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Need For Improvements In The Administration Of The Neighborhood Facilities Grant Program

B-174377

Department of Housing and Urban Development

UNITED STATES
GENERAL ACCOUNTING OFFICE

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JAN. 20, 1972



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

OFFICE OF
ADMINISTRATIVE SERVICES

B-174377

Dear Mr. Secretary:

This is our report on the need for improvements in the administration of the Neighborhood Facilities Grant Program.

Copies of this report are being sent to the Director, Office of Management and Budget; the Senate and House Committees on Appropriations and Government Operations; the Senate Committee on Banking, Housing and Urban Affairs; the House Committee on Banking and Currency; your Assistant Secretary for Administration; and your Assistant Secretary for Community Development. ³⁶⁰
¹⁵⁰⁰
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Sincerely yours,

A. T. Samuelson

Director, Civil Division

The Honorable
The Secretary of Housing
and Urban Development

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ABBREVIATIONS

CAP	Community Action Program
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
HUD	Department of Housing and Urban Development

D I G E S T

WHY THE REVIEW WAS MADE

The Department of Housing and Urban Development (HUD) awards grants to local public bodies or agencies to assist in the construction of neighborhood facilities (centers). As of April 30, 1971, HUD had awarded grants of about \$124 million for 423 approved neighborhood center projects, of which 118 had been completed and were in operation. The Federal grants for these completed centers amounted to about \$23 million.

HUD requires the centers to provide a wide range of services, such as health, welfare, recreation, and cultural services, to the residents of the community. The General Accounting Office (GAO) made this review to determine whether grantees were providing multiservice programs.

FINDINGS AND CONCLUSIONS

GAO noted that a need existed for more effective reviews of grantee applications and for increased efforts to ensure that grantees established and operated multiservice programs. GAO visited four centers located within the jurisdiction of one HUD regional office and noted at three that grantees had not established multiservice programs. The fourth center appeared to have an acceptable multiservice program. (See p. 6.)

Evidence available to HUD before it awarded grants of about \$884,000 to the three centers showed that the grantees would not be able to provide viable multiservice programs.

HUD internal audit reports showed that the failure of grantees to establish multiservice programs was a basic problem which existed at many locations throughout the country. (See p. 11.)

RECOMMENDATIONS OR SUGGESTIONS

GAO recommends that HUD improve the administration of the program. Such improvement should include measures to help ensure that

--grantees establish and properly implement, in line with HUD guidelines and objectives, multiservice programs and

JAN. 20, 1973

--during the application review process, projects which have only a minimal potential for meeting the basic goals and objectives of the program are identified. (See p. 12.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

HUD recognizes that there are weaknesses in the administration of the Neighborhood Facilities Grant Program. Examples of corrective actions taken by HUD are as follows:

- A HUD task force has been reviewing the program for several months and HUD is taking action to implement recommendations made by the task force.
- Preliminary meetings have been held with the Department of Health, Education, and Welfare (HEW) to explore ways in which HEW's social service programs can be included in the centers.
- HUD initiated a review of the program to determine the type of services being provided at centers and, as part of this effort, established as of September 13, 1971, a 30-day moratorium on the approval of neighborhood center projects to make certain changes affecting the administration of the program.

The actions taken and planned by HUD are set forth on pages 12 through 15 of this report.

CHAPTER 1

INTRODUCTION

The Neighborhood Facilities Grant Program, established under title VII of the Housing and Urban Development Act of 1965, as amended (42 U.S.C. 3101), was designed to assist and to encourage the Nation's communities in meeting the needs of their citizens by providing Federal grant assistance to local public bodies or agencies to construct neighborhood facilities (centers) for social service programs.

The Secretary of Housing and Urban Development is authorized, under section 703 of the act, to make grants to local public bodies or agencies to assist in financing neighborhood center projects. These projects may be developed by local public bodies or agencies or through nonprofit organizations approved by local public bodies or agencies.

The act states that, when projects are to be developed by nonprofit organizations, grants will be made only if the Secretary determines that (1) such organizations have, or will have, the legal, financial, and technical capacity to carry out the projects and (2) the local public bodies or agencies have satisfactory and continuing control over the use of the proposed centers.

The act states also that grants will be made only if the Secretary determines that the centers which will be developed are

- necessary to carry out health, recreational, and social programs or similar community services, including community action programs (CAPs),
- consistent with the communities' comprehensive planning for future development, and
- so located as to be available to a significant number of low- or moderate-income residents.

The act states also that, for a 20-year period after HUD grants funds to the public bodies or agencies, the

centers are not to be used for purposes other than those proposed in the grantees' applications, unless the approval of the Secretary of Housing and Urban Development is obtained.

In addition, under the act the Secretary is required to determine that any changes in the use of the centers are consistent with comprehensive plans that have been established for the development of the communities.

The act limits Federal financial participation under this program to two thirds of the development costs of a facility, or three fourths of the costs if a facility is located in a redevelopment area. Redevelopment areas are designated by the Secretary of Commerce under the Area Redevelopment Act and have substantial levels of unemployment for long periods of time or have high numbers and high percentages of low-income families in which substantial and persistent unemployment or underemployment exists.

As of April 30, 1971, HUD had awarded grants of about \$124 million for 423 approved neighborhood center projects, of which 118 had been completed and were in operation. The Federal grants for the completed centers amounted to about \$23 million.

HUD's instructions to program applicants are contained in a HUD Neighborhood Facilities Grant Program Applicant Handbook. The basic objective of the program, as stated in the handbook, is to assist communities in providing multi-service centers through the construction of new centers or the rehabilitation of existing structures. HUD defines a multiservice center as one which provides a wide range of services, such as health, welfare, recreation, and cultural services and similar community services. A center which provides a single service, such as health or recreational activities, is not, according to HUD, considered a multi-service center.

SCOPE OF REVIEW

Our review was directed primarily toward determining whether grantees were establishing and operating centers in accordance with HUD guidelines and grant contracts. We

evaluated HUD's policies and practices for monitoring the activities of the centers, to ensure that the centers were being operated in line with the basic program purposes stated in HUD's grant contracts.

Our review was made at HUD's central office in Washington, D.C., and at the HUD regional office in San Francisco, California. During this review we visited four centers in California.

CHAPTER 2

NEED FOR IMPROVEMENTS IN ADMINISTRATION OF NEIGHBORHOOD FACILITIES GRANT PROGRAM

Our review of HUD's administration of the Neighborhood Facilities Grant Program indicated that a need existed for more effective reviews of grantee applications and for increased efforts to ensure that grantees established and operated multiservice programs.

We visited four centers and noted at three centers that grantees had not established multiservice programs. At the remaining center it appeared that the grantee was operating an acceptable multiservice program.

We noted also that evidence available to HUD prior to its award of grants for the three neighborhood center projects showed that the grantees would not be able to provide the viable multiservice programs required under existing HUD guidelines and contracts. HUD's grants for the three neighborhood center projects amounted to about \$884,000.

GRANTEE A

In August 1967 HUD awarded the grantee--a city--\$254,000 for the acquisition of a site and the construction of a center. In May 1968 HUD increased its grant to \$278,965. The grantee's application indicated that a wide range of services would be provided at the center, including educational, health, recreational, and welfare services.

The center--which cost approximately \$458,000 to construct--began operating in August 1968. The center consists of an olympic-size swimming pool and a large building containing approximately 20,000 square feet. About 55 percent of the floor space of the center was devoted to a gymnasium and locker and shower rooms, and about 13 percent was used for social service activities. At the time of our visit, the remaining floor space was not being used.

Most of the city's low-income and minority group residents live in the eastern sector of the city. The center,

however, is located on the western side of the city about 1 to 2 miles from the area where most of the community's low-income residents live. City officials advised us that a local organization had contributed about \$100,000 toward the grantee's cost of constructing the center and that the organization would not have made the contribution if the center had been located in the eastern section of the city.

In October 1970 we observed that there were limited recreational and social service activities at the center. The social service program was provided by the county's health, welfare, and veterans' affairs departments. Each of these departments had an employee located at the center for limited periods of time each week, as follows: health--8 hours, welfare--30 hours, and veterans' affairs--15 hours. The three departments provided referral services and some direct aid to the residents of the community. In addition, the city recreation department operated the center for volleyball games and baton lessons about 17 hours each week. The building is open only for prescheduled events or visits by residents to one of the representatives of the three county departments. The swimming pool is operated from May through August.

The mayor of the city and the city administrator said that, when the city applied to HUD for a grant, city officials planned that the center would be used primarily for recreational activities and were not aware of the social service requirements under the HUD grant program. They added, however, that there was little that they could do to provide any additional social services because the city did not have funds to sponsor such programs. City officials also pointed out that, because the center was located about 2 miles from the area where most of the community's low-income residents lived, they found it difficult to induce these residents to use the center.

The grantee's application for Federal assistance stated that the city would finance the center's operations. At the time of our review, we noted that the city was providing about \$22,000 a year for the center's operations; however, these funds were used primarily for recreational activities. The local CAP office and a health center sponsored by the Department of Health, Education, and Welfare were providing social services to the residents of the poverty areas of the city.

GRANTEE B

In January 1968 HUD approved the application of the grantee--a city--and in April 1968 awarded the city a grant of \$317,222 for the acquisition of a site and the construction of a center to be used for health, welfare, legal aid, educational, and various Economic Opportunity Commission programs, as well as for recreational activities. The grant was increased by HUD in March 1969 to \$343,113. The cost of the center was \$514,670.

The center, a structure containing 19,800 square feet of space, included a gymnasium, an auditorium, a conference room, a game room, a locker room, a lounge, administrative offices, and two small rooms (containing 600 square feet of space) which could be used for social services. Swimming and wading pools were constructed as part of the center.

HUD files showed that initially the city had not intended to construct either the swimming pool or the indoor gymnasium; however, we were advised by HUD and grantee officials that, due to the hostility generated by the residents because of the city's plans to devote a significant amount of the center's activity to social service programs, the city had increased the recreational activities of the project by adding a swimming pool and a gymnasium to the center.

In the 1971 appropriation hearings before a subcommittee of the House Committee on Appropriations, the following description of the activities of the center was presented by HUD officials.

"Currently it provides health, educational, welfare, legal aid and other similar services to all age groups in the area. Approximately 18,308 people are estimated to be served by the center."

Since the center opened in March 1969, it has been operated by the city's recreation department. The city presently is spending about \$87,000 a year for programs at the center which are related solely to recreational activities.

Social services are provided at the center by (1) a legal aid attorney who visits the center for periods up to 4 hours each week or as determined by the appointments scheduled through a legal aid office located in a nearby city and (2) a local college which, in April 1970, began to offer three courses on a one-night-a-week basis for 4 to 8 weeks.

Other social service organizations operating in the area are not using the center. We were advised by Economic Opportunity Commission officials that they were not using the center because the city's recreation department had rejected their request to use the center on a full-time basis (5 days each week). City officials advised us that they were reluctant to permit any single organization to have full-time use of the facilities, primarily because other organizations then would be precluded from using these facilities at a later date. County health department officials said that the department did not need to use the center because they had other suitable facilities in the community.

GRANTEE C

In June 1967 HUD awarded this grantee--a city community service district--\$252,967 for the acquisition of a site and the construction of a center. In September 1968 HUD increased the grant to \$262,139. The center--which cost about \$393,000--is a building complex consisting of one central building and two satellite buildings containing a total of about 21,300 square feet of space.

A description of the center provided by HUD in the 1970 appropriation hearings before a subcommittee of the House Committee on Appropriations stated that services offered at the center included job counseling, vocational rehabilitation, health programs, remedial education, community meetings, and recreation.

In October 1970 the grantee, however, was providing only a limited recreational program. A small number of social services were being provided at the center by such agencies as the local CAP agency and the county's library and health departments.

The local CAP agency operated a referral service and a pediatric clinic in one of the center's satellite buildings under a lease agreement with the grantee. The county's library and health departments provided a small library and a public health nurse who was available at the center to provide consultation and referral services 8 hours each week. The primary activity of the grantee at the center was the supervision and maintenance of the main building which was open, on a regular basis, each evening for recreational activities.

The grantee received annually only about \$8,500 of the local property taxes to operate the center. The grantee therefore was dependent upon other governmental sources, such as the county, for most of its operating funds. Grantee officials said that the center's adverse financial condition had negated their ability to directly provide a multiservice program. These officials added that, unless they could schedule events at the center to generate additional income, continued operation of the center might be jeopardized.

In March 1970 a HUD central office official visited the center and expressed the following opinion relative to the center operations.

"This center was perhaps the most disappointing of those visited. Doors were locked and the facility appeared deserted except for the director and some visiting businessmen."

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We recognize that centers that have been funded under the Neighborhood Facilities Grant Program have successfully combined the needed social services and recreational activities of a community into a suitable center. We believe, however, that there are indications, aside from our observations of the centers visited, that multiservice programs are not being provided at centers for which Federal grants have been provided. For example, our review of HUD's internal audit reports and documentation relating to the activities and programs at other centers showed that the failure of grantees to provide multiservice programs was a basic problem of the program.

The former Director, Neighborhood Programs Division, Renewal Assistance Office, HUD, summarized this situation by reporting to the Assistant Secretary for Metropolitan Planning and Development in February 1970 that:

"From information we already possess, based on Regional and Central Office staff visits to centers, we have an indication that many centers do not operate programs truly multiservice in nature--either because funding is not available or there was little or no intention of providing a multiservice antipoverty program."

In view of our observations at three of the centers we visited, we believe that HUD should adopt and implement administrative procedures to help ensure that the program is being managed in line with the basic objectives of the program as stated in HUD guidelines and in its grant contracts.

CHAPTER 3

GAO CONCLUSIONS AND RECOMMENDATIONS AND

AGENCY COMMENTS AND ACTIONS

CONCLUSIONS

Our review showed that some grantees--contrary to the terms of the HUD-approved grant applications and contracts--were not providing multiservice programs. Although we reviewed the activities of only a limited number of centers, we believe that additional review efforts, as evidenced by HUD internal audit reports, showed that the lack of multiservice programs at centers was a basic problem of the program.

In view of our observations at three centers, we believe that there is definite need for HUD to adopt and promptly implement procedures to help ensure that grantees are administering the program in line with the HUD-stated objectives.

RECOMMENDATIONS

We recommend, therefore, that HUD improve the administration of the program. Such improvement, in our view, should include measures to help ensure that

--grantees establish and properly implement, in line with HUD guidelines and objectives, multiservice programs and

--during the application review process, projects which have only a minimal potential for meeting the basic goals and objectives of the program are identified.

AGENCY COMMENTS AND ACTIONS

HUD, in commenting on our findings in a letter dated April 19, 1971 (see app. I), stated that it recognized that there were weaknesses in the administration and management of the Neighborhood Facilities Grant Program and that it was

proceeding as rapidly as possible to implement the recommendations of a HUD task force that had been reviewing the program for several months. The task force recommended to the Assistant Secretary for Community Development that

- a refinement of the project selection system be adopted to provide greater assurance that, during the application review process, projects would be screened out which had minimum potential for meeting the program goals;
- an increased effort be executed to coordinate the Neighborhood Facilities Grant Program with other programs within HUD, such as the Model Cities Program, and with other Federal departments, such as HEW, which had similar or compatible objectives; and
- a technique be developed to provide assurance that local service agencies clearly understand and honor their commitments under this program.

HUD stated that preliminary meetings were held with HEW to explore ways in which the efforts of HEW and HUD could be coordinated. HUD advised us that, in its efforts to improve the overall administration of the program and in view of our recommendations, its field staffs had been

- strongly advised of the need for, and the importance of, providing assistance to applicants from the earliest possible stage in the development of their applications through HUD's 20-year interest in the project;
- instructed to immediately begin a planned program for visiting operating centers to determine whether they were functioning in accordance with the applicants' commitments to HUD as expressed in the grant applications and the HUD-approved grant contracts; and
- instructed, in those cases in which centers were found to be in noncompliance, to make careful analyses of reasons for such noncompliance and to make every effort to provide advice and assistance to the communities to improve the centers' operations.

HUD stated that, if grantees failed to comply with its requirements under the program, stronger measures, up to and including the recapture of Federal funds, would be enforced when necessary.

HUD added that it was developing an in-house monitoring and evaluation capacity within the new community development framework to provide HUD with the ability to perform in-depth reviews of the problems and opportunities that exist in the use of centers in small communities.

Additionally, HUD stated that, to increase the applicants' ability and performance in the development of viable social service programs, it was considering the feasibility of proposing legislation to permit graduated funding, for a limited time, of services--such as intake and referral, recordkeeping, and outreach--which were used in common by operating service programs.

In a memorandum dated May 13, 1971, HUD central office officials advised HUD regional administrators that a review of the Neighborhood Facilities Grant Program was being initiated by HUD. HUD officials stated that the review was being made primarily because recent reports by GAO and HUD were critical of HUD's administration of the program. The officials also said that the purpose of the review was to determine the type of services being provided at centers. HUD officials added that information obtained during this review would be used to determine the technical assistance needs of grantees and to develop improved evaluation techniques.

In August 1971 HUD initiated its review and as part of this effort established, as of September 13, 1971, a 30-day moratorium on the approval of neighborhood center projects. This moratorium was declared, according to HUD officials, to make changes in certain policy matters which would improve the administration of the program. These matters related to the HUD requirements that cities provide multiple services at the centers. Also, HUD officials pointed out that a simplification of grant applications was being considered by HUD.

HUD officials advised us that a report on its review would be issued in the near future.

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We believe that HUD's plans and actions discussed above, if fully implemented, will aid in improving the administration of the program and will also help to ensure that the basic objectives of the program are effectively accomplished.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

BEST DOCUMENT AVAILABLE

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY DEVELOPMENT

IN REPLY REFER TO:

APR 19 1971

Mr. B.E. Birkle
Assistant Director, Civil Division
U.S. General Accounting Office
Washington, D.C.

Dear Mr. Birkle:

This is in response to your report of February 12, 1971, to the Assistant Secretary for Metropolitan Planning and Development, hereafter referred to as the Assistant Secretary for Community Planning and Management, concerning the findings of the GAO review of Neighborhood Facilities in California. As a result of the recent realignment of Central Office programs, responsibility for the administration of this program now falls under the Assistant Secretary for Community Development.

As pointed out in your report, there are problems with the administration and management of the Neighborhood Facilities Program of which we have been aware. We have, however, taken several actions designed to overcome these problems. For example, for several months now the program has been the subject of a task force review within the Department. As a result, several recommendations have been developed and were approved by the Assistant Secretary for Community Planning and Management, among them being: (1) a refinement of the project selection system to provide greater assurance during the application review process of the screening out of those projects having a minimum potential for meeting program goals; (2) increased efforts to coordinate the Neighborhood Facilities Program with other programs within the Department, such as Model Cities, and other departments such as HEW which have similar or compatible objectives; (3) development of a technique to provide greater assurance that local service agencies that indicate they will provide certain

services through our centers clearly understand the nature of and honor their commitments.

I concur in the Assistant Secretary for Community Planning and Management's approval of these actions and will proceed as rapidly as possible with their implementation. In this regard, preliminary meetings have been initiated with representatives of the Social Rehabilitation Service and the Center for Community Planning of HEW to explore ways in which we can coordinate our efforts with theirs. As a result of these meetings we hope to enter into a working agreement, one element of which would provide HEW funding priority to the local service agencies in those communities in which we have or plan to construct centers. I will also be able to assure closer coordination with the Model Cities effort, since as Assistant Secretary for Community Development I now have responsibility for both programs.

In addition to the above actions our field staff has recently been strongly advised of the need and importance of providing assistance to the applicant from the earliest possible stage in the development of their application through the 20-year interest of the Department in the project. We have also instructed our field staff to begin immediately a planned program of visiting operating centers to determine if they are functioning in accordance with the applicant's commitment to HUD as expressed in the formal Neighborhood Facilities application and the grant contract. We have further instructed them that in those cases where centers are found to be in noncompliance, a careful analysis should be made of the reasons for noncompliance and every effort made to provide advice and assistance to the community so that they might improve the center's operations. In this connection, we plan, where indicated, to explore using as a possible resource the Federal Regional Councils. Should efforts to produce compliance fail, stronger measures up to and including recapture of grant funds will be enforced where necessary.

As a support to these efforts, we are developing an inhouse monitoring and evaluation capacity within the new Community Development framework to provide us with an indepth review of the problems and opportunities present in the use of Neighborhood Facilities in small communities. This will serve as a guide to both a review of existing administrative requirements and to the communities in implementing their local programs.

Additionally, to increase applicant ability and performance in the development of viable service programs, I am

considering proposing a study to explore the feasibility of proposing legislation which would permit the graduated funding, for a limited time, of those core or shared services used in common by the operating service programs. These core services would consist of a center director, intake and referral personnel, record-keeping personnel and outreach workers.

Finally, as you know, the Department has recently decentralized major decisionmaking authority to newly established Area Offices. In this connection intensive training was provided to our regional and area office staffs. This training was designed to sensitize field staff to the social goals and implications of the program, as well as to strengthen its administration. The geographical location of HUD staff close to the community making application will give the staff responsible for application review and approval functions better knowledge and understanding of a community's needs and capabilities. As a result, we expect to improve the management and administration of our programs and concomitantly the delivery of center services.

Sincerely,



Floyd H. Hyde
Assistant Secretary

APPENDIX II

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (note a):		
Robert C. Weaver	Feb. 1961	Dec. 1968
Robert C. Wood	Jan. 1969	Jan. 1969
George W. Romney	Jan. 1969	Present
ASSISTANT SECRETARY FOR METROPOL- ITAN PLANNING AND DEVELOPMENT:		
Charles Haar	July 1967	Jan. 1969
Samuel C. Jackson	Feb. 1969	Feb. 1971
ASSISTANT SECRETARY FOR COMMUNITY DEVELOPMENT (note b):		
Floyd H. Hyde	Mar. 1971	Present

^aFormerly the Administrator, Housing and Home Finance Agency.

^bEffective March 1, 1971, responsibility for the administration of the Neighborhood Facilities Grant Program was transferred from the Office of Metropolitan Planning and Development to the newly established Office of Community Development.

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

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