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Activities Of The Kern County Economic Opportunity Corporation, Bakersfield, California B-130515

Office of Economic Opportunity

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BY THE COMPTROLLER GENERAL OF THE UNITED STATES

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MARCH 21, 1972

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

B-130515

Dear Mr. Mathias:

This is our report on review of activities of the Kern County Economic Opportunity Corporation (Agency), Bakersfield, California, a grantee of the Office of Economic Opportunity. Our review was made in response to your request of May 26, 1971, which enclosed a resolution dated May 19, 1971, by the city of Bakersfield and requested a review by our Office. A similar resolution had been passed on May 18, 1971, by the board of supervisors of Kern County.

As agreed with you, our review was concentrated mainly on the Agency's programs for urban planning, economic development, the neighborhood service center, and emergency food relief and on its financial and program administration of Office of Economic Opportunity-funded activities.

The Office of Economic Opportunity, the Agency, and other affected parties have not been given the opportunity to formally examine and comment on the report. However, we have discussed our findings with regional officials of the Office of Economic Opportunity and with Agency representatives.

As agreed with you, a copy of this report is being sent to Senator Alan Cranston. We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

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Elmer B. Staats

Comptroller General
of the United States

The Honorable Robert B. Mathias
House of Representatives

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ABBREVIATIONS

CSO	Community Service Organization
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
KCEOC	Kern County Economic Opportunity Corporation
OEO	Office of Economic Opportunity

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COMPTROLLER GENERAL'S
REPORT TO THE
HONORABLE ROBERT B. MATHIAS
HOUSE OF REPRESENTATIVES

ACTIVITIES OF THE KERN COUNTY
ECONOMIC OPPORTUNITY CORPORATION
BAKERSFIELD, CALIFORNIA
Office of Economic Opportunity
B-130515

D I G E S T

WHY THE REVIEW WAS MADE

At the request of Congressman Robert B. Mathias, the General Accounting Office (GAO) reviewed selected activities of the Kern County Economic Opportunity Corporation (Agency), Bakersfield, California, established in 1965--a grantee of the Office of Economic Opportunity (OEO).

For the program year ended February 29, 1972, the Agency received OEO grant funds totaling $829,775 for the operation of 10 programs.

GAO examined into the Agency's financial and program administration of OEO-funded activities and reviewed the accomplishments of four selected programs--urban planning, economic development, neighborhood service center, and emergency food relief.

OEO, the Agency, and other affected parties have not been given an opportunity to formally examine and comment on the contents of this report. GAO's findings, however, have been discussed with OEO regional officials and representatives of the Agency.

FINDINGS AND CONCLUSIONS

Financial and administrative activities

For the 6-month period March 1, 1971, through August 31, 1971, the Agency expended about $404,000 for OEO-funded activities.

GAO's examination of expenditures totaling about $65,900 showed that, except for controls over emergency food vouchers (see p. 24), the Agency's controls over its financial transactions generally were adequate and its expenditures were adequately supported. GAO noted, however, some questionable practices regarding the valuation of non-Federal contributions.

The following shortcomings existed in three areas of program administration and were in the process of being corrected.

--Absence of a comprehensive plan defining the Agency's short- and long-range goals and objectives. (See p. 7.)

--Limited attempts to evaluate the accomplishments of Agency programs. (See p. 8.)

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MARCH 21, 1972

--Late development of a staff training and career development program. (See p. 9.)

Urban planning program

The Agency, since its inception has received OEO grants totaling $63,800 for its urban planning program. The major thrust of the program was directed toward the development of a comprehensive plan for urban renewal in southeast Bakersfield. Although a plan was prepared, the Agency was unsuccessful in having the city of Bakersfield adopt it.

The Agency was able to get the low-income population to participate in its preparation of the plan. The Agency's inadequate coordination with Federal and local agencies, however, was an important factor that led toward the plan's not being accepted.

Consequently the Agency planned to assume a more supportive or advisory role in urban renewal and to redirect its resources toward community action program planning and development. (See p. 12.)

Economic development program

The Agency's economic development program was in its fifth year of operation at the time of GAO's review. It originated as a grass roots program, providing community services in rural communities. In the program year starting March 1, 1969, the Agency began to operate economic development programs serving both the urban and rural sectors of Kern County.

The program for the year ended February 29, 1972, was being carried out by a coordinator and 16 employees and was operating on a budget of $257,900, of which $175,600 was provided by OEO. Thirteen target areas were established and each was represented by a community council responsible for identifying the area's needs and for seeking funds from all available sources.

The program had not been carried out in a manner consistent with the objective defined by OEO. The Agency had allowed the community councils to identify their own objectives, had not defined countywide goals, and had not provided needed training and guidance to council employees.

As a result the councils had proposed few feasible, high-priority economic development projects to the Agency and only one such project had been approved. (See p. 16.)

Neighborhood service center program

The center received OEO funds of about $85,400 for the program for the year ended February 29, 1972. Its primary objective was to provide to poor persons such services as language translation, transportation, referrals to other social service agencies, and consumer education. The Agency on June 1, 1970, delegated responsibility for operation of the center to the Bakersfield Community Service Organization.

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The Organization, during the 1971-72 program year, placed less emphasis on providing direct services to its clients and devoted a part of its attention to other activities, such as operating a membership store. As a result the number of persons served during the first 6 months of the 1971-72 program year decreased by 27 percent from the number in the prior year's corresponding 6-month period.

Because of its concern over the reduction in services and other aspects of the center's operation, OEO requested in May 1971 that the Agency and the organization better define the center's work program and establish a plan for evaluating its operations. (See p. 19.)

Emergency food relief program

The Agency received about $77,900 from OEO for the 1971-72 program year for emergency food relief. At the time of GAO's review, the program was in its fourth year and was staffed by a coordinator, two outreach workers, and volunteers from each community council. The Agency issues food vouchers to poor persons, who take them to specified markets and exchange them for food. The markets in turn bill the Agency for the vouchers honored.

The Agency issued food vouchers to persons whose eligibility was questionable, including persons with incomes exceeding OEO's guidelines, and persons claiming nonallowable expenses in justifying their need for a food voucher. Several weaknesses in the controls over the issuance of vouchers were identified.

--A log of issued vouchers had not been maintained.

--A list of signatures of persons authorized to approve vouchers had not been distributed to the markets and to the Agency's fiscal officer for use in comparing signatures on the vouchers.

--No controls had been devised to preclude the purchases of nonfood items. (See p. 24.)

AGENCY ACTIONS

The weaknesses revealed by this review were brought to the attention of the Agency's executive director who agreed to take appropriate corrective actions. OEO regional officials agreed with GAO's findings and stated that they would work with the Agency to improve its operations.

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CHAPTER 1

INTRODUCTION

Kern County Economic Opportunity Corporation (KCEOC), is the community action agency for Kern County, California, and is funded, in part, by the Office of Economic Opportunity.

Pursuant to a request from Congressman Robert B. Mathias, dated May 26, 1971, and to a subsequent discussion with the Congressman's office on June 8, 1971, we reviewed the accomplishments of four selected KCEOC programs--urban planning, economic development, neighborhood service center, and emergency food relief. We reviewed also KCEOC's financial and program administration of OEO-funded activities.

Our review was conducted primarily at KCEOC headquarters in Bakersfield and was made during the period June through December 1971. We reviewed pertinent legislation, OEO policies and guidelines, and program records, including an evaluation of KCEOC's financial procedures and controls and a test of financial transactions for the period March 1 through August 31, 1971. We also visited all 13 community councils and the neighborhood service center and interviewed Federal and local officials, KCEOC officials and employees, and other persons who had information pertaining to matters under review.

BACKGROUND

Kern County, located in the south-central part of California, is the State's third largest county in land size--over 8,000 square miles--and agriculture and mineral and oil production are its major industries. The county's 1970 population was estimated to be 329,000, with 69,500 living in Bakersfield, the county's largest city.

KCEOC is a nonprofit corporation, established in 1965, operating as a community action agency. It is funded primarily by OEO in accordance with the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2701). Its purposes and functions are:

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1. To identify and diagnose areas and causes of poverty in the county.

2. To develop a comprehensive plan to alleviate or eliminate poverty in the county.

3. To develop, conduct, and administer antipoverty programs or oversee the conduct and administration of such programs.

4. To encourage, stimulate, and assist in the development of antipoverty projects to meet the needs of the low-income population.

KCEOC is managed by a 45-member board of directors. An executive director appointed by the board of directors is the chief administrative officer and is responsible for the administration of OEO-approved programs and for KCEOC's day-to-day activities. As of November 1971 KCEOC had 87 employees.

KCEOC, initially funded by OEO in May 1965, at the time of our review was in its sixth program year. KCEOC's program year ends on February 28. From its inception through November 30, 1971, KCEOC had received OEO grants totaling about $3.5 million, of which $829,775 was for the program year ended February 29, 1972.

During the 1971-72 program year, KCEOC also received grants of $302,400 from the Department of Health, Education, and Welfare for the Head Start program and $270,310 from the Department of Labor for the Neighborhood Youth Corps and Operation Mainstream programs.[1] A summary of budgeted expenditures of both Federal and non-Federal funds, for the period March 1, 1971, through February 29, 1972, is shown in appendix II.

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[1] Funds available for the Neighborhood Youth Corps are for the 12-month period ending July 19, 1972, and the funds for Operation Mainstream for calendar year 1971.

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CHAPTER 2

FINANCIAL AND ADMINISTRATIVE ACTIVITIES

The financial operations of KCEOC have been audited each program year since its inception in 1965 by a certified public accounting firm. Although these audits identified some weaknesses requiring corrective action, the auditors reported that KCEOC's accounting system and internal controls and those of its delegate agencies[1] were generally adequate.

To test the propriety of expenditures and the adequacy of accounting procedures and practices, we examined into expenditures of about $65,900 of about $404,000 for the period March 1 through August 31, 1971. Our examination showed that, except for weaknesses in the controls over emergency food vouchers (see ch. 6), KCEOC's controls over its financial transactions were generally adequate and that the expenditures were supported adequately. We noted, however, some questionable practices regarding the valuation of non-Federal contributions.

We noted also, that shortcomings existed in three areas of program administration--overall program planning, program monitoring and evaluation, and staff training and development. Corrective action was being taken at the time of our review.

OVERALL PROGRAM PLANNING

Although KCEOC annually submits to OEO, along with its proposed budget, a statement setting forth its plan of action for the upcoming program year, it has not developed a comprehensive plan defining its short- and long-range goals and objectives.

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[1] A delegate agency is any organization which is given, under formal agreement, responsibility for carrying out part of a community action agency program.

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KCEOC and OEO representatives have discussed the need for such a plan on a number of occasions--most recently during the 1971-72 program year's budget review. OEO, in a letter dated February 5, 1971, directed KCEOC to strengthen its planning procedures, as follows:

> "The Plans and Priorities narrative***, submitted 15 November 1970 by your agency, is generally approved as the plan of action for the Kern County EOC for Program Year 'F' [program year 1971-1972]. However, it is the feeling of this office that your agency must, during the coming program year, make a stronger effort to more specifically define its long and short term goals and objectives so as to provide a more adequate basis upon which to measure KCEOC program progress and effectiveness."

The executive director informed us that, although the need for such a plan clearly existed, he had found it difficult to prepare one because of the types of KCEOC's programs. In December 1971 KCEOC started preparing a 3-year, long-range plan as part of its budget development process for the 1972-73 program year.

PROGRAM EVALUATION

Although OEO guidelines require continuous monitoring and evaluation of an agency's programs, KCEOC has made only limited attempts to evaluate the accomplishments of its programs. According to KCEOC's bylaws, its delegate agency committee was responsible for making periodic program examinations and evaluations. The committee, however, had made no such examinations or evaluations. KCEOC had hired a consultant (at a total cost of about $900) to review various programs in September 1967 and again in October 1970. The executive director agreed with us that the reports prepared as a result of these reviews had been too general in nature to be of any great assistance to KCEOC.

In February 1971 the delegate agency committee's authority to periodically monitor and evaluate all ongoing programs was reassigned to an evaluations committee. Prior to November 1971 no action had been taken by this committee.

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The executive director attributed this inaction to the demands made on the committee's members by the daily operations of KCEOC and its necessity to devote almost full time to resolving community issues. Since November 1971 the committee has evaluated five programs and plans to continue evaluating KCEOC activities on a regular basis.

STAFF TRAINING AND DEVELOPMENT

One of KCEOC's administrative functions is to provide for continuous in-service training and career development for all levels of staff and for board members, to permit staff advancement within the organization and to improve staff capabilities.

KCEOC's records indicated that, during the period June through August 1969, an OEO training contractor conducted six (four 1-day, one 2-day, and one 4-day) training sessions for KCEOC's staff. The records did not show, however, the type of training provided or the number of staff members attending these sessions. Although KCEOC had developed plans in the fall of 1969 for establishing a staff training and career development program, as of April 1971 only two 1-day training sessions--in February and April 1971--had been conducted.

During a review of KCEOC's proposed budget for the 1971-72 program year, OEO regional and KCEOC representatives discussed the adequacy of KCEOC's training program, and as a result KCEOC agreed to expand its training plan to provide for channeling training and technical assistance to its delegate agencies.

In April 1971 KCEOC submitted to OEO a training plan and a $11,375 budget for the program year ended February 29, 1972. The plan was approved by OEO in June 1971. Since then a consultant hired by KCEOC has conducted a 2-1/2-day training program for the staff, and a 2-day training program for members of the board of directors. In addition, KCEOC conducted in-house training sessions for its staff and for poor persons living in the community.

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NON-FEDERAL CONTRIBUTIONS

OEO requires grantees to meet a specified percentage of total program costs through either cash or in-kind contributions. An in-kind contribution may be in the form of services volunteered or property provided free of charge. These contributions are required to be valued at fair market rates. OEO's grant to KCEOC for the 1971-72 program year called for non-Federal contributions of 20 percent of total program costs.

The non-Federal contribution requirement for OEO-funded programs for the 1971-72 program year was $214,700. As of November 30, 1971, $103,800, about 48 percent, of the total had been recorded by KCEOC. The amount might have been overstated

--because the rental value placed on office facilities was excessive, and

--because the extent of personal services rendered by volunteers was not properly documented and such services may have been overvalued in certain instances.

Office facilities

In December 1970 KCEOC leased a building for its office facilities. The lease agreement for the 15-month period ended February 29, 1972, states that:

> "The True Rental Value of this building is $1,500.00 per month. Rented at a cash rental of $875.00. In kind contribution of $625.00 by the Landlord to Kern County Economic Opportunity Corp."

The landlord informed us that the monthly rental of $1,500 was based on the rental received from the former tenant, who had rented on a month-to-month basis. He informed us also that $1,200 a month was probably a more reasonable rental.

A representative of a Bakersfield real estate firm which we contacted estimated the building's rental value to be $1,000 a month, on the basis of its size and location.

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After we brought this matter to the attention of KCEOC's executive director, he reestablished the rental value at $1,100, as determined by an independent appraiser. The director informed us that he would adjust the rental value retroactively for the 1971-72 program year.

OEO regional representatives informed us that the retroactive adjustment seemed reasonable to them.

Volunteer services

Some of the work at the neighborhood service center and at a buyers club operated by KCEOC was performed by volunteers. For the period March 1 through June 30, 1971, KCEOC's records showed a value of about $11,000 for these services as in-kind contributions.

The records lacked supporting details showing how the amounts claimed as in-kind contributions were determined.

The service center manager told us of one instance in which the services of a volunteer worker were claimed at the skilled-labor rate of $3.15 an hour for a total of $504, although the tasks performed by the worker were of an unskilled nature and should have been valued, on the basis of OEO guidelines, at a rate of about $1.60 an hour for a total of $256.

The executive director advised us that he would have adequate supporting records maintained for such services and would have the necessary adjustment made to record the volunteer worker's time as an in-kind contribution at the rate for an unskilled worker.

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CHAPTER 3

URBAN PLANNING PROGRAM

As of December 1971 after 2-1/2 years of Federal funding, KCEOC had not succeeded in achieving the ultimate objective of its urban planning program--development and adoption of a comprehensive plan for urban renewal in southeast Bakersfield. The most important factor limiting KCEOC's success was its inadequate coordination with Federal and local agencies. Although a plan had been prepared and the poor had participated in its preparation, KCEOC had been unsuccessful in its attempts to get the city of Bakersfield to adopt and implement it. Therefore in December 1971 KCEOC reduced its urban planning efforts and planned to redirect its resources toward community action program planning and development.

PLAN DEVELOPMENT

In June 1969 OEO initially funded KCEOC's urban planning program in the amount of $14,400. Additional funds in the amounts of $21,500 and $27,900, some of which were classified as administrative, were provided by OEO for the 12-month period ended February 1971 and the 12-month period ended February 1972, respectively. Of the total funds of $63,800 provided by OEO, $51,300 had been expended by the end of November 1971.

The objective of the program was to generate, on the basis of the stated needs of the poor in the community, a plan for residential, commercial, and industrial urban renewal in southeast Bakersfield. The plan, when completed, was to be submitted to the city of Bakersfield and to Kern County for approval. The plan was to be used as the basis for the development of a proposal to OEO and to other Federal agencies for funds to assist in the actual redevelopment of the area.

In August 1969 KCEOC hired an urban planner who, during the first several months, contacted numerous Federal and local agencies and private firms to obtain their ideas and views. The planner also solicited ideas and views from the low-income population in southeast Bakersfield and was generally successful in getting them to express their needs and

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views. A specific geographic area was selected, on the basis of his professional judgment and the information gathered, in Bakersfield's southeast side for urban renewal.

The planner identified the needs of the area as better housing, greater employment opportunities, a shopping center, a post office, and a health center. A plan completed in May 1970 proposed three alternative projects, any one of which would meet these needs. Each project contained

--a neighborhood shopping center,
--a social service complex, and
--new housing.

The plan, in addition to identifying area needs and proposing alternative projects, included maps, a description of the organizations needed to administer the proposed projects, the role of KCEOC, a history of some prior renewal efforts in the city, and possible sources of financial assistance for the projects. The executive director agreed that the plan was general in nature and that, although it discussed the need for developing a comprehensive plan for use by the city in redeveloping Bakersfield's southeast side, it did not contain any detailed work programs or cost estimates.

INADEQUATE COORDINATION

While developing the southeast Bakersfield urban renewal plan in late 1969, KCEOC's urban planner contacted representatives of the city, the county, and the Department of Housing and Urban Development (HUD). At that time OEO and HUD advised KCEOC to coordinate its planning activities with the city's planning staff. HUD also informed KCEOC that it was precluded from requesting redevelopment or urban renewal funds from HUD and that such requests would have to be made by the city's designated redevelopment agency.

Although KCEOC obtained population statistics, maps, and other data from the city and from Kern County planning departments, it did not inform planning representatives of the city and the county of its plans as they were being developed or discuss its views with the representatives or suggest meetings with them to explore the possibilities of urban renewal in Bakersfield.

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HUD, in a meeting with representatives of the city of KCEOC and late in 1970, told KCEOC that the geographic area it had selected in southeast Bakersfield would not qualify for urban renewal funds because it did not meet all of HUD's criteria. For example, KCEOC was told that the area had too much open and/or vacant land (land not previously developed) to be eligible for urban renewal funds.

In October 1970, after preparing a project package for submission to OEO, KCEOC attempted to get support for its plan from the city and HUD. KCEOC representatives were advised that they could work informally with HUD but again HUD pointed out that all requests for funding of specific development projects, such as housing units, would have to come through the city's redevelopment agency.

In March 1971 KCEOC submitted an application for OEO funding of the project as an innovative program. The application provided for two alternative proposals and requested Federal funds of either $260,000 or $185,000. The funds were to be used under either proposal essentially for organizing nonprofit corporations and hiring personnel to plan and continue efforts to develop southeast Bakersfield. KCEOC, however, was in competition with other community action agencies for the limited funds available under OEO's innovative program. OEO disapproved the proposed project in June 1971 because other community action agencies had received higher ratings by an OEO selection panel.

Neither the city's planning commission nor its redevelopment agency would support KCEOC's plan for the project. They were critical of the plan and of the limited role which they had played in its development. At a Bakersfield redevelopment agency meeting in July 1971, KCEOC was advised that its project had been disapproved. An attorney retained by the city's redevelopment agency reviewed the project plan and stated in a letter to the agency prior to the meeting:

--That contacts with the city were rare and superficial and serious consultations by KCEOC came only after the application to OEO was completed.

--That the project as conceived would not complement or coordinate with the city's current and planned

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efforts to eliminate poverty and that the area selected was in the best condition in the general area.

The city's redevelopment agency, however, recommended that the city consider starting redevelopment projects in southeast Bakersfield in close cooperation and consultation with representative citizen groups in the area.

The executive director of KCEOC informed us that he had recognized that limited results had been achieved in the urban planning program but that getting the low-income community involved in urban planning and redevelopment had been a positive aspect of the program. He stated that the program probably would have been more successful if KCEOC had coordinated its efforts with the city better. The executive director said that in the future KCEOC would assume a more supportive or advisory role in urban renewal and would redirect its resources to community action program planning and development.

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CHAPTER 4

ECONOMIC DEVELOPMENT PROGRAM

As of December 31, 1971, KCEOC, after more than 4 years of operating its economic development program, had made little progress in improving the economic condition of Kern County's low-income community. KCEOC had not prepared an overall plan of action to establish economic development program objectives and had not provided the community council workers with necessary training and guidance.

PROGRAM HISTORY

KCEOC started its economic development program in 1967 as a grass roots program to provide community services in rural communities. In program year 1969-70 it was expanded to include both urban and rural communities, and in the 1970-71 program year it was changed to an economic development program.

The original objective of the program was to increase the ability of low-income persons to use various self-help methods in solving their personal, social, and economic problems. The objectives, as defined in the 1971-72 program plan, include: increasing general employment in the target areas, and, in particular, employment in and ownership of economic enterprises by target area residents; developing and implementing several community-initiated activities; pumping additional capital into the target areas; and developing management and supervisory skills of community council workers.

KCEOC anticipated that the program would be implemented by the low-income population of Kern County. To reach this population KCEOC established target areas. Each area was represented by a community council that was responsible for identifying the community's needs and providing needed services with the available resources. At the time of our review, KCEOC had formed 13 councils--six in the city of Bakersfield and seven in rural Kern County. The 1971-72 program year budget totaled $257,900, of which the Federal share was about $175,600. The activities of the 13 councils were

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monitored by KCEOC's economic development coordinator and 16 employees.

NEED FOR PROGRAM DIRECTION

OEO defines an economic development program as one designed to stimulate the economic development of a community. Such programs may seek to establish or to expand business enterprises operated by individuals and groups living within the target areas, to bring outside industry into the community, to promote tourism projects, and to develop natural resources.

We found that KCEOC's economic development program had not been carried out in a manner consistent with OEO's objective. Most of the councils established community development and service projects rather than economic development projects.

During the last 2 program years, KCEOC encouraged the councils to prepare and submit proposals for economic development projects but made only limited funds available for these projects ($10,000 in program year 1970-71 and $17,500 in program year 1971-72). Further, KCEOC did not provide training and guidance needed to assist the council workers in identifying feasible, high-priority projects. As of October 1971, 12 councils had submitted requests totaling over $30,000 for the $17,500 available for economic development projects in program year 1971-72. KCEOC rejected all these requests because they were not in line with OEO guidelines which emphasized the need for obtaining funds from other sources.

KCEOC had approved only one economic development project as of October 1971--a day-care center operated by the Lakeview Community Council. This project, funded for $10,000, was approved in October 1970 as an economic development project on the basis that it would free persons with school-age children for work who otherwise would not be able to work. The council spent about $4,000 during the program year to rent and refurbish a building and to purchase toys and educational equipment. Problems arose, however, which caused delays in the center's opening. For example, all the forms necessary to qualify for a State day-care center

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license had not been completed. The program period elapsed, and $6,000 of unused funds were returned to KCEOC.

As of September 1971 all the requirements for the license still had not been met. For example, the council could not meet the 3-month cash reserve requirement. KCEOC paid rent for the facility, while awaiting receipt of the license, and paid the salary of one employee to avoid losing the facility.

We found that council workers generally were not performing functions consistent with the purposes of the economic development program but provided social and other community development services to the poor. For example, one worker stated that he considered himself a servant of the poor and therefore performed only community services; another stated that community development was the council's most important goal; and still another stated that he had not worked on any economic development projects because he believed community development was more important.

OEO regional office representatives and KCEOC's executive director informed us that the day-care center was opened late in October 1971 and that KCEOC had started to better define the objectives and goals of its economic development program. At the time of our review, KCEOC was preparing a 3-year economic development plan as part of its 1972-73 program budget. This plan would identify specific goals, with emphasis on economic development projects. An OEO official told us that KCEOC also would prepare progress reports, reduce the number of community service councils, and increase the training for its economic development program personnel.

The executive director informed us that KCEOC would propose the consolidation of its neighborhood service center and its six Bakersfield community councils into two community action centers. OEO regional representatives and the KCEOC executive director informed us that they believed this action would permit better control and direction of KCEOC's economic development program.

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CHAPTER 5

NEIGHBORHOOD SERVICE CENTER PROGRAM

KCEOC supported a neighborhood service center serving as a centralized location for the provision of community services to the low-income, target-area population. During the 1971-72 program year, the center de-emphasized its community services function, primarily through a reduction in its outreach effort and a reduction in the staff made available for this function. This resulted in a reduction in the number of the center's services and in the number of persons served in the community. This de-emphasis had been brought about by unresolved differences of opinion between KCEO and its delegate agency, the Bakersfield Community Service Organization (CSO), as to how the center was to provide community services. One such difference involved the utilization of center personnel for delegate agency projects not related to community services.

PROGRAM HISTORY

KCEOC delegated the operation of the center to CSO on June 1, 1970. At the time of our review, the center was run by a project coordinator and nine employees. As shown in the 1971-72 program plan submitted to OEO, the center was to be primarily service oriented and was to provide poor persons in the community with transportation to and from the center, the hospital, and other social agencies; language translation; social service referrals; and other specialized services, such as a consumer complaint center and classes on consumer topics. Representatives from the Kern County Welfare Department and the California Department of Human Resources Development were in part-time residence at the center. A decline in the demand for the services from these two agencies, however, prompted the county and the State to recall their representatives.

CSO predominately served the Spanish-speaking community, but was involved in several other projects in Bakersfield, the largest of which was a buyer's club market. The market, initially funded by OEO in the amount of $7,300, is a membership store which sells food items at reduced prices.

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The center's OEO-sponsored budget for the 1971-72 program year amounted to about $113,000, of which about $85,000 was provided by OEO. During its first 6 months of operation, the center expended about $39,361 and over 2,100 clients were served by the center's staff, many of them receiving more than one type of service. The following table presents a breakdown of the services provided.

Service provided	Number of times provided
Transportation	1,356
Interpretation	466
Hospital referral	356
Doctor referral	355
Translation	289
Welfare referral	274
Commodities referral	238
Other services	815
Total	4,149

DE-EMPHASIS IN COMMUNITY SERVICES

The number of clients served by the center during the first 6 months of the 1971-72 program year declined 27 percent from the number in the prior year's corresponding 6-month period. This reduction resulted from CSO's de-emphasis in providing community services.

Under its contract with KCEOC, CSO was permitted to engage in projects other than the operation of the center, such as expansion of CSO buyer's club, neighborhood improvement, and economic development. As a result all of CSO's staff was not available to provide community services. For example, one social worker at the center worked excusively with the buyer's club; another was primarily occupied with the preparation of proposals to obtain other Federal funds for non-OEO projects, such as a drug education program.

The OEO field representative became concerned about the de-emphasis of CSO's community services. In May 1971 he called for a clear memorandum of understanding between KCEOC and CSO specifying (1) a precise work program,

(2) a definition of responsibilities, (3) performance criteria and monitoring techniques, and (4) a clarification of the activities applicable to CSO's federally funded neighborhood service center and those applicable to CSO as a private organization. In subsequent discussions between OEO regional representatives and KCEOC's executive director, an agreement was reached that the KCEOC-CSO relationship be modified and clarified in the 1972-73 contract rather than attempting to renegotiate the current year's contract.

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CHAPTER 6

EMERGENCY FOOD RELIEF PROGRAM

KCEOC established its emergency food relief program to provide (1) emergency food to eligible families until other forms of assistance could be obtained, and (2) advocacy services for low-income persons to help them gain access to existing public assistance services. The program had some success in those areas of Kern County represented by community councils but had little or no impact in the large parts of the county's low-income community not represented by community councils. Our review of the program administration revealed a need for KCEOC to monitor more closely the eligibility of the food recipients and to control the use of KCEOC vouchers for food purchases.

PROGRAM HISTORY

The emergency food program was started in the 1968-69 program year and, at the time of our review, was in its fourth year of operation. Its budget for the 1971-72 program year was $87,635, of which $77,900 was provided by OEO.

KCEOC conducts its emergency food relief program through a system of emergency food vouchers. The vouchers are issued to needy persons who can exchange them for food at specified markets. The markets then bill KCEOC for the vouchers honored.

At the time of our review, the emergency food program was staffed by a coordinator, two outreach workers, and volunteer workers from each community council. The two outreach workers were added to the staff during the 1971-72 program year to make regular visits to the councils and to review and approve food voucher applications. In addition, the outreach workers conduct training classes for the volunteers, and assist low-income persons in obtaining public assistance from established sources.

Prior to the issuance of a voucher, an applicant's eligibility is certified by the KCEOC program coordinator for

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the six urban council areas and the appropriate volunteer-screening committees set up in each of the seven rural councils. This procedure includes obtaining assurances from the applicant that he (1) is a Kern County resident, (2) does not have income in excess of OEO guidelines, and (3) has an emergency need for food.

The total number of food vouchers issued under this program was not readily ascertainable. The program coordinator informed us, however, that KCEOC issued an average 20 vouchers a month during the summer and 200 vouchers a month during October to March. For the 12-month period ended August 31, 1971, emergency food expenditures averaged $4,400 a month and ranged from $15,186 in December 1970, to $185 in July 1971.

LIMITED PROGRAM COVERAGE

Participation in the emergency food program was limited primarily to those persons residing in the 13 council areas. Although other Kern County communities probably had as many low-income families as those communities represented by the councils, only $2,131, less than 4 percent, of the $53,312 food budget for March 1 through November 30, 1971, had been allocated for use in communities outside the council areas.

The program coordinator advised us that KCEOC had directed little effort toward acquainting residents of these other areas with the emergency food program, and as a result only a few requests for emergency food vouchers had come from outside the council areas. The program coordinator advised us also that, with the current limited staff and the heavy work load in the council areas, no formal plans had been made to broaden the program to reach these other areas.

NEED FOR COMPLIANCE WITH FOOD VOUCHER ELIGIBILITY GUIDELINES

OEO guidelines for issuing emergency food vouchers were not adhered to in some cases. These guidelines discourage issuing vouchers to clients receiving welfare payments, receiving surplus food commodities, or earning income above the specified OEO poverty level.

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We randomly selected and reviewed 48 of the 373 vouchers issued in October 1970 and in March 1971. We found that a number of vouchers had been issued to recipients whose eligibility was questionable, as follows:

Monthly income exceeding OEO guidelines	15
Monthly income not stated	3
Receiving surplus commodities	32
Receiving welfare	9

We found also that recipients claimed nonallowable expenses in justifying their need for food vouchers. For example, one recipient received a food voucher even though she claimed her $5.40 life-insurance premium and $4.85 cable-television rental as "costs," in addition to her rent, gas, and electric expenses in justifying her need for a food voucher.

The possibility that volunteer workers were being paid for services which were alledgedly donated was brought to our attention during our review. Subsequently we found one instance in which a volunteer worker did, in fact, receive a food voucher from KCEOC for services that were claimed as volunteered.

The program coordinator told us that procedures had been strengthened to help prevent the recurrence of these practices. He also advised us that KCEOC plans to emphasize, to its outreach workers and volunteers, the importance of following existing guidelines, in general.

NEED FOR IMPROVED CONTROL OVER FOOD VOUCHERS

We identified the following areas in which controls over the issuance of vouchers could be improved.

--A log of issued vouchers had not been maintained.

--A list of signatures of those persons authorized to approve vouchers had not been distributed to the markets and to KCEOC's fiscal officer for use in comparing signatures on the vouchers.

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--No controls had been devised to preclude the purchases of nonfood items.

The program coordinator and the fiscal officer agreed that additional controls were needed to prevent possible inappropriate use of food vouchers and that the necessary controls would be established.

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May 26, 1971

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

Dear Mr. Staats:

Enclosed is a copy of a Resolution adopted by the City of Bakersfield on May 19, 1971, requesting a GAO investigation of the Kern County Economic Opportunity Corporation.

I would sincerely appreciate your careful consideration of their request and your informing me as to the possibilities that such an investigation might be advisable. Inasmuch as the major concerns of the Resolution center around the effectiveness of the programs operated by KCEOC, rather than specific charges of misuse of funds, it would appear that such an investigation might primarily deal with the effectiveness of KCEOC's management and the programs which it administers.

For your information, I have made a similar request to Mr. Phil Sanchez, Assistant Director of Operations for the Office of Economic Opportunity. Enclosed is a copy of my letter to Mr. Sanchez.

Thank you very much for your consideration of this request.

Sincerely,

BOB MATHIAS
U. S. Congressman

RM:Lm

cc: Phil Sanchez

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BUDGETED EXPENDITURES OF

THE KERN COUNTY ECONOMIC OPPORTUNITY CORPORATION

FOR THE PERIOD MARCH 1, 1971, THROUGH FEBRUARY 29, 1972

Program activity	Federal share	Non-Federal share	Total
Administrative activities	$ 174,741	$ 7,500	$ 182,241
Urban planning	12,133	5,697	17,830
Neighborhood service center	85,434	27,955	113,389
Emergency food relief	77,900	9,735	87,635
Economic development	175,614	82,287	257,901
Total	525,822	133,174	658,996
Legal services	77,678	25,250	102,928
Youth program	48,400	13,828	62,228
Family planning	136,500	34,976	171,476
Senior opportunities & services	30,000	7,500	37,500
General & technical assistance	11,375	-	11,375
Total	303,953	81,554	385,507
Total OEO-funded programs	829,775	214,728	1,044,503
Department of Health, Education, and Welfare:			
Head Start	302,400	111,922	414,322
Department of Labor:			
Neighborhood Youth Corps (note a)	157,040	50,740	207,780
Operation Mainstream (note b)	113,270	19,100	132,370
Total, all programs	$1,402,485	$396,490	$1,798,975

[a]For 12-month period ending July 19, 1972.

[b]For calendar year 1971.

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U.S. GAO, Wash., D.C.