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Propriety Of Expenditures And Benefits Derived From Planning The Model Cities Program In Cleveland, Ohio

B-171500

Department of Housing and Urban Development

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

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JUNE 18, 1971



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

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Dear Mr. Vanik:

At your request we examined into the propriety of expenditures made from Federal and city funds in Cleveland, Ohio, in connection with the planning of a Model Cities Program in that city. In addition, we discussed with certain local officials, who were associated with the planning for the Model Cities Program, the benefits that the city and its residents might have realized or would realize through such planning efforts.

The City Demonstration Agency (CDA)--a local public agency responsible for planning and coordinating the Model Cities Program--administered the \$266,000 grant awarded by the Department of Housing and Urban Development (HUD) to the city of Cleveland to plan its Model Cities Program. We found that payments made by the CDA in planning the program were supported adequately, were well documented, and generally were made in accordance with the prescribed accounting procedures and controls established by the city of Cleveland.

With respect to benefits that the city and its residents might have realized or would realize through the Model Cities Program planning efforts, we noted that the CDA had prepared a comprehensive demonstration plan which, according to CDA and city officials, was designed to cope with the social, economic, and physical problems of the model neighborhood and its residents. Because this plan has not yet been implemented, however, it is too early to assess the effectiveness or benefits of the plan. We did find that the model neighborhood residents were interested in the program and that many of them were hopeful that this program would breathe new life into their community.

A brief description of the Model Cities Program, certain background information which describes the program in Cleveland, and additional details of our examination are presented in the following sections.

MODEL CITIES PROGRAM

The Model Cities Program--established in 1966--was designed to enable cities to demonstrate that the living

environment and general welfare of people living in slum and blighted neighborhoods can be improved through an effective and coordinated concentration of Federal, State, and local efforts.

A local Model Cities Program generally consists of (1) a 5-year plan which describes the needs of the city in terms of the projects required to make a substantial impact on the social, economic, and physical problems of the city and (2) a first-year "action" program which outlines certain projects which are to be initiated during the first year of the program. At the local level, the development, execution, and administration of the Model Cities Program are the responsibilities of the CDA.

HUD selected 150 cities to participate in the program. As of March 31, 1971, HUD awarded grants of about \$22 million to these cities for planning their Model Cities Programs and about \$700 million to 139 of these cities to assist them in initiating their Model Cities Programs. A major goal of the program is to involve the residents in planning and carrying out the program.

In June 1969 HUD awarded a Federal grant of \$266,000 to the city of Cleveland to plan its Model Cities Program. Under conditions of the grant, the city was required to contribute \$67,000 for such planning, which increased its planning budget to \$333,000.

The CDA, as an administrative unit of the city, was required to follow the accounting procedures and controls applicable to individual organizational units of the city government. Under this arrangement, the Finance Department of the city maintained the books of account for the local Model Cities Program and all vouchers and claims for the disbursement of the planning funds were required to be approved first by the CDA director and then by specific city officials, including the commissioner of accounts and the city treasurer.

In Cleveland the model neighborhood residents elected a 29-member board--generally referred to as the Residents'

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Board of Trustees--to participate in the model neighborhood policy and program planning process and program operations. The board, the mayor, area city councilmen, and public officials form the Model Cities Executive Committee which passes on final program proposals developed by the CDA prior to their submission to the city council for formal approval.

In November 1970, after the Model Cities Executive Committee approved Cleveland's first-year action plan developed by the CDA and after the planning funds were exhausted, the CDA disbanded. In February 1971 the Cleveland city council authorized the plan to be submitted for review to HUD and to the other Federal agencies involved in the Model Cities Program. In April 1971 HUD returned the plan to the city for certain revisions. As of May 1971 the city was in the process of revising the plan on the basis of the Federal agencies' review comments. Representatives of the city advised us that they expected to submit the revised plan for review by the Federal agencies by June 15, 1971.

Under the Cleveland model cities plan, as submitted, \$9.1 million was requested from HUD and \$2.2 million from the other Federal agencies involved in the program. As you know, however, HUD stated in a letter, dated January 22, 1971, to Mayor Carl B. Stokes, that, until the city took steps to develop a continuing program for expanding the supply of housing for its low- and moderate-income families, HUD was suspending further Federal funding of the Model Cities Program and all other HUD-assisted community development programs in Cleveland.

In this regard, on May 10, 1971, the Cleveland City council approved an agreement with the Cuyahoga Metropolitan Housing Authority, which authorized construction of 2,500 public housing units in Cleveland. As of May 26, 1971, HUD regional office representatives were in the process of providing technical assistance to, and negotiating with, representatives of the city in the development of a substantial, continuing housing program in Cleveland so that the city could proceed with its federally assisted community development programs.

PROPRIETY OF FEDERAL AND CITY EXPENDITURES
FOR PLANNING CLEVELAND'S MODEL CITIES PROGRAM

As of November 30, 1970, about \$332,000 of the planning funds of \$333,000 had been expended.

A listing of the funds expended during the period June 30, 1969, through November 30, 1970, is shown in schedule 1. As shown in that schedule, the major expenditures were for (1) salaries--\$219,350, (2) consultant services--\$40,293, and (3) resident board expenses--\$22,158. We examined these expenditures in detail and the remaining expenditures on a selective basis. Our examination showed that the expenditures were supported adequately, were well documented, and generally were made in accordance with the prescribed accounting procedures and controls established by the city of Cleveland.

As provided for in the grant, HUD withheld \$26,600 (10 percent of the total grant funds) pending its approval of a certificate of completion which was required to be submitted by the city to indicate that the conditions of the grant contract had been met. HUD officials told us that the city submitted the certificate of completion on May 9, 1971, and that an audit of the planning expenditures might be conducted by the HUD Office of Audit before this final payment would be made.

In September 1969 HUD made an accounting inspection of Cleveland's Model Cities Program and found that the internal controls of the CDA generally were adequate. HUD did find, however, that the city had not (1) executed written contracts with two program consultants, (2) documented its files for salary comparability between CDA employees and other city employees, and (3) adopted an official policy covering cash payments to neighborhood residents for expenses they incurred in connection with their participation at Model Cities Program meetings.

The city took corrective action on the HUD findings with the exception of entering into a written contract for the services of one of the consultants. HUD advised us, however, that

it had examined into the propriety of the costs incurred by this consultant and had concluded that the services provided were consistent with the basic objectives of the program.

During January and February 1971, the Cleveland city council had its budget analyst make a review of the planning grant activities. The budget analyst did not prepare a report on his review; however, he informed us that the CDA could have maintained certain additional documentation to further support some of its planning grant expenditures.

In addition to HUD awarding a grant, the Council for Economic Opportunities in Greater Cleveland--the local antipov-erty agency--awarded a grant of \$53,000, to train model neighborhood residents to participate and assist in the planning of the Cleveland Model Cities Program. As of May 1970, \$50,680 of the \$53,000 grant from the council had been expended.

A listing of the funds expended during the period February 1969 through May 1970 is shown in schedule 2. Of the expenditures, \$35,332 was paid to a consulting firm to provide management and communicative skill training to the board and its staff members. We examined into the contract between the consulting firm and the board, discussed with board members the nature of the training activities provided, and reviewed a copy of the consulting firm's report on the training provided. We are satisfied that the payments made under this grant were proper.

BENEFITS DERIVED FROM CLEVELAND'S
MODEL CITIES PLANNING EFFORTS

The comprehensive demonstration plan developed by the city emphasized (1) increasing the control that residents have in their neighborhoods over decisions and changes which affect their lives, (2) increasing the opportunities of model neighborhood residents to become more productive members of society, and (3) developing a physical environment appropriate to, and compatible with, decent, safe, and sanitary living.

We noted that, in the development of the comprehensive demonstration plan, city officials had reported that they were able to identify many of the social and economic problems confronting the model neighborhood, as well as the underlying causes of such problems. In addition, they stated that, in planning for the Model Cities Program, they were able to define and suggest certain solutions to help reduce or eliminate these problems.

Although it is difficult to effectively evaluate or reasonably assess the benefits of the model cities planning effort in Cleveland, primarily because the comprehensive demonstration plan has not been implemented, we noted that the plan did not, in all cases, specifically identify and adequately discuss the approaches to be adopted by the city to accomplish many of the stated program objectives.

We discussed the first-year action plan for the Cleveland Model Cities Program with HUD regional officials in Chicago, Illinois. These officials, who had reviewed the plan, advised us that, although HUD and the other Federal agencies involved in the program had accepted the city's overall strategy for attacking the problems confronting the model neighborhood and had not requested the city to add or delete specific projects, they returned the plan to the city for certain revisions in April 1971.

These officials also said that the plan had been returned because (1) there were a number of technical defects in the plan, such as the failure to show Federal categorical sources of funds for certain projects, (2) the Cleveland city council had rewritten major segments of the plan without first discussing such revisions with elected representatives of the model neighborhood, and (3) descriptions of certain projects did not fully identify the scope of services to be performed or how the projects would solve the problems which were identified.

Because the CDA staff was disbanded in November 1970, the city established several special task forces--consisting of public officials, city employees, and community residents--

to make certain changes in the comprehensive plan pursuant to the points raised by HUD and the other Federal agencies involved in the review of the plan. As indicated above, city officials advised us that they expected to submit the revised plan for Federal review by June 15, 1971.

In attempting to determine the type of benefits that might have resulted from the model cities planning efforts, we discussed the program with the city officials and certain members of the board, including the chairman, the treasurer, and the individual chairmen of the Employment, Housing, and Finance Committees.

Only the treasurer expressed certain doubts relative to the overall objectives of the Cleveland program. Although he was unable to provide us with any specific information, he stated that he did not believe that the model cities planning funds were properly used. The other board members stated, however, that they were satisfied with the planning efforts and were optimistic that the model neighborhood residents would benefit from the program.

We also discussed the program with the former chairman of the city council's Community Development Committee. Although not specifically commenting on the benefits of the planning efforts, he stated that the city council should monitor closely model city projects to ensure that the program would benefit the majority of the model neighborhood residents and would not be directed to serve certain small, but highly influential, groups of model neighborhood residents.

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As agreed with you, we did not obtain written comments from any of the parties involved in this review; however, this report was based on information available in their files or furnished by them and was discussed informally with them.

We trust that the above information will serve the purpose of your request. We plan to make no further distribution

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of this report unless copies are specifically requested, and then copies will be distributed only after your approval 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, appearing to read "James B. Axtell".

Comptroller General
of the United States

The Honorable Charles A. Vanik
House of Representatives

CITY OF CLEVELAND

MODEL CITIES PLANNING GRANT

FEDERAL AND CITY FUNDS EXPENDED DURING THE PERIOD

JUNE 30, 1969, THROUGH NOVEMBER 30, 1970

Salaries	\$219,350
Consultant services	40,293
Resident board expenses	22,158
Office rental	10,119
Resident planning	9,227
Office supplies	6,161
Equipment purchases	5,789
Communications	4,283
Travel	3,518
Equipment rental	2,374
Administrative expenses	2,357
Utilities	1,885
Motor vehicle hire	1,576
Advertising	1,482
Other contractual expenses	393
Printing	336
General hardware	265
Maintenance of equipment	83
Hygiene and sanitation	<u>21</u>
Total	<u>\$331,670^a</u>

^aAs of May 26, 1971, additional expenses of \$12,744 had not been paid.

SOURCE: Data supplied by the Division of Accounts, city of Cleveland.

SCHEDULE 2

COUNCIL FOR ECONOMIC OPPORTUNITIES
IN GREATER CLEVELAND

MODEL CITIES PROGRAM PLANNING GRANT

FUNDS EXPENDED DURING THE PERIOD

FEBRUARY 1969 THROUGH MAY 1970

PERSONNEL COSTS:

Consultants	\$35,332	
Salaries and wages	8,819	
Fringe benefits	<u>.521</u>	\$44,672

NONPERSONNEL COSTS:

Travel	4,727	
Rental, lease, and purchase of equipment	1,017	
Other costs	<u>264</u>	<u>6,008</u>

Total		<u>\$50,680</u>
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SOURCE: Data supplied by the Council for Economic Opportunities, Cleveland, Ohio.