



RE: [redacted] the General  
Accounting Office of specific approval  
by the Office of Congressional Relations,  
COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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RELEASED

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MAR 29 1976

The Honorable Jerry Litton  
House of Representatives

Dear Mr. Litton:

*Distribution of*

As requested in your October 9, 1975, letter, we reviewed the implementing guidelines and other criteria the Department of Housing and Urban Development (HUD) used in distributing discretionary grant funds to western Missouri nonmetropolitan communities in fiscal year 1975. [HUD]

We made our review at HUD headquarters in Washington, D.C., and at HUD regional and area offices in Kansas City, Missouri, and Kansas City, Kansas.

On December 10, 1975, we met with your office and gave a detailed briefing of the results of our review. As your office requested, we are providing you with this written report.

We have not given HUD officials an opportunity to formally review and comment on the matters discussed in this report. However, after our December 10 meeting we discussed these matters with HUD officials and have included their comments where appropriate.

BACKGROUND

HUD made the nonmetropolitan discretionary grants pursuant to title I of the Housing and Community Development Act of 1974 (42 U.S.C.A. 5301) which authorizes HUD to make grants to help finance community development programs. Under the act most of these funds are for distribution to metropolitan areas; however, part of the funds are for distribution to nonmetropolitan areas.

For fiscal year 1975, the Kansas City, Kansas, Area Office was allocated \$2,528,000 for grants to the nonmetropolitan areas in western Missouri. Under HUD's regulations, published in section 570.402(a) of title 24 of the Code of Federal Regulations, eligible applicants were States, cities

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and towns, townships, and counties, excluding the metropolitan cities and urban counties. The regional and area offices were responsible for selecting grantees on the basis of criteria of "need and merit," as specified in the regulations.

As provided in the regulations, the area offices could accept preapplications from January 1 through March 1, 1975, and final applications from March 15 through May 15, 1975. The Kansas City Area Office selected the grantees by June 12, 1975.

FISCAL YEAR 1975 SELECTION PROCESS

The Kansas City, Missouri, regional office developed the rating system that the Kansas City, Kansas, Area Office used to determine the eligible communities in western Missouri. The system was developed within the framework set forth in HUD's regulations and provided for awarding points for each of the following categories: (1) the demographic characteristics of a community and (2) the merits of the community's proposed programs. Of the 200 possible points, 120 could be awarded for demographic characteristics and 80 could be awarded on the merits of the proposed programs being evaluated.

The information used to determine the demographic characteristics of each of the localities was taken from 1970 census data HUD headquarters supplied to the regional office. This data was used to assign points to the localities from the following ranges.

0 to 30 points	Proportion of poverty
0 to 30 points	Extent of poverty
0 to 30 points	Proportion of substandard housing
0 to 30 points	Population

The points to be awarded for the two proportional categories, poverty and substandard housing, depended on a locality's relative standing with respect to the Missouri State averages for these two categories. The ranges and related points were as follows:

<u>0 points</u>	<u>10 points</u>	<u>20 points</u>	<u>30 points</u>
Below 65% of State average	85% to 99.99% of State average	100% to 114.99% of State average	115% or over State average

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The points to be awarded for the other two demographic factors, extent of poverty and population, were directly related to a locality's total count of poverty and its total population.

To illustrate, HUD used the following ranges to assign the points for population.

<u>0 points</u>	<u>10 points</u>	<u>20 points</u>	<u>30 points</u>
Under 1,000 population	1,000 to 2,499 population	2,500 to 9,999 population	10,000 to 49,999 population

Regional office officials told us that the judgmental part of the rating system was included to give adequate consideration to the merits of the programs being proposed by the localities. These points were assigned as follows:

0 to 30 points	Conditions of imminent threat to health and safety
0 to 30 points	Program impact
0 to 10 points	Severe change in population or economic activity based on actions by the Federal Government
0 to 10 points	Joint application involving two or more governmental units

HUD officials told us that points awarded for program impact were based primarily on how well the locality's proposed projects addressed a particular problem and whether the locality could complete the program with the funds being requested.

The Kansas City Area Office received 92 preapplications from communities in western Missouri. After reviewing the preapplications, HUD invited applications from the 18 communities whose applications would most likely be approved. Also HUD, anticipating that additional funds might be made available, encouraged seven of the remaining communities to submit applications.

HUD discouraged the remainder of the communities from submitting applications since there was little likelihood that they would be funded. HUD officials told us, however, that none of the applicants were denied the opportunity for filing applications.

HUD received 25 applications, and using the preapplication data, again fully reviewed and rated each

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application. The final selection resulted in available funds being distributed to the communities that received the highest number of points. Accordingly, 13 of the 25 applicants which scored 110 or more points were approved for grants. The enclosure lists the 25 applicants and the 13 grantees.

Computational error

HUD erroneously assigned points for the demographic categories, population and proportion of poverty, for the application of Nevada, Missouri. These errors resulted in an overall rating of 110 rather than 90. The higher score resulted in the application's being approved for funding in the amount of \$300,000. Four other applicants that had higher scores than 90 points were not funded. These communities were Marshfield, Versailles, Trenton, and Cole Camp, Missouri.

The two errors in Nevada's rating occurred during the area office's review and rating of preapplications. HUD officials told us that Nevada's final application had been incorrectly rated and agreed that Nevada's application had been overstated by 20 points. We noted that the area office had received certain demographic data by telephone from HUD headquarters in an attempt to expedite the review and rating of the preapplication. It appears, however, that the area office made no attempts to review or verify these initial computations during the final application review.

HUD'S COMMENTS

HUD officials said that they were concerned that a mistake of this nature had been made. They said that it was a human error and that there had been no intention by the individuals involved to circumvent the regulations. Also the HUD officials said that they would try to prevent such errors from recurring.

We have asked HUD officials if they intend to provide any recourse to communities affected by such errors. To date HUD has not answered our question.

Sincerely yours,

*R. F. K. Allen*

DEPUTY Comptroller General  
of the United States

Enclosure

ENCLOSURE I

ENCLOSURE I

WESTERN MISSOURI NONMETROPOLITAN  
BLOCK GRANT RECIPIENTS  
AND OTHER NONFUNDED APPLICANTS

<u>Applicant</u>	<u>Rating</u>	<u>Amount</u>	<u>Congressional district</u>	<u>Projects</u>
<u>Grantees</u>				
Barry County	160	\$ 299,810	7	Multiple-community development
Dallas County	140	86,500	7	Sanitary landfill
Taney County	140	111,600	7	Sanitary landfill
Webster County	140	140,770	7	Sanitary landfill
Sedalia	130	300,000	4	Multiple-community development
Lebanon	120	250,000	7	Water and sewer
Clinton	120	225,000	4	Sewer, housing, and streets
Nevada	110	300,000	4	Sewer, housing rehabilitation, and parks
Slater	110	150,000	4	Sewers
Neosho	110	225,000	7	Multiple-community development
Montrose	110	50,000	4	Sewers
Fordland	110	106,920	7	Water system
Carthage	110	282,400	7	Multiple-community development
Total funds available		<u>\$2,528,000</u>		
		<u>Amount requested</u>		
<u>Nonfunded applicants</u>				
Marshfield	100	\$ 175,000	7	Water, streets, and parks
Versailles	100	95,245	4	Sewers
Trenton	100	215,000	6	Sewer, streets, and housing rehabilitation
Cole Camp	100	85,000	4	Sewers
Bethany	90	150,000	6	Water system
Rich Hill	90	125,000	4	Water meters
Stockton	80	100,000	7	Water system
Pierce City	80	150,000	7	Community services facility

## ENCLOSURE I

<u>Applicant</u>	<u>Rating</u>	<u>Amount requested</u>	<u>Congressional district</u>	<u>Project</u>
Osborn	80	50,000	6	Sewers
Chillicothe	80	300,000	6	Sewers, Streets, and housing rehabilitation
Crocker	80	104,600	8	Water and fire equipment
Webb City	70	50,000	7	Fire department complex

## ENCLOSURE I