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RELEASED

Need For Improvements In  
Financial Administration By  
The Action For Bridgeport  
Community Development, Inc.,  
Bridgeport, Conn. B-130515

Office of Economic Opportunity  
Department of Labor

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

089764

MAR 22 1970



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

B-130515

Dear Mr. Weicker:

This is a report on our review of the financial administration by Action for Bridgeport Community Development, Inc., the Community Action Agency which administers antipoverty programs in Bridgeport, Connecticut, under the Economic Opportunity Act of 1964, as amended. The review was made pursuant to the agreement made in a discussion with you on May 21, 1969.

The Office of Economic Opportunity, the Department of Labor, the Community Action Agency, and other parties mentioned in this report have not been given an opportunity to formally examine, and comment on, the report.

In our meeting with you on January 21, 1970, it was agreed that we would send copies of this report to the Director, Office of Economic Opportunity, and to the Secretary of Labor to advise them of the matters we believe need improvement and that you would provide a copy to the officials of the Community Action Agency. We are proceeding in accordance with that arrangement.

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 concerning the contents of the report.

Sincerely yours,

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

Comptroller General  
of the United States

The Honorable Lowell P. Weicker, Jr.  
House of Representatives

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## ABBREVIATIONS

ABCD	Action for Bridgeport Community Development, Inc.
CAA	Community Action Agency
CAP	Community Action Program
CEP	Concentrated Employment Program
DOL	Department of Labor
EOA	Economic Opportunity Act of 1964
GAO	General Accounting Office
GSA	General Services Administration
NYC	Neighborhood Youth Corps
OEO	Office of Economic Opportunity
SGTR	Standard Government Travel Regulations

COMPTROLLER GENERAL'S REPORT TO  
THE HONORABLE LOWELL P. WEICKER, JR.  
HOUSE OF REPRESENTATIVES

NEED FOR IMPROVEMENTS IN  
FINANCIAL ADMINISTRATION BY  
THE ACTION FOR BRIDGEPORT  
COMMUNITY DEVELOPMENT, INC.  
BRIDGEPORT, CONNECTICUT  
Office of Economic Opportunity  
Department of Labor B-130515

## D I G E S T

### WHY THE REVIEW WAS MADE

U.S. Representative Lowell P. Weicker, Jr., requested the General Accounting Office (GAO) to review the financial administration of the Action for Bridgeport Community Development, Inc. This Community Action Agency administers programs in Bridgeport, Connecticut, under the Economic Opportunity Act of 1964.

GAO evaluated controls over expenses and property and reviewed other financial management practices. GAO did not evaluate the programs' effectiveness in achieving statutory objectives.

The parties mentioned in this report have not been given an opportunity to formally examine and comment on the contents of the report.

### FINDINGS AND CONCLUSIONS

Action for Bridgeport Community Development, Inc., received grants totaling \$3.2 million during the period January 1965 through September 1969 from the Office of Economic Opportunity (OEO) to administer a Community Action Program. Under the program, the Community Action Agency managed various projects and activities including employment, legal, preschool, and children's day-care services.

The Department of Labor (DOL) has made about \$1.9 million available to the Bridgeport Community Action Agency during the period June 1965 through June 1970 to administer a Neighborhood Youth Corps program for providing useful part-time work training for youths of high school age. It also provided about \$2.2 million during the period May 1968 through October 1969 to administer a Concentrated Employment Program for providing work-training experience for the chronically unemployable poor.

Although GAO generally believes that expenditures were for authorized purposes, weaknesses existed in the Community Action Agency's control over, and administration of, funds. These weaknesses precluded

GAO from determining the propriety of many of the expenses. Many of these weaknesses had been previously identified during audits made by OEO and certified public accountants. (See p. 8.) GAO found that:

- There were weaknesses in time and attendance reporting. GAO could not determine that all payroll disbursements were for authorized purposes and were made in the proper amounts. Payroll and related costs accounted for most of the program expenditures. (See p. 9.)
- Travel costs were not adequately documented and advances to travelers were not liquidated timely. (See p. 12.)
- Required policies and procedures--intended to ensure that purchases are adequately documented and that goods and services are obtained at a reasonable cost--were not always followed. Contractual arrangements for consultant and professional services did not fully conform with OEO requirements. (See p. 15.)
- There were weak controls over equipment. (See p. 19.)
- Federal requirements for reporting thefts of property were not complied with in several instances. (See p. 19.)
- Unexpended fund balances on completed programs were not returned to OEO and DOL timely. Local program officials returned about \$34,000 to DOL after GAO brought the matter to their attention. Additional funds amounting to about \$33,000 were to be returned after the certified public accountant's audit in process at November 1969. (See p. 20.)
- Personnel authorized to sign checks were not bonded in accordance with DOL requirements. (See p. 23.)
- Amounts recorded for non-Federal contributions were not documented in a manner that would support fully the amount claimed. In several instances the only support consisted of monthly allocations of amounts that had been budgeted for the program year. (See p. 24.)
- Timely and accurate financial reports were not submitted to OEO and DOL. (See p. 27.)
- The Community Action Agency was not ensuring that its delegate agencies comply with the OEO requirement for obtaining certifications as to the adequacy of their accounting systems. GAO reviewed two of the delegate agencies and found various weaknesses in recordkeeping and internal control practices. (See p. 29.)
- Personnel files were incomplete and salary limitations were not adhered to in several instances. GAO believes that the employee benefit plans appear to be more costly to the employer and/or contain greater potential benefits to the employee than similar plans

sponsored by the Federal Government and the city of Bridgeport.  
(See p. 31.)

--Business and employment relationships involving board members--certain board members received salaries or were paid for services provided with program funds--appeared inconsistent with OEO guidelines relating to conflicts of interest. (See p. 38.)

There has been some laxity by officials of Action for Bridgeport Community Development, Inc., in complying with Federal requirements concerning control of program funds. In most instances, these officials stated that corrective actions would be taken. GAO believes that OEO and DOL need to maintain closer surveillance over the agency's financial activities.

#### RECOMMENDATIONS OR SUGGESTIONS

Copies of this report are being provided to the Director, OEO, and to the Secretary of Labor. GAO is advising them of the need for corrective action on the matters discussed in the report.

## CHAPTER 1

### INTRODUCTION

The General Accounting Office has reviewed the financial administration of the Community Action Agency (CAA), Action for Bridgeport Community Development, Inc, (ABCD), located in Bridgeport, Connecticut. ABCD has received Federal funds from the Office of Economic Opportunity and the Department of Labor to administer programs authorized by the Economic Opportunity Act of 1964 (EOA), as amended (42 U.S.C. 2701). The review was performed pursuant to an agreement made on May 21, 1969, with Congressman Lowell P. Weicker, Jr., that we would examine into the Community Action Programs (CAPs) in Bridgeport, Norwalk, and Stamford, Connecticut. Our findings at Norwalk and Stamford will be the subject of future reports.

Our review, which was conducted during the period July to November 1969, was directed toward evaluating ABCD's procedures and controls over expenditures and property and reviewing other specific financial management practices. We tested individual transactions as part of the review of the accounting records and related data. The review was conducted mainly at the central office of ABCD and at its Neighborhood Youth Corps (NYC) and Concentrated Employment Program (CEP) offices which are located in Bridgeport, Connecticut. We also interviewed officials of ABCD, OEO, and DOL who had information pertaining to the matters under review. The scope of the examination did not encompass an evaluation of whether the programs were effective in achieving their statutory objectives.

### PROGRAM PURPOSE

Title II of EOA, as amended, provides for the establishment of CAAs and programs designed to provide stimulation and incentive for urban and rural communities to mobilize their resources to combat poverty. The programs are to be directed to the needs of low-income individuals and families and administered by public and private nonprofit agencies, with maximum feasible participation of residents of the area and members of the groups served.

EOA, as amended, stipulates that a CAP is to be a community based and operated program which includes, or is designed to include, a sufficient number of projects or components to provide, in sum, a range of services and activities having a measurable and potentially major impact on causes of poverty in the community or in those areas of the community where poverty is a particularly acute problem. The CAP is to be carried out by a CAA which must be a State or political subdivision of a State or a public or private nonprofit agency or organization which has been designated by a State or such a political subdivision.

The NYC program was established under part B, title I, of EOA. The Director, OEO, on October 23, 1964, delegated authority to the Secretary of Labor to administer the NYC program. The objectives of the NYC program are (1) to provide part-time employment, on-the-job training, and useful work experience for students from low-income families who are in the ninth through 12th grades of school (or who are of an age equivalent to that of students in such grades) and who are in need of the earnings to permit them to resume or maintain attendance in school or (2) to provide useful work and training (which must include sufficient basic education and institutional or on-the-job training) designed to assist unemployed, underemployed, or low-income persons aged 16 and over to develop their maximum occupational potential and to obtain regular competitive employment.

The CEP was established under part B, title I of EOA, as amended by the Economic Opportunity Amendments of 1967 (Public Law 98-222). The Director of OEO delegated authority to administer CEP to the Secretary of Labor. The objective of the CEP is to combine under one sponsor and in a single contract all the manpower programs and services that are necessary to help an individual move from unemployability and dependency to self-sufficiency. The specific input by CEP toward increasing employment among persons in target areas, over and above that already provided through existing manpower programs, is intended to be (1) the intensive outreach efforts within a comparatively limited target area that will bring persons into work-training programs, (2) the ability to present a variety of job-training opportunities to applicants, (3) the ability to provide a

variety of supportive services to enrollees that will make them job-ready, and (4) intensive job-development efforts with local employers.

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

Originally organized in June 1964 by a group of private citizens, ABCD was incorporated on September 10, 1964, in the State of Connecticut as a nonprofit organization to provide stimulation and incentive for the greater Bridgeport community and to mobilize its resources, public and private, to combat poverty through a CAP.

At the time of incorporation, ABCD's Board of Directors consisted of 17 members, mostly Caucasian, from various business and community organizations. However, by July 1969 there were 42 board members--18 Negroes, 20 Caucasians, and four Puerto Ricans. Of these 42 board members, 12 represented the public sector, 15 represented the poor, and 15 represented various business and community organizations. To carry out the various programs, ABCD is organized under an executive director who is assisted by individual staffs assigned to the CAP, NYC, and CEP activities.

The CAP activities are centered in six target area neighborhoods of the city of Bridgeport and are conducted from the ABCD central office and neighborhood and multiservice centers. CAP educational, legal, and child day-care services are provided by public and private agencies to which these programs are delegated. Participation in the programs by the target-area poor is provided by neighborhood councils. NYC and CEP activities are conducted mainly from their own offices; schools are utilized for NYC enrollee recruitment and arrangements are made with public and private organizations to serve as work-training sites for NYC and CEP enrollees.

The various CAP activities of ABCD have been financed through grants of Federal funds by OEO, amounting to about \$3.2 million for the period January 1965 through September 1969, as shown below.

<u>Program component</u>	<u>Program period</u>				<u>Total</u>
	Jan. 65	Apr. 67	Oct. 67	Oct. 68	
	to	to	to	to	
	<u>Mar. 67</u>	<u>Sept. 67</u>	<u>Sept. 68</u>	<u>Sept. 69</u>	
Neighborhood and staff organization	\$496,415	\$167,633	\$353,357	\$446,555	\$1,463,960
Manpower development and employment	-	3,605	150,137	133,077	286,819
Neighborhood legal services	76,880	53,073	87,607	109,000	326,560
Children's day-care centers	-	13,270	117,068	117,000	247,338
Family planning centers	-	2,839	11,986	15,550	30,375
Summer Head Start	78,149	70,202	50,095	76,953	275,399
Upward Bound	-	24,644	23,347	-	47,991
Various (program development, operation medicare alert, etc.)	<u>267,708</u>	<u>99,416</u>	<u>75,799</u>	<u>34,098</u>	<u>477,021</u>
Total	<u>\$919,152</u>	<u>\$434,682</u>	<u>\$869,396</u>	<u>\$932,233</u>	<u>\$3,155,463</u>

Under agreements with ABCD, DOL has made available Federal funds of about \$1.9 million for the NYC program for the period June 1965 through June 1970 and of about \$2.2 million for CEP for the period May 1968 through October 1969. Details of ABCD's expenditures under these programs are contained in appendixes I, II, and III.

## CHAPTER 2

### NEEDED IMPROVEMENTS IN

### THE ADMINISTRATION OF FUNDS

Although we generally believe that ABCD's expenditures, mostly for payroll and related costs, were for authorized purposes, weaknesses existed in ABCD's control over, and administration of, Federal funds during the period covered by our review--September 1967 through November 1969, which precluded us from making conclusive determinations on the propriety of many of the expenditures.

Also, we believe that there has been some laxity by ABCD officials with regard to compliance with Federal requirements intended to ensure that local agencies are exercising appropriate control over program funds. The weaknesses noted during our review were brought to the attention of ABCD officials who, in most instances, stated that corrective actions would be taken. It should be noted, however, that many of the weaknesses were previously identified during audits by certified public accountants and by OEO of ABCD's CAP activities.

Although it is the responsibility of the CAA to comply with the agreements with, and guidelines of, the Federal agencies that provide its funding, the Federal agencies have a responsibility of providing sufficient control over, and assistance to, the CAA to provide assurance that the funds are expended only for authorized purposes.

OEO and DOL regional officials have made visits to ABCD concerning program activities, policies, and procedures. We believe, however, that the matters discussed in this report evidence a need for closer surveillance over ABCD activities, including more effective follow-up to ensure correction of weaknesses revealed by audits. Our findings concerning needed improvements in ABCD's administration of funds follow.

## PAYROLL AND RELATED COSTS

Although we were satisfied in most instances that ABCD disbursements for payrolls and related costs represented payments to which employees and program enrollees were entitled, weaknesses in time and attendance reporting precluded a determination that all payroll disbursements were made for authorized purposes and in the proper amounts.

Payrolls and related costs represent ABCD's major expense category, as shown in the following table.

	Payroll and related costs (million)	Percent of total Fed- eral cost
CAP (January 1965 through April 1969):		
Payrolls	\$1.9	72
NYC (June 1965 through August 1969):		
Payrolls	.4	20
Enrollee stipends	1.3	75
CEP (May 1968 through July 1969):		
Payrolls	.5	40
Enrollee stipends	.4	29

Minimum controls over payrolls should provide for documentation supporting payments to employees and enrollees (payees) based on a record of daily and weekly time worked attested to by the payees' supervisors. With respect to leave, records should exist to provide assurance that leave was available to an employee and that leave taken by the employee was for the purpose intended and was charged against the available leave.

Our examination of ABCD's practices and procedures and tests of payroll disbursements showed that less than the minimum controls described above were provided.

The CAP and CEP payrolls were prepared and the payroll checks were issued without reference to time and attendance

reports. This circumstance occurred because of ABCD's practice of disbursing the payroll on Friday of a current week before employees' supporting time and attendance reports were received. The time and attendance reports were received by the payroll department the following Monday. Under this practice, payroll adjustments would have to be made the following week, but our selected tests of payroll transactions, as discussed below, indicated that procedures were not adequate to ensure that all appropriate adjustments would be made.

Our examination of time and attendance reports for CAP payrolls for the months of October 1968 and April 1969, which totaled about \$57,000, showed that (1) the time and attendance reports frequently were not approved by the appropriate supervisor, (2) the time and attendance reports in a few instances could not be located, (3) payment in one instance was made for time worked in excess of that reported, and (4) the amount of leave taken in one instance was incorrectly recorded in the leave records.

Although most employees' time and attendance reports were filled out completely, we noted that, in several instances, the reports showed the employees' daily starting and stopping time but did not show the time taken for lunch or the actual number of hours worked.

The time and attendance reporting practices for employees in the NYC program were generally adequate, but there were inadequacies in the practices for CEP employees similar to those noted for CAP employees, including instances where time and attendance reports could not be located and instances where the reports had not been approved by supervisors.

Our tests of time reports for the NYC enrollee payrolls for the weeks ended April 24 and May 16, 1969, and for the CEP enrollee payroll for the week ended July 18, 1969, indicated that NYC enrollee time reports were generally adequate to support the payments made but that the CEP enrollee time reports were not always adequate to provide assurance that the payments were proper. Of the time reports for the 128 CEP enrollees, two reports were not

approved by supervisory personnel and eight were not signed by the enrollees.

Weaknesses also existed in leave practices. Our examination of leave records for 130 CAP employees--representing all employees from January 1967 through June 1969--showed 18 instances of errors in posting the amount of leave taken. Also, of four CAP employees who took significant amounts of sick leave, two improperly charged personal business leave, totaling 6 days, as sick leave after taking the maximum sick leave to which they were entitled. Although the employees' leave records showed leave taken, they did not show the amount of leave earned. Consequently payroll clerks did not readily know whether leave allowances had been exceeded.

Our examination of leave records for CEP staff members revealed a number of discrepancies and weaknesses, including (1) unexplained differences between time and attendance records and leave records in amounts of leave taken and (2) the nonrecording of sick leave and vacation leave accruals and balances.

Our review of the leave records for five NYC staff members who took leave during the months of August and September 1969 revealed that in four instances annual leave taken, as indicated on the weekly time cards, had not been posted to the leave records. We also noted that the NYC leave records did not indicate total leave taken, leave accrued, or leave balances.

We believe that there is a need for ABCD to review and strengthen its controls and practices governing payroll and leave records. Particular attention should be paid to ensuring that payrolls are based on properly prepared and approved time and attendance reports and that leave records correctly account for all leave due, and taken by, ABCD employees.

## TRAVEL

ABCD was not enforcing its requirements that employees provide adequate documentation for travel expenses claimed and that they liquidate travel advances timely.

Travel costs have represented a relatively small portion of the total Federal expenditures, as shown below.

	<u>Travel costs</u>	<u>Percent of total costs</u>
CAP (January 1965 through April 1969)	\$53,350	2.0
NYC (June 1965 through August 1969)	8,093	.5
CEP (May 1968 through July 1969)	5,075	.4

Guidelines issued by OEO in June 1965 and November 1966 require ABCD to follow the policies in the Standardized Government Travel Regulations (SGTR) for processing claims for reimbursement of CAP travel expenses. We were informed by the ABCD controller, however, that he was not aware that ABCD was required to process claims for travel expenses incurred in accordance with SGTR.

Our examination of CAP travel expenses, amounting to \$5,590 selected from claims submitted during the period July 1968 through April 1969, showed that claims totaling \$4,846, or about 87 percent of the claims examined, did not contain the supporting information required by SGTR. The claims did not contain information such as points of travel, duration of travel, automobile odometer readings, and/or purpose of travel. In some cases, ABCD, without providing documented justification for its action, reimbursed employees for actual expenses, while in an overnight travel status, rather than on a per diem basis as generally called for by SGTR. Also, in some cases, payments were made for employee meals. Although payments for meals may be authorized under certain circumstances, we could not determine from the information provided whether the required circumstances existed.

Also, ABCD did not follow the practice of preparing travel order authorizations as required by SGTR. Travel claims in connection with the NYC program and CEP contained similar deficiencies. Although DOL requires that adequate information be provided to support travel expenses claimed, our examination of 24 NYC travel vouchers selected from a total of 79 vouchers submitted by ABCD employees in the period September 1968 through August 1969 showed that the selected vouchers did not contain an explanation of the purpose for the travel and that five vouchers did not include odometer readings supporting the mileage claimed. In the case of one voucher for out-of-town travel costs, reimbursement was made on the basis of actual expenses without indicating the reason why per diem was not paid.

We selected 17 CEP travel vouchers, representing about 18 percent of total travel costs incurred during the period May 1968 through July 1969, for detailed review. We noted that in some cases CEP staff members did not indicate on their travel vouchers the locations visited or the odometer readings. For example, travel vouchers contained explanations such as "took enrollees to work site" as the description of the travel performed. We noted also that per diem payments to CEP travelers were sometimes in excess of the amounts authorized by CEP's travel policy.

Travel advances were not liquidated timely following the performance of the related travel. In one instance an ABCD official received a \$75 advance and, although he incurred no expenses in connection with the travel performed, he retained the \$75 for 6 months before returning it to ABCD. In another instance, an advance of \$141 made to an official in November 1968 was still outstanding in July 1969, at the time of our fieldwork. The official informed us that he had performed the required travel but had not yet submitted an expense report for the trip.

Seven CEP staff members had outstanding travel advances totaling over \$1,000 at July 31, 1969. The individual advances ranged from \$25 to \$425 and were outstanding for periods from 4 months to 9 months. We also noted that four other staff members had outstanding travel advances ranging from \$20 to \$240 which were outstanding for periods

ranging from 5 months to 9 months before they were liquidated. One CEP staff member who terminated in July 1969 had a \$40 travel advance which was not refunded.

ABCD officials informed us that ABCD's written policy requiring every staff member to file a travel expense report within 3 days after returning from a trip would be re-emphasized and that, in the future, employees would be required to prepare travel vouchers in accordance with the requirements of SGTR. Considering the extent to which a lack of documentation existed for travel claims selected for our test and the apparent laxity in controlling travel advances, we believe that, in addition to reemphasizing its requirements, ABCD should materially strengthen its system for the approval of travel advances and the audit of travel expenses claimed.

## PROCUREMENT

ABCD was not fully complying with OEO and DOL requirements intended to ensure that procurements are adequately documented and that goods and services are obtained at a reasonable cost. In addition, ABCD's contractual arrangements for consultant and professional services did not fully comply with OEO requirements.

ABCD's expenditures for purchase or rental of equipment, supplies, and services, consultant and contract services, and items classified as other costs amounted to about \$555,000. Costs by program, which are shown in more detail in appendixes I, II, and III, were:

	<u>Procurement costs</u>	<u>Percent of total costs</u>
CAP (January 1965 through April 1969)	\$411,275	15
NYC (June 1965 through August 1969)	48,200	3
CEP (May 1968 through July 1969)	<u>95,349</u>	8
Total	<u>\$554,824</u>	

OEO guidelines state that CAAs should establish formal written procurement policies, make purchases wherever possible at prices consistent with those offered by the General Services Administration (GSA) supply sources, obtain competitive quotations to the fullest extent practicable when purchasing from commercial vendors, document each purchase of supplies and services with appropriate requisitions and purchase orders, and document the receipt of all goods and services purchased.

We selected for review CAP purchases of equipment, supplies, and services, totaling about \$13,500, or about 60 percent of such purchases during the period July 1968 through April 1969. Our review showed that, for purchases amounting to about \$4,500, one or both of the following deficiencies existed:

--competitive quotations were not customarily obtained or made a matter of record, and

--purchase orders were approved after the supplies or services were received.

In addition, purchase orders were not always prepared for purchases and ABCD had not established formal written purchasing policies and procedures.

The ABCD purchasing clerk informed us that ABCD's failure to maintain an adequate stock of consumable office supplies resulted in purchases from commercial vendors to meet immediate needs, although the items could have been obtained at lower cost through GSA. The purchasing clerk also said that, when competitive quotations were obtained for supplies and other items, the quotations were not made a matter of record to support selection of the vendor and that, when the same item was purchased again, it was customary to obtain it from the same vendor rather than to solicit competitive quotations.

DOL financial guidelines state that purchases must be supported by purchase orders, receiving reports, and vendor invoices. In the 1-year period preceding our review of expenditures for the NYC out-of-school program, only \$390 had been expended for the purchase of office equipment. Competitive quotations were not obtained for the equipment purchased. Our examination of 24 purchases, amounting to about \$1,500 for consumable office supplies and other items, showed that three paid vouchers were not supported by purchase orders, six paid vouchers were not supported by properly executed receiving reports, and one payment was not supported by a vendor's invoice.

Our review of purchases amounting to about \$34,000 for the CEP activities indicated that purchase orders and receiving reports generally were prepared. We were informed by the purchasing manager who buys for the CEP that GSA sources were not utilized in procuring supplies and that competitive quotations from vendors either were not obtained or were not recorded for a number of purchases.

In addition, ABCD apparently did not examine into the economies involved in purchasing, rather than renting, six typewriters and two adding machines used in connection with its CAP activities. We noted that the rental costs of the equipment would equal the purchase cost in 18 months for the typewriters and in 13 months for the adding machines.

At the time of our fieldwork, ABCD had been renting, on a continuing basis, the typewriters for about 14 months and the adding machines for about a year. The previous ABCD controller informed us that ABCD had intended to rent these items only periodically for short periods.

Other weaknesses noted pertaining to CAP purchases were:

--About \$660 was spent for photographic and recording equipment on the last day of a grant program year for use in the following grant program year. (OEO guidelines state that grant funds should be expended only for purchases expected to be used in the current grant period.)

--Two rentals of office furniture and equipment, for which payments during the period July 1968 through April 1969 amounted to \$50, were not documented by rental agreements.

Our examination of contracts amounting to about \$9,500 for consultant services showed that the contracts between ABCD and two consultants did not include the minimum requirements specified by OEO instructions, dated October 1965, in that (1) both contracts did not require the consultants to maintain records and accounts of services performed, (2) one contract did not specify the termination date for the services, and (3) one contract allowed the reimbursement of travel expenses at a reasonable rate, rather than in accordance with provisions of SGTR. Under this contract, the consultant was paid \$88 for travel expenses without submitting any information in support of his claims.

We also noted that ABCD had engaged the services of one of the consultants referred to above at a fee of \$30 a

day to locate a site for a rehabilitation center for drug addicts, without first obtaining definite assurance from OEO that the program would be funded. An ABCD official informed us that he had been verbally informed by an OEO official that the program funds would be approved. Subsequent to the consultant's locating a site and receiving fees of \$1,050 for his efforts, OEO refused to grant funds to ABCD to lease the property.

ABCD also obtained short-term professional services-- audit and clerical services--on an oral basis, although OEO guidelines state that a purchase order should be issued for such services.

The executive director told us that ABCD would follow OEO requirements when hiring consultants and that purchase orders would be issued for all purchases and services obtained.

We believe that, to achieve acceptable control over procurements, ABCD also should issue detailed written instructions prescribing the controls to be maintained over procurements. The instructions should provide for (1) use of GSA supply sources, when appropriate, (2) establishment of controls to ensure that purchases are made only by authorized employees on the basis of advance authorizations, and (3) maintenance of documentation showing the details of each purchase, including the name of the vendor, a description of the items purchased, the cost of the items, and adequate evidence that the items were received. After development of such instructions, we believe that an orientation program should be conducted to familiarize ABCD employees with the instructions and other acceptable procurement procedures and practices and that appropriate internal reviews should be made to ensure that prescribed procedures and practices are being followed.

## CONTROL OVER NONEXPENDABLE PROPERTY

From inception of the program in January 1965 through the period of our fieldwork, ABCD spent about \$135,000 for various items of office or project equipment. Our tests of the records and attempts to locate selected items of nonexpendable property showed that ABCD had not maintained adequate control over these assets and, in several instances, had not complied with OEO or DOL requirements covering the reporting of thefts of property.

OEO requires CAP grantees and participating agencies to maintain records on all nonexpendable property; to take periodic inventories to verify the location of the property; and to inform OEO promptly if such property is lost, destroyed, or stolen. DOL has established similar requirements for controlling and safeguarding items purchased with NYC and CEP funds.

Our examination of the CAP property record cards for 335 items, representing about 95 percent of the cost of all items acquired, and our observation of selected items revealed that 15 items of equipment did not have assigned identification numbers. For 33 items, the location was not properly identified on the property record cards; therefore, the items could not be readily located. In this regard, we could not locate five of the items.

The CAP property record cards indicated that 11 items costing \$1,910 had been stolen, but no documentation was available to show whether ABCD had reported these stolen items to OEO.

Our review of CEP property controls for about 100 items, representing about 85 percent of the cost of all items of CEP property, showed that (1) property record cards were not maintained for 21 items, (2) 12 cards did not indicate the location of the items, and (3) four cards did not include the signatures of the property custodians evidencing custody of the items.

We examined 16 CEP items, representing 11 different types of equipment, and noted one item that did not have an

identification number. We noted also that property record cards were incorrect for nine other items in that they listed individuals who had terminated their employment as the custodians of the property.

We selected all items costing \$75 or more for our test of NYC property controls. For three of the 28 items included in our test, the property record cards did not show the serial or assigned numbers of the property; and for five other items costing \$874, the property record cards indicated that they had been stolen. We were unable to determine from the records or from discussions with employees whether the thefts of two of the items had been reported to either the executive director or the controller for subsequent referral to DOL.

ABCD officials indicated to us that action would be taken to correct the property records and that in the future OEO and DOL would be notified of any thefts of property.

#### FUND CONTROL PRACTICES

Our examination revealed certain questionable practices by ABCD relative to returning unexpended fund balances to OEO and DOL and maintaining CAP funds apart from non-CAP funds.

To minimize Federal borrowings and for other reasons, OEO requires grantees to pay all program expenditures within 90 days after the end of the program's funding period, to report all unexpended fund balances to OEO, and to return unexpended funds to OEO at the end of the 90-day period, unless they have been reprogrammed by formal OEO grant action for use in the subsequent program period.

As shown by the following schedule, ABCD delayed for periods ranging from 6 to 18 months beyond the 90 days before returning \$23,838 of unexpended CAP funds to OEO. At the time of our fieldwork, ABCD was responsible for returning to OEO an additional \$33,034 of unexpended funds, which had been retained by ABCD for 9 months beyond the 90 days permitted by OEO.

<u>CAP grant</u>	<u>Unexpended fund balance</u>	<u>Remittance was due</u>	<u>Month of remittance to OEO</u>	<u>Months of delay in remitting funds</u>
CG-0441	\$19,413	June 1967	Jan. 1969	18
CG-0441	3,162	Dec. 1967	Feb. 1969	13
CG-1406	<u>1,263</u>	June 1968	Jan. 1969	6
Total	<u>\$23,838</u>			
CG-0441	<u>\$33,034</u>	Dec. 1968		9 <sup>a</sup>

<sup>a</sup>As of September 1969.

Since April 1967, DOL has required that unexpended funds be returned within 90 days after completion of the program funding period; however, the former requirement, which applied to the four agreements discussed below, provided that the funds be returned within 1 year after completion of the funding period. As of September 1969, unexpended funds under the four agreements totaling \$33,870 had not been returned to DOL, although the agreements had been completed for periods ranging from 2 years to over 3 years and the funds had not been reprogrammed.

<u>Agreement number</u>	<u>Unexpended funds</u>	<u>Remittance was due</u>	<u>Months of delay in remitting funds (note a)</u>
R1-6365-7	\$12,265	June 1967	27
R1-6366-7	15,636	June 1967	27
R1-7136-07	2,299	Sept. 1968	12
R1-7024-07	<u>3,670</u>	July 1968	14
Total	<u>\$33,870</u>		

<sup>a</sup>As of September 1969.

DOL, under agreement CEP 8017, provided ABCD with funds totaling \$13,290 for the period May through July

1968. Under this agreement, unexpended funds were required to be returned to DOL within 90 days after completion of the funding period. At the time of our fieldwork in November 1969, unexpended funds of \$170 had not been returned to DOL.

The ABCD controller was unable to explain why ABCD had delayed in returning the CAP funds of \$23,838 to OEO since he had not assumed the position of controller until April 1969. With respect to the other OEO and DOL funds that were being withheld at the time of our fieldwork, ABCD officials stated that action would be taken to return the funds after the certified public accountant's audit which was then in process.

We were informed subsequently by DOL officials that ABCD had remitted the NYC funds of \$33,870 to DOL after we brought the matter to the ABCD executive director's attention. The DOL officials stated that they had previously attempted to persuade ABCD to remit the unexpended funds.

We noted two other matters involving fund control practices which appeared questionable.

1. ABCD, from time to time, borrowed CAP funds to meet obligations payable from its fund of private contributions. Generally, the amounts outstanding which totaled from \$2,000 to \$4,000, were repaid from 2 to 5 months later.

Also, on occasions, ABCD had deposited non-CAP funds into the bank account for CAP funds. We informed the ABCD controller that OEO requires that CAP funds be spent only for purposes and activities of the approved programs. Subsequently, the ABCD controller established a separate bank account for non-CAP funds.

2. ABCD passed on to DOL interest costs of \$532 incurred through July 31, 1969, on two loans totaling \$70,000. DOL was not aware, however, that its funds had been used to pay interest costs because the monthly cost reports submitted by ABCD combined the

interest costs with other miscellaneous CEP costs under the cost category entitled "Other Direct Costs." We referred the ABCD officials to the DOL agreement which does not allow payment of interest costs.

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We believe that these questionable fund control practices show that ABCD has been lax in complying with the governing Federal requirements and that ABCD needs to improve its performance in this area.

#### INADEQUATE BONDING COVERAGE

DOL guidelines dated March 14, 1967, required ABCD, as a private organization that received advance payments of funds, to obtain bonding in the amount of \$25,000 to protect against possible dishonest acts of officers or employees who have disbursement authority.

Our examination of ABCD's bonding practices in connection with the NYC activities revealed that ABCD had obtained a position schedule bond in the required amount for only three of the six officers and employees, including the controller, authorized to sign or countersign checks. Also the bond, which designates the Government as the insured, does not protect against any losses caused by possible dishonest acts of other ABCD employees in connection, for example, with procurement or payroll transactions.

The controller stated that he was unaware of this situation prior to our bringing it to his attention. He informed us that he would discuss this matter with the insurance broker before deciding what action to take.

## NON-FEDERAL CONTRIBUTIONS

ABCD was not adequately accounting for its non-Federal contributions to program costs in that it did not maintain documentation that would fully support the contributions and their valuation. In several instances, the amounts recorded in the accounts were monthly allocations of the amounts that had been budgeted for the program year and were not otherwise supported.

Pursuant to provisions of EOA, ABCD has been required to provide a non-Federal contribution, either in cash or in kind, amounting to at least 10 percent of the total program costs. (The Economic Opportunity Amendments of 1967 amended the act so as, in effect, to require an increase in the minimum local contribution for ABCD's CAP activities to 20 percent of total costs.) Both OEO and DOL required ABCD to support the amounts recorded in the accounts in a manner comparable to that required for Federal costs.

Appendixes I, II, and III show that, through the end of the periods covered by our review, non-Federal contributions of about \$1,000,000 had been recorded by ABCD for the CAP, NYC, and CEP activities. This total represents about 15 percent of the total program expenditures of about \$6.6 million during the same period.

### CAP non-Federal share

We reviewed all CAP non-Federal share contributions--amounting to about \$27,000--for the program year beginning October 1, 1968, that were recorded in ABCD's accounts as of April 1969. In our opinion, contributions of about \$19,500, 72 percent of the contributions examined, were not supported and documented in accordance with OEO requirements.

For the period October 1968 through April 1969, ABCD recorded in its accounts contributions of \$17,043.80 representing contributions of \$2,434.83 each month in connection with its manpower development component. The entry for the contribution contained the notation that the contribution was for the use of a building and for services, the value of which was to be verified by the Board of

Education. The posting summary indicated that the contribution comprised the following monthly costs: personal service, \$1,149; travel, \$583.33; consumable supplies, \$60.42; equipment, \$322.92; telephone, \$50; printing, \$4.16; and miscellaneous expenses, \$265.

Our further inquiries showed that ABCD had no documentation from the Board of Education to support this entry. The amount recorded each month had been computed by allocating the component's total OEO-approved non-Federal share of \$29,218 over the 12 months of the program year.

ABCD had recorded two monthly contributions of \$1,250, or \$2,500, for space donated by the Bridgeport Housing Authority. We could find no supporting information in the accounting records as to the basis of the valuation of the donated space. We noted that ABCD had agreed to provide \$15,000 as the in-kind contribution for space costs. The ABCD accounting clerk informed us that she had been instructed by the previous ABCD controller to make the entry monthly.

The present ABCD controller and the ABCD executive director stated that, in the future, attempts would be made to adequately identify and support the non-Federal contributions.

#### NYC non-Federal share

Our examination into about \$9,000 of the in-kind contributions reported for two of the six agencies participating in the NYC out-of-school component showed that the in-kind contributions were not supported and documented in the manner required by DOL.

The in-kind contribution reports prepared for the Bridgeport Regional Center indicated that, generally, the contributions pertained to the services of one supervisor who devoted 10 percent of his time to the NYC project; and the in-kind contribution reports prepared for the Young Men's Christian Association indicated that, generally, the contributions pertained to the services of a secretary, a counselor, and a recruiter who devoted up to 100, 75, and 25 percent of their time, respectively, to the project.

In discussions with responsible officials of these agencies, we learned that personnel and time and attendance records did not exist to properly support the individual services reported as being provided. We learned that it was the practice for ABCD to prepare the in-kind contribution reports for the participating agencies and to submit them to the agencies for their review and approval and that the amounts of contributions attributed to the agencies by ABCD were based solely upon prior agreements between the agencies and ABCD and not upon documentation supporting the services rendered by agency personnel.

CEP non-Federal share

ABCD received DOL funds of \$13,290 under agreement CEP 8017 which required ABCD to provide contributions amounting to \$2,200 as its share of the program costs. This agreement was completed in July 1968, but, at the time of our examination, in November 1969, ABCD had reported none of the required non-Federal contribution on its detailed statements of costs. Moreover, no portion of ABCD's share of costs was recorded on the general ledger for the CEP 8017 agreement.

ABCD officials subsequently informed us that it was an error of omission that ABCD had not reported its share of costs and that, on the basis of the space and volunteer services that were actually contributed, ABCD could have easily supported a claim for in-kind contributions in an amount in excess of the \$2,200.

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We believe that ABCD needs to substantially strengthen its procedures and controls with respect to accounting for non-Federal contributions to provide a reasonable basis for ascertaining that the contributions have been made. In particular, the practice of making monthly entries to the accounting records on the basis of the approved budgets, rather than actual contributions, should be considered unacceptable.

TIMELINESS AND ACCURACY  
OF FINANCIAL REPORTING

ABCD was not forwarding the required monthly financial reports to OEO and DOL timely, and reports that were submitted often contained inaccurate information. If properly prepared and submitted, the monthly financial reports assist ABCD and Federal officials in determining whether Federal and non-Federal expenditures are consistent with program objectives and authorized funding.

OEO requires ABCD to submit monthly financial reports on CAP expenditures to OEO within 15 days after the end of the month reported on. Under grant CG-0441, ABCD was late in submitting every monthly report from October 1967 through June 1969, for periods ranging from 4 days to several months.

In several instances, the reports indicated that ABCD was not maintaining its required rate of non-Federal contributions. One purpose of the reports is to enable OEO to take action, such as reducing the amount of additional funds otherwise becoming available, to ensure that non-Federal contributions are maintained at the required rate. We found evidence that OEO had notified ABCD, on at least one occasion, that a number of its reports were delinquent, but we found no evidence that any OEO action had been taken with respect to the rate of non-Federal contributions that was reported.

Certain differences existed between amounts reported to OEO and amounts recorded in the general ledger. For example, ABCD reported the Federal share of expenditures for the manpower development component to be \$1,284 in the September 1968 report, whereas, as of the same date, the general ledger recorded the Federal share of expenditures to be \$14,017.

ABCD reported fund advances made to the three delegate agencies under program years C, ended September 1968, and D, ended September 1969, as expenditures incurred by the delegate agencies and disregarded the expenditures actually reported by these delegate agencies to ABCD. For example, ABCD reported through September 1968 that fund advances of

\$201,102 made to two of the delegate agencies were Federal share expenditures, whereas the delegate agencies reported to ABCD that the Federal share expenditures totaled \$164,119.

Most of the differences mentioned above were reported correctly by ABCD in the final report for program year C. The final report for program year D was not due until December 1969, or after we had completed our work in Bridgeport.

The ABCD controller could not explain why ABCD reported expenditures to OEO that differed from the general ledger balances. Regarding the delegate agency advances, he stated that ABCD did not feel that it could rely on the accuracy of the expenditures reported by the delegate agencies until after a financial audit had been performed. We pointed out to the controller that OEO guidelines require ABCD to ensure that the accounting systems and internal controls of delegate agencies are operating effectively and that adequate records are maintained.

DOL requires that detailed statements of costs be submitted each month to DOL no later than the 10th of the month following the month reported on. Our examination of ABCD's reports on its CEP operations from August 1968 through July 1969 showed that, of the 12 reports required, four had not been submitted as of November 1969 and six had been submitted 13 to 30 days late.

Our review of the monthly detailed statements of costs submitted by ABCD for the NYC out-of-school component, covering the 24-month period--September 1967 through August 1969--showed that four statements had been submitted on time and that 20 statements had been submitted from 1 to 17 days late.

We believe that, because inaccurate or significantly delinquent financial reports are of questionable value, ABCD needs to substantially improve its performance with respect to financial reporting.

## ADMINISTRATION OF DELEGATE AGENCIES

OEO guidelines required ABCD to assume the responsibility for ensuring that the delegate agencies establish adequate accounting systems. This responsibility included, among other things, the requirements that (1) an independent audit be conducted of each delegate agency at least once every 12 months to ensure that the accounting system and internal controls are operating effectively and that adequate records are being maintained and (2) an appropriate certification be obtained from an independent certified public accountant or chief financial officer, depending on whether the delegate agency is a private or public body, that the delegate agency established an accounting system with adequate internal controls.

At the time of our fieldwork, the required certification for only one of six delegate agencies had been submitted to ABCD and only five of the delegate agencies had been audited at least once every 12 months. Moreover, ABCD had not arranged to make a regular or periodic review of the accounting records of the delegate agencies, and, from our discussions with the controller and observations of the reports received, we concluded that ABCD had not impressed upon the delegate agencies the need to promptly submit accurate financial reports.

Examinations conducted by us of the accounting records of two delegate agencies revealed various deficiencies on the part of each agency in recordkeeping and in maintaining internal controls, such as CAP funds not maintained apart from non-CAP funds, bonding not obtained for appropriate officials, physical inventory of property not made, property records not prepared, travel expense claims not in compliance with SGTR, expenditures misclassified, competitive quotations not obtained in making purchases, and time and attendance records not maintained for payroll purposes.

Also, the public accountants audit reports, issued in July and August 1969, for these agencies under completed CAP grant CG-0441, program year C, questioned various costs and procedures and showed that the delegate agencies had exceeded budgetary limitations by \$2,500 without obtaining the required approval from ABCD. At the time of our

fieldwork, in September 1969, it appeared that ABCD generally had not taken corrective action on the matters questioned by the public accountants.

The ABCD controller stated that he did not have sufficient staff to review the financial activities of the delegate agencies. The ABCD executive director informed us that he hoped to add new staff members for this purpose.

We believe that ABCD should assign high priority to meeting its responsibilities for ensuring that delegate agencies have adequate fiscal procedures. The staffing limitations referred to by the ABCD officials are likely to hinder ABCD's review of delegate agency activities, but we believe that ABCD officials need to impress on the delegate agencies that the Federal assistance is predicated on compliance with minimum fiscal requirements to protect the funds and assets made available.

## CHAPTER 3

### PERSONNEL MATTERS

#### SALARY LIMITATIONS

We found a number of instances where ABCD established beginning salaries and made increases in salaries without complying with OEO and DOL requirements.

CAP guidelines, issued by OEO in August 1966, require ABCD to obtain OEO approval before granting an individual a starting salary over \$5,000, when it involves an increase of more than 20 percent over an individual's previous salary. ABCD hired four employees, without obtaining OEO approval at salaries over \$5,000 involving increases ranging from 36 percent to 105 percent over their previous salaries.

The CAP guidelines also require ABCD to obtain OEO approval, in connection with promotions or job changes, before granting salary increases of more than 20 percent during a single 12-month period, which would result in a new annual salary of over \$5,000. ABCD granted to six CAP employees such salary increases, ranging from 28 percent to 44 percent, without obtaining OEO approval.

DOL guidelines require written approval from DOL for any salary over \$6,000 that exceeds an individual's immediate prior salary by more than 20 percent. Our examination showed that one staff member in the NYC program received, without DOL approval, an initial salary of over \$6,000 that exceeded by 37 percent her immediate prior salary and that three staff members whose salaries were in excess of \$6,000 received, without DOL approval, salary increases ranging from 30 to 41 percent within a 12-month period.

Personnel files on 29 staff members of the CEP component who were hired at salaries of over \$6,000 showed that 10 staff members received starting salaries ranging from 21 percent to over 100 percent over their prior salaries. One staff member received a salary increase of 22 percent within a 12-month period. ABCD had not requested approval from DOL for these actions.

## EMPLOYEE BENEFIT PLANS

Our examination of ABCD's employee benefit plans showed that, in certain important respects, the plans were more costly to the employer and/or contained greater potential benefits to the employee than similar plans sponsored by the Federal Government and the city of Bridgeport.

Guidelines issued by OEO in August 1966 provide that a grantee or delegate agency participate in existing benefit plans or establish new plans which accord with prevailing practice in comparable local and/or private nonprofit agencies.

### Life insurance

Under the ABCD plan, life insurance coverage is established at an amount equal to twice an employee's annual salary, coverage being a minimum of \$6,000 and a maximum of \$30,000. Under the Federal Government plan, life insurance coverage is established at an amount approximately equal to an employee's annual salary plus \$2,000, coverage being a minimum of \$10,000 and a maximum of \$32,000. The city of Bridgeport plan calls for a maximum life insurance coverage of \$3,000 for all employees. ABCD pays three quarters of the cost of insurance premiums, the Government pays one third, and the city of Bridgeport pays about one quarter.

The effects of the above-described provisions for an employee having an annual salary of \$10,000 are compared in the following table.

	<u>Amount of coverage</u>	<u>Employer cost monthly</u>	<u>Employee cost monthly</u>
ABCD plan	\$20,000	\$8.76	\$2.92
Government plan	12,000	3.58	7.15
City plan	3,000	.63	2.04

### Health insurance

ABCD, the Federal Government, and the city of Bridgeport each offer health insurance plans to their employees.

Under each of the plans a variety of programs are available, depending on the employee's marital status and amount of coverage desired. ABCD pays three quarters of the premium cost under each option; the Government pays from a minimum of \$3.16 monthly to a maximum of \$8.88 monthly, depending on the insurance option in effect; the city pays from a minimum of \$1.24 monthly to a maximum of \$10.34 monthly, depending on the option in effect. The following table compares the approximate costs of each organization's program for high-option health insurance for an employee and his family.

	<u>Employer monthly cost</u>	<u>Employee monthly cost</u>
ABCD program	\$22.05	\$ 7.35
Government program	8.88	20.15
City program	10.34	17.27

During the period October 1, 1968, through July 31, 1969, recorded costs for life and health insurance for ABCD and participating delegate agency employees amounted to about \$31,000.

#### Retirement

ABCD, the Federal Government, and the city of Bridgeport each make retirement plans available to employees. Only the ABCD employees, however, are covered also by social security and are entitled to withdraw the retirement fund contributions of both the employee and the employer in event of termination of employment.

A cost comparison of these plans is made in the following table. The employees' annual salaries are assumed to be \$10,000, and the contribution rates are those in effect during calendar year 1969.

	Rate of contri- bution (percent)	Monthly cost	
		<u>Employer</u>	<u>Employee</u>
ABCD:			
Social security	4.8 <sup>a</sup>	\$31.20	\$31.20
Retirement plan	5.0	<u>41.67</u>	<u>41.67</u>
Total ABCD		<u>\$72.87</u>	<u>\$72.87</u>
Government:			
Civil Service Retirement System	6.5	<u>\$54.17</u>	<u>\$54.17</u>
City:			
Retirement plan (note b):			
Employer	10.8	<u>\$90.00</u>	
Employee	5.0		<u>\$41.67</u>

<sup>a</sup>Applies to first \$7,800 of wages each year.

<sup>b</sup>Some city employees are covered by social security rather than by the city's retirement plan.

The above comparison indicates that the city's retirement plan is the most costly to the employer and that the ABCD plan, in combination with social security, is more costly to the employer than the Government plan. As a further consideration, however, we note that only the ABCD retirement plan allows the employee to withdraw the contribution of both the employee and the employer in event of termination of employment.

For example, should each employee terminate employment after 3 years at a salary of \$10,000 a year, under the plans the ABCD employee would be entitled to a payment of about \$3,000, half of which had been contributed by ABCD; the Government employee would be entitled to a payment of about \$1,950, all of which he had contributed; and the city employee would be entitled to a payment of about \$1,500, all of which he had contributed.

The ABCD retirement plan was established on May 2, 1969. Through July 31, 1969, ABCD had recorded employer's retirement plan cost of about \$12,000.

## OTHER PERSONNEL MATTERS

Personnel files indicated that ABCD's personnel policies, procedures, and practices needed improvement in certain other respects as described below.

Personnel files should contain a record of all personnel actions taken in connection with the employee. Of 60 CAP personnel files that we examined, 34 did not contain appropriate information pertaining to the employee's prior salary, hiring, promotions, etc.

Fifteen selected personnel files of NYC staff members, who were employees of ABCD during calendar year 1969, showed no instance in which all personnel actions were in the folders. For example, none of these folders included any evidence that references supplied by the employees were checked; seven did not contain any documentation on the employees' dates of hire, starting salaries, and positions; and three did not contain any information regarding the promotions and salary increases awarded to the employees.

ABCD does not retain copies of all personnel actions involving CEP staff members' pay. For each new employee and each action involving a pay change, ABCD prepares an individual history card showing the pertinent payroll data, which is forwarded to the bank that prepares the weekly pay checks. However, ABCD does not retain a copy of the history card for its files and therefore does not have ready access to a record showing an employee's payroll changes. We also noted that ABCD did not confirm the previous salaries of 11 CEP employees who were hired at annual salaries of over \$6,000.

A need for attention to, and strengthening of, ABCD's personnel policies and procedures is evidenced by the numerous instances in which ABCD has not complied with OEO or DOL requirements pertaining to salaries and the many instances in which personnel files did not contain required information.

In our discussions of these matters with ABCD's executive director and other responsible personnel, we were

advised that the OEO and DOL requirements would be followed in the future and that procedures would be reviewed to make needed improvements. We believe that OEO and DOL should ensure that corrective actions are taken.

In addition, we believe that it would be appropriate for OEO to examine into the reasonableness of certain features of ABCD's employee benefit plans which appear to be more costly to the employer and/or contain greater potential benefits to the employee than the plans sponsored by the city of Bridgeport or the Federal Government.

## CHAPTER 4

### EMPLOYMENT AND BUSINESS RELATIONSHIPS

#### INVOLVING BOARD MEMBERS

Certain business and employment relationships between ABCD and members of its board of directors appear inconsistent with CAP guidelines relating to conflicts of interest.

EOA, as amended in 1967, provides that each CAA adopt for itself rules designed to establish specific standards to guard against personal or financial conflicts of interest. The act further requires that the Director, OEO, prescribe rules and regulations to supplement the above requirement which shall be binding on all agencies carrying out CAP activities.

CAP guidelines issued in August 1966 and November 1967 provide that individuals not hold a position with the grantee while he or a member of his immediate family serves on a board or committee of a grantee or delegate agency if that board or committee has authority to order personnel actions affecting his job and that grantees generally be prohibited from purchasing goods, space, or services from board members or members of their immediate families.

Our review revealed that three active board members received funds from ABCD for salaries and services provided after the issuance of the CAP guidelines.

After April 1965, one board member acted as a broker in providing insurance coverage to ABCD. The cost of the insurance through June 1969 amounted to \$11,000. At the time of our examination, the insurance consisted of two policies for the bonding of ABCD officers and employees. After the issuance of CAP guidelines which generally prohibit purchases of goods or services from board members, these payments amounted to about \$3,000.

Another board member obtained a leave of absence from the board for the months of July and August 1969, and, during this period, he was employed by ABCD as a program

specialist. This board member was paid \$125 a week for a 9-week period, or a total of \$1,125.

A third board member was employed on a part-time basis as a program coordinator for a delegate agency of ABCD. This member earned \$4,988 from July 1967 through June 30, 1969.

In addition, two former board members had resigned from the board to accept employment with ABCD. They have since terminated their employment with ABCD. A total of \$8,936 was earned by these former board members after August 1, 1966. Although not prohibited by the CAP guidelines, employment of former board members does not appear to be in accord with the spirit of the guidelines.

The ABCD executive director stated that he would interpret and enforce the CAP guidelines as they apply to employment of board members and that the application of the pertinent CAP guidelines to the above situations was a matter of interpretation. He stated also that he considered the purchase of insurance from a board member to be allowed. The chairman of the board of ABCD apprised us that the by-laws of the corporation, which were approved by OEO, allow board members to be compensated for services provided to ABCD. OEO officials informed us that approval of the by-laws did not mean approval to employ board members and that the compensation authorized was to reimburse board members for travel and other expenses for attending board meetings or seminars called by OEO.



**APPENDIXES**



## SCHEDULE OF CAP EXPENDITURES BY ABCD

JANUARY 1965 THROUGH APRIL 1969

Cost category	Grant, period, and amount				Total
	(Jan. 65 to Mar. 67)	(Apr. 67 to Sept. 67)	(Oct. 67 to Sept. 68)	(Oct. 68 to Apr. 69)	
	CG-0441A HS-0933 HS-0934	CG-0441B CG-1406A	CG-0441C CG-1406B CG-1925	CG-0441D	
Personnel	\$594,917	\$295,703	\$682,462	\$352,170	\$1,925,252
Consultant and contract services	47,964	36,498	11,838	9,940	106,240
Travel	21,897	8,838	13,902	8,713	53,350
Space costs and rentals	90,356	32,729	69,427	29,855	222,367
Consumable supplies	32,437	19,222	25,030	8,513	85,202
Rent, lease, or pur- chase of equipment	42,140	15,533	24,309	5,814	87,796
Other costs	44,845	26,159	42,428	18,605	132,037
Unallocated costs	<u>44,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,596</u>
Total Federal	<u>\$919,152</u>	<u>\$434,682</u>	<u>\$869,396</u>	<u>\$433,610</u>	<u>\$2,656,840</u>
Non-Federal contri- butions	<u>\$182,219</u>	<u>\$162,180</u>	<u>\$264,084</u>	<u>\$ 26,959</u>	<u>\$ 635,442</u>

SCHEDULE OF NYC EXPENDITURES BY ABCD

JULY 1965 THROUGH AUGUST 1969

Cost category	Agreement, period, and amount			
	(June 65 to Nov. 65) Summer SO-177-07-5	(July 65 to June 66) In school R1-6365-7	(July 65 to June 66) Out of school R1-6366-7	(July 66 to Sept. 67) In school R1-7136-7
<b>ENROLLEE COSTS:</b>				
Wages	\$76,611	\$187,159	\$74,999	\$225,183
Fringe benefits	2,771	7,836	3,166	9,856
Transportation	-	569	794	16
Other support- ive services	-	1,603	-	-
<b>STAFF COSTS:</b>				
Salaries and wages	6,729	44,104	9,730	34,769
Fringe benefits	230	2,449	965	1,736
Travel	440	1,025	620	670
Other support- ive services	-	-	-	-
<b>OPERATIONAL COSTS:</b>				
Office equip- ment	119	1,184	-	1,731
Project equip- ment	-	1,215	550	-
Rent	-	1,950	-	-
Training	-	-	-	-
Insurance and bonding	531	399	440	1,065
Other direct costs	<u>9,566</u>	<u>3,809</u>	<u>945</u>	<u>4,922</u>
Total Fed- eral	<u>\$96,997</u>	<u>\$253,302</u>	<u>\$92,209</u>	<u>\$279,948</u>
Non-Federal contri- butions	<u>\$15,030</u>	<u>\$ 54,114</u>	<u>\$13,684</u>	<u>\$ 43,197</u>

Agreement, period, and amount					
(July 66 to Sept. 67) Out of school <u>R1-7024-7</u>	(Aug. 67 to Aug. 69) Summer <u>R1-8001-7</u>	(Aug. 67 to Aug. 69) In school <u>R1-8001-7</u>	(Aug. 67 to Aug. 69) Out of school <u>R1-8001-7</u>	(Aug. 67 to Aug. 69) Work trg. in ind. <u>R1-8001-7</u>	<u>Total</u>
\$114,580	\$190,762	\$173,074	\$195,981	\$ -	\$1,238,349
4,872	7,699	9,662	10,036	-	55,898
692	1,293	406	2,010	-	5,780
-	1,155	-	101	-	2,859
44,398	44,590	42,515	95,654	8,002	330,491
2,783	1,818	3,033	7,451	700	21,165
1,421	502	878	2,527	10	8,093
-	1,065	-	-	-	1,065
249	-	1,206	250	-	4,739
2,125	-	-	42	109	4,041
-	-	-	-	-	1,950
110	-	-	-	-	110
3,028	926	1,723	291	-	8,403
<u>2,499</u>	<u>2,484</u>	<u>6,296</u>	<u>5,671</u>	<u>3,228</u>	<u>39,420</u>
<u>\$176,757</u>	<u>\$252,294</u>	<u>\$238,793</u>	<u>\$320,014</u>	<u>\$12,049</u>	<u>\$1,722,363</u>
<u>\$ 21,897</u>	<u>\$ 18,642</u>	<u>\$ 47,753</u>	<u>\$ 39,630</u>	<u>\$ -</u>	<u>\$ 253,947</u>

APPENDIX III

SCHEDULE OF CEP EXPENDITURES BY ABCD

MAY 1968 THROUGH JULY 1969

Cost category	Agreement, period, and amount					Total
	(May 68 to July 68) Planning CEP-8017	(Aug. 68 to July 69) MDTA CEP-9602	(Aug. 68 to July 69) Operation Mainstream CEP-9602	(Aug. 68 to July 69) New Careers CEP-9602	(Aug. 68 to July 69) CEP versatile (note a) CEP-9602	
<b>ENROLLEE COSTS:</b>						
Wages	\$ -	\$ -	\$55,777	\$161,568	\$ 89,191	\$ 306,536
Fringe benefits	-	-	5,744	11,649	8,998	26,391
Transportation	-	-	1,241	2,006	5,343	8,590
Stipends	-	-	-	-	19,157	19,157
<b>STAFF COSTS:</b>						
Salaries and wages	4,093	-	20,139	77,401	340,098	441,731
Fringe benefits	-	-	2,856	6,959	37,449	47,264
Travel expenses	843	-	586	611	3,035	5,075
<b>OPERATIONAL COSTS:</b>						
Office equipment:						
Purchases	-	-	630	1,428	16,575	18,633
Rental	-	-	-	-	2,168	2,168
Project equipment:						
Purchases	-	-	-	-	14,344	14,344
Rental	-	-	-	-	3,073	3,073
Rent	-	-	-	-	8,839	8,839
Insurance and bonding	-	-	-	-	1,069	1,069
Other direct costs	2,438	-	1,322	5,213	48,158	57,131
SUBAGREEMENT COSTS	<u>5,744</u>	<u>15,572</u>	<u>-</u>	<u>-</u>	<u>228,373</u>	<u>249,689</u>
TOTAL COSTS	<u>\$13,118</u>	<u>\$15,572</u>	<u>\$88,295</u>	<u>\$266,835</u>	<u>\$825,870</u>	<u>\$1,209,690</u>
NON-FEDERAL CONTRIBUTIONS						<u>\$ 118,755</u>

<sup>a</sup>Includes central administration, job development and placement, prevocational training, and supportive services.