse the past efforts of the staff to organize students and parents around the area of education and further support the staff in its future actions to organize parents and students to bring about positive and progressive changes in the system of education on the Near Northside."

The representative of the NNAC advisory council stated that the executive committee and the president owed NNAC an apology and that a letter should be sent to the Near Northside Council retracting the president's first letter. The board of trustees met several days later and decided to support the actions taken by the NNAC staff. We understand that the letter of retraction was sent to the Near Northside Council but that the president resigned from the board, because of this incident and previous incidents.

The NNAC education specialist advised us that, about January 1969, CMACAO had instructed NNAC that no further action was to be taken in the area of education without first obtaining approval from the central office.

Community organization efforts in connection with educational activities appear to have adversely affected

CMACAO's efforts to obtain the cooperation of school officials. One high school principal told us that he was reluctant to support CMACAO programs or activities because of attempts by staff members of federally funded programs to organize boycotts of his school.

Also, at about the time that NNAC was trying to organize students and parents, it was undertaking a tutorial program to assist academically deficient students. School principals stated that they could not support this program because NNAC did not have an adequate screening process for evaluating the qualifications of the tutors. NNAC personnel, however, believed that school officials did not support the program because (1) innovative approaches, such as NNAC's plan to provide one tutor for each student, usually were rejected by school officials and (2) the school principals thought that NNAC had an ulterior motive in sponsoring the program.

The program never achieved the volume of participation that had been expected. We were advised that, at the outset of the program, the NNAC staff had assessed a need for 300 volunteer tutors but that throughout the school year the actual number of tutors who participated in the program averaged 35. The NNAC education specialist said that this program had shown that volunteer help could not always be relied upon to fulfill commitments.

The education specialist said that everybody had learned something from NNAC's attempt to organize the community to effect changes in the inner-city educational system. She did not believe that NNAC was solely to blame for the incidents that had occurred. She stated that, even though the relationship between NNAC and school officials had improved, it was doubtful whether they would ever have a cordial relationship.

We discussed the propriety of CMACAO's attempt to organize students and parents with the Chief, Lower-Great Lakes Division, OEO Great Lakes Region, who said that OEO had issued instructions concerning such activities but that CAAs had considerable latitude in choosing the precise activities in which to become involved. The instructions,

dated December 14, 1968, to which he referred, state that a lawful direct action is permissible and often necessary to promote institutional changes that can lead to permanent improvements in the community's efforts to eliminate the causes and consequences of poverty.

The instructions also provide guidelines as to what constitutes an allowable or an unallowable direct action. The guidelines are as follows:

- Unlawful and certain political and lobbying actions are forbidden.
- The action must be directly related to program objectives.
- The action must be an expression of the needs, desires, and formulated demands of the neighborhood, determined in a democratic fashion after consideration of the ends to be achieved and of the advantages and disadvantages of various alternative courses of action.

Housing

CMACAO believes that Columbus' housing problems are (1) substandard housing, (2) limited opportunities for home ownership by target-area residents, (3) inadequate supply of low- and moderate-income rental units, and (4) insensitivity of absentee and slum landlords to neighborhood housing needs. With these problems in mind, CMACAO set goals for 1969 to (1) develop trained staff members in the Neighborhood Centers who would be knowledgeable in the goals, alternative approaches, and details of CMACAO's housing program and (2) establish neighborhood housing development corporations in each target area that would work with CMACAO to improve local housing conditions.

During the period of March to September 1969, CMACAO established seven housing development corporations which are owned and controlled by area residents. We were advised by CMACAO officials that at least two of the corporations planned to initiate housing repair projects. Residents of the near northside selected two square blocks in which to begin work as soon as necessary funds were available. The southend organization planned to build a 220-unit housing development and hired a consultant and an architect. The implementation of these projects and others has been hampered by a lack of "risk capital" and a shortage of volunteer professional help.

CMACAO established a housing federation committee which has representation from real estate brokers, mortgage brokers, architects, the Federal Housing Administration, settlement houses, the Columbus Metropolitan Housing Authority, the Columbus City Planning and Urban Renewal Department, and the neighborhood housing corporations. These organizations act as financial and technical advisors.

At the end of 1968, the NNAC housing specialist helped the city's urban renewal department conduct a housing survey and also worked with the community relations commission to persuade homeowners to repair their homes. The director of the city's housing authority advised us that CMACAO had solicited about 2,000 of the 5,000 applications on file from people seeking housing.

Other community organization programs

The Neighborhood Centers, in addition to providing programs that were intended to meet the greatest needs of the people, operated other programs during program year D, ended January 1970, for the benefit of specific groups.

Youth program

CMACAO planned that its 1969 youth program would (1) increase job opportunities, (2) expand the Help Employ Youth program (see p. 38), (3) establish a project that would provide youths on court probation with the opportunity to receive job training, (4) improve police-community relations through informal group meetings with area youth and law enforcement officers, and (5) establish a program to combat juvenile delinquency under the Juvenile Delinquency Prevention and Control Act of 1968.

By the end of July 1969, CMACAO had made some progress in accomplishing these goals. For example, CMACAO purchased equipment for a graphic arts shop which employed six youths. Although NNAC was generally unsuccessful in developing job opportunities for area youths, a number of youths were being assisted through DOL's Neighborhood Youth Corps. CMACAO was working with the psychology department of Ohio State University on a pilot project dealing with delinquency problems. In addition, CMACAO sponsored informal discussion groups to improve police-public relations.

Other youth activities included CLUE (the Columbus Live-in Urban Experiment), an experimental project giving northside boys, both black and white, an opportunity to live together. Youths on the northeast side of the city were publishing a monthly newspaper, and two youth groups were working to establish teen recreation centers. Other groups of youth were working with area residents to persuade the city's recreation department to establish a park.

Youth program proposals for 1970 indicate that CMACAO's direction is expected to remain basically the same, except that youth workers will no longer be stationed in each center but will be centrally located under the direct supervision of the youth program coordinator.

Senior citizens

The major objectives of CMACAO's senior citizen program for 1969 were to (1) increase employment opportunities for residents over age 55, (2) establish at least three senior citizen Neighborhood Centers to be sustained, operated, and controlled by senior citizens, (3) provide needed transportation to senior citizens, and (4) ensure that the aged poor avail themselves of all possible health, financial, and housing resources to which they are entitled.

A CMACAO program status report as of the end of July 1969 indicated that progress had been made in accomplishing these objectives. The Senior Citizens' Catering Service, designed to provide low-cost, nutritional meals for senior citizens and shut-ins, employed two full-time cooks and one assistant cook. Other senior citizen groups were making, selling, and repairing soft-goods articles; had formed a food stamp cooperative; and had obtained a club-room. To alleviate transportation problems, CMACAO acquired three minibuses and was transporting senior citizens, on a scheduled basis, to doctors, clinics, and grocery stores.

Cultural arts

CMACAO, believing that encouraging and developing local talent could help generate pride among inner-city residents, established a cultural arts committee in November 1968. In February 1969 this committee opened the Afro-American Cultural Arts Center at the Eastside Action Center. The center is striving to find and develop potential talent and to provide cultural activities for inner-city residents, through workshops, study groups, and classes in art, creative writing, dance, drama, and music. In addition, the center sponsors concerts and programs presented by professional musicians and theatrical groups and maintains an Afro-American museum, an art gallery, and a boutique within the center. The initial registration at the center numbered 153, of whom 61 were adults.

Recreation

CMACAO's youth coordinator has been urging the city recreation department to extend its hours of operation and to expand its youth programs so that the recreational facilities will be available to youths during their leisure hours. Center recreational activities include skating parties, field trips, arts and crafts dances, sports competition, and camping. One center cooperated with the local Young Men's Christian Association to test the use of a mobile recreation unit, and two other centers have been working to establish teen recreation centers.

COORDINATION WITH SETTLEMENT HOUSES

EOA states that the basic purpose of a CAP is to stimulate a better focusing of all available resources upon the goal of enabling low-income individuals and families to become fully self-sufficient. OEO guidelines stress that mobilization efforts should be directed toward bringing the service systems of a community together in a concerted attack on poverty. The local CAA is to serve as a catalyst to motivate all sectors of a community, both public and private and including individuals, to apply their energies toward eliminating the causes of poverty. EOA further states that Neighborhood Centers should provide services which are not otherwise available and which will best ensure that existing programs are linked together.

Previously existing programs in Columbus included settlement houses which were funded primarily through the united appeals and which generally were located within a few blocks of the locations selected for the Neighborhood Centers. Although settlement houses provide other services, the following list shows the services or programs offered by both settlement houses and Neighborhood Centers.

- Education program
- Camping program
- Employment program
- Senior citizen program
- Tutorial program
- Recreational program
- Cultural program
- Day-care service
- Housing service

During the planning for Neighborhood Centers, CMACAO considered making them part of existing settlement houses, because there was a settlement house in each of the city's target areas. The consultant, who prepared the Neighborhood Center grant application, and the former president of CMACAO's board of trustees decided that the centers should not be located in the settlement houses. They believed that the settlement houses were not prepared to administer a program in which the poor would be involved in program administration and that settlement house officials believed

that the centers posed a threat to continued operations of settlement houses. The former president of the board of trustees told us in December 1969, however, that he believed that the attitude of settlement house officials had changed and that better coordination of efforts might be possible.

Relationships between the settlement houses and the centers differed widely. One settlement house director informed us that he approved of programs provided by CMACAO centers. Another director, however, described his relationship with the local center as being, at best, "strained." Some directors believed that CMACAO had not been very effective in combating poverty because of its policy of hiring inexperienced people to work at the centers. Some directors believed that CMACAO's only contribution in the war on poverty was making other agencies aware of the needs of the poor.

Settlement house directors offered several proposals, including those following, for revising the relationship between the settlement houses and the Neighborhood Centers.

- Discontinue center operations and fund the settlement houses as delegate agencies with CMACAO's central office providing expertise and assistance.
- Continue the operations of settlement houses and centers but have CMACAO fund some of the settlement house programs.
- Provide better coordination between settlement houses and centers so that duplication of services can be eliminated and additional services provided in areas where little or no services are currently provided.

We believe that closer coordination of services and programs by CMACAO and all settlement houses would result in more effective use of resources and less duplication of services. ?

We discussed this matter with the Chief, Lower-Great Lakes Division, OEO Great Lakes Region. He agreed that there should be close coordination between CMACAO and the settlement houses, and he said that OEO had attempted to

have CAAs coordinate their activities more closely with those of settlement houses.

CMACAO's executive director told us that attempts had been made in the past to coordinate services with the settlement houses and that these efforts would be continued.

Recommendation to the Director, OEO

We recommend that the Director, OEO, take the necessary action to ensure that CMACAO coordinates the planning and carrying out of its Neighborhood Center activities with those of the neighboring settlement houses.

CHAPTER 4

ECONOMIC DEVELOPMENT

CMACAO was instrumental in organizing several economic development projects that were established in Columbus during the period May 1968 through May 1969. These projects were relatively new at the time we completed this phase of our fieldwork in January 1970, but, in view of the increased emphasis that CMACAO had placed on economic development, we inquired into the status of four projects which had been started and one project which was in the planning stage.

At the time of our work, one smaller project had been discontinued and the three ongoing projects appeared to be in financial difficulties. Because our examination was limited in depth and because the projects were relatively new, we were not able to conclude whether the financial difficulties would seriously impair the ultimate success and effectiveness of the projects.

CMACAO believes that the basic problem of people in poverty is that they have fewer economic resources and little control of these resources. According to CMACAO, so-called deprived areas have businesses owned and operated by people who do not reside in the poverty areas and who contribute little toward the upgrading of the area environment.

In April 1968, CMACAO and the Columbus Chamber of Commerce organized a nonprofit corporation, the Community Industrial Development Corporation (CID), for the purpose of advancing, encouraging, and promoting the industrial, economic, and civic development of the community and all of Franklin County. CID qualifies, as a local development company, for loans available from the Small Business Administration (SBA). Sources of financial assistance for CMACAO's economic development projects also have included OEO; DOL; and, to a lesser extent, local businesses and residents.

OPPORTUNITY PRODUCTS, INCORPORATED

CID's first major project was Opportunity Products, Incorporated, a wood-pallet-producing company formed as a result of feasibility and financial analyses by businesses, CMACAO, and CID. The first board of directors was selected on April 23, 1969, and included individuals with professional backgrounds and area residents. Funding was obtained as follows:

<u>Source</u>	<u>Purpose</u>	<u>Amount</u>
SBA	Purchase of capital equipment	\$182,250
Local bank	do.	20,250
CID	Equity capital	22,500
Sale of preferred stock to local businesses	Working capital	<u>79,000</u>
		<u>\$304,000</u>

The facility of Opportunity Products, Incorporated, is used as an on-the-job training site, and CEP funds are used to provide trainees with up to 37-1/2 hours of training a week.

As of December 31, 1969, the company had sustained an \$87,742 operating loss and company management was being reorganized. An economic development consultant's report on the project dated January 6, 1970, stated that the operation had suffered from production inefficiency; miscalculation in product pricing; and orientation to metal, rather than wood, products. The consultant also reported that, under the reorganization, six employees were producing at the same level as 23 formerly had produced and that the new management had corrected pricing mistakes and had renegotiated contract prices.

FEDERAL CREDIT UNION

The CMACAO Federal Credit Union, chartered February 17, 1969, was formed in response to area residents' requests for more easily accessible money services. Objectives of the CMACAO credit union are to (1) provide savings

and lending functions to the poor, (2) provide credit and consumer counseling, and (3) serve as a catalyst for participants whereby the resources of a community might be increased and controlled.

Initial capitalization was planned to be at least \$50,000, including a grant of \$25,000 from the Federal Government. Although OEO did not approve the \$25,000 requested for initial capitalization, it did approve operating funds for 1969 in the amount of \$64,125, of which \$10,093 was designated for consumer counseling and \$54,032 was designated for current operating costs.

CMACAO planned to establish a credit union central office and four branch offices and to hire a total staff of 13. As of July 31, 1969, the credit union had established a central office, two full-time branch offices and one part-time branch office with a total staffing complement of nine.

The plans for the credit union also showed that membership for the year ended January 31, 1970, was expected to be 800 to 1,000 and that assets were expected to be \$250,000. As of August 31, 1969, there were 780 members and \$22,651 in assets, including 180 outstanding loans amounting to \$19,000.

Credit union loans generally were made at an interest rate of 1 percent per month on the unpaid balance, or 12 percent per annum. Excluding consumer-counseling costs and not considering dividends and delinquent loans, the credit union needs a yearly average of \$450,000 in loans outstanding and/or other investments providing a similar return to provide income equivalent to the \$54,000 of operating costs budgeted for 1969.

OEO guidelines state that certain administrative or operating costs can be funded by CAA at the outset, but such funding cannot be expected to last for more than a year or two. We believe that, for the credit union to become self-sustaining within the period contemplated by OEO, new sources of capital must be obtained and operating costs must be reduced.

CMACAO BUCKEYE MAID COMPANY, INC.

In May 1969, CMACAO formed the CMACAO Buckeye Maid Company, to involve poor people in the free enterprise system and to generate profits to develop and purchase housing projects or other property. The company designs and manufactures 30 different styles of earrings. As of August 7, 1969, it had wholesale contracts with 24 companies and employed six workers. It has been an on-the-job training site for CEP, and most labor costs have been paid from CEP funds. Through October 3, 1969, the company had sales of \$4,825; expenses of \$9,411, excluding labor costs paid with CEP funds; and an operating loss of \$4,586.

HELP EMPLOY YOUTH CORPORATION

The Help Employ Youth Corporation was incorporated in May 1968 through the efforts of CMACAO and civic, youth, and business interests. Initial staff salaries were provided through the Neighborhood Youth Corps. The objectives of the corporation were to provide employment to youths from poverty backgrounds and to enable them to continue their education while obtaining practical experience in business management operations. On August 19, 1968, the corporation contracted with the city of Columbus to wash a minimum of 50 municipal and police vehicles a day using city facilities.

The chief of police told us that, shortly after the project started, the corporation did not meet its commitments. A CMACAO official informed us that the project had been discontinued because of poor management and inadequate supervision of operations.

ADVANCE BAKERY CORPORATION

CID made application to SBA on October 8, 1969, for a loan of \$318,330 to purchase the Baker Bread Company, Zanesville, Ohio. CMACAO obtained OEO's approval to use \$65,000 of OEO funds for the following purposes in obtaining the SBA loan and acquiring and operating the bakery which is to be known as the Advance Bakery Corporation.

Portion of acquisition cost	\$40,000
Consultants	10,000
Working capital (first month)	<u>15,000</u>
Total	<u>\$65,000</u>

Although Zanesville is located 57 miles from Columbus, CMACAO's rationale for sponsoring such a project is that a production facility and the corporate headquarters will be established in Urbancrest, Ohio, which is in CMACAO's Franklin County jurisdiction and which has almost no industry. CMACAO proposes to produce rolls and bread in Zanesville and cakes and sweet goods in Urbancrest and to deliver goods between these locations. At the time of our review, the Baker Bread Company was a major supplier of bakery goods for many Columbus restaurants and institutions.

The application for the SBA loan stated that the bakery was employing 70 people from Zanesville and that, with the establishment of the Urbancrest operation and the expansion of the Zanesville plant, a total of 70 new jobs were expected to be developed.

The Baker Bread Company's audited Statement of Income and Retained Earnings for the year ended December 31, 1968, revealed that the company had suffered a net operating loss of \$45,589 which was absorbed by retained earnings from prior years. According to the loan application, improvements in the Zanesville plant were contemplated. CMACAO officials told us that they hoped to improve the company's operations through better management. An attachment to the loan application indicated that a substantial portion of the bakery's labor costs may be met by funds available from DOL for training the hard-core unemployed.

A CMACAO official told us in January 1970, that SBA had tentatively approved the bakery loan proposal and that final approval was expected soon.

APPENDIXES