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WASHINGTON, D.C. 20548

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HUMAN RESOURCES
DIVISION

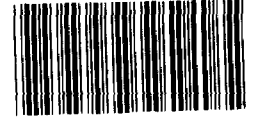
February 25, 1982

B-206510

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The Honorable Benjamin S. Rosenthal
House of Representatives

RELEASED



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Dear Mr. Rosenthal:

Subject: Poor Management by the Office of Refugee Resettlement in Awarding a Grant to Human Resources Development Associates (HRD-82-44)

Your August 13, 1981, letter asked us to examine grant review and award procedures used by the Department of Health and Human Services' (HHS') Office of Refugee Resettlement (ORR) in resettling Cuban entrants. You expressed particular interest in a July 28, 1981, grant award to Human Resources Development Associates (HRDA) of New York. The \$189,585 grant was for relocating 20 "antisocial" Cuban entrants from Fort Chaffee, Arkansas, to the Corona Heights section of Queens, New York.

Because we were already examining ORR's overall grants management and refugee resettlement activities, we limited this review to the procedures followed in making the HRDA grant award. Questions concerning the adequacy of HHS'/ORR's overall grant review procedures are being addressed more fully in our ongoing work. We will send you copies of the reports on this work when they become available.

To assess the adequacy of the review process associated with the HRDA award, we reviewed documents pertaining to the grant award and discussed the grant review and award process with the HHS/ORR grants management and program staffs. We interviewed eight of the nine panelists who reviewed the HRDA grant proposal in a July 1, 1981, HHS/ORR review panel meeting to obtain their insights concerning the review process. The panel included a New York State Department of Social Services employee who is also the State refugee coordinator. Finally, to obtain the grantee's perspective, we interviewed the HRDA director, who submitted the grant proposal to HHS. Our review was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

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Overall, HHS' review of the HRDA proposal was unsatisfactory. HRDA's organizational history and capabilities to carry out the project were not adequately assessed and documented, and consultation with and input from State and local officials was limited.

Our findings were presented to the Director of ORR and senior members of his staff on September 25, 1981. We continued to monitor ORR activities concerning this grant until December 2, 1981, when ORR officially terminated the grant at HRDA's request. HRDA had made that request because of "negative publicity about the refugee population to be resettled and opposition on the part of certain segments of the community." No Federal funds were expended under the grant.

BACKGROUND

During April 1980, large numbers of Cubans began arriving unexpectedly in the United States; by October 1980, over 125,000 Cubans seeking asylum had arrived. Initially, the Federal Emergency Management Agency was responsible for managing this crisis. On July 15, 1980, responsibility for coordinating the entry process and resettling the entrants, as they were designated, was transferred to a newly created Cuban/Haitian Task Force under State Department oversight. On November 15, 1980, the Task Force was transferred to HHS and placed under the Office of the Deputy Under Secretary for Special Projects. The Task Force remained organizationally separate from ORR, which had ongoing responsibility for domestic refugee programs, including programs for Cuban refugees.

By June 1, 1981, substantially fewer entrants remained to be resettled, and the Task Force was merged with ORR. ORR began to administer grants previously awarded by the Task Force and award grants based on applications received in response to the Task Force's program announcement.

On March 9, 1981, the Task Force had published a program announcement in the Federal Register requesting applications for grants to resettle Cuban and Haitian entrants in the United States. The grants were to be made under the authority of section 501(c), title V, of Public Law 96-422, the Refugee Education Assistance Act of 1980. Proposals relating to entrants with special needs were encouraged, and because of immediate resettlement needs, applications were to be considered for funding as soon as they were received.

When our review began in August 1981, ORR had awarded three grants under this announcement. The first grant was to provide mental health services to refugees. The second and third grants, including the grant to HRDA, were for resettling harder-to-place

entrants who required more extensive social services. The HRDA grant was the first awarded by ORR for resettling hard-to-place entrants after the merger with the Task Force.

REVIEW AND AWARD OF HRDA GRANT

HRDA originally submitted a proposal to HHS on March 23, 1981, and the grant award was made on July 28, 1981. During the intervening 4 months, HHS grants management and program staffs, initially under the Task Force and then under ORR, worked with HRDA's director to review, clarify, refine, and amend the proposal.

Three panel meetings were held to review HRDA's proposal--two under the Task Force's jurisdiction and one under ORR's jurisdiction. The first two panels rejected the proposed project because of confusion about budget costs and the number of refugees to be served.

HRDA's initial proposal was for resettling 200 socially dysfunctional entrants at a cost of \$513,198. The final proposal reduced the number of entrants to be resettled to 20 and, at ORR's request, changed the type of entrants to be resettled from socially dysfunctional to antisocial. Services for antisocial entrants include a 6-month stay in a halfway house environment instead of 3 months for those classified as socially dysfunctional. Antisocial entrants also require more counseling than socially dysfunctional entrants. The \$189,585 grant award specified allowable costs for resettling the 20 antisocial entrants and limited total Federal expenditures to \$9,486 per entrant.

Because the grant file contained limited documentation concerning the ORR review preceding this grant award, we had to rely on interviews for much information. Areas where documentation was limited included negotiations over the proposed project and budget and the basis for changes in type of entrants to be served. Documentation concerning the grantee organization and its performance capability was also limited.

GRANTEE ORGANIZATIONAL HISTORY
AND PERFORMANCE CAPABILITY NOT
ADEQUATELY EVALUATED AND DOCUMENTED

Although HHS' Grants Administration Manual specifies review procedures and related documentation required before making grant awards, we found little evidence that ORR made an adequate evaluation of the prospective awardee and the proposed project. HRDA's organizational history and performance capability were two key aspects not properly assessed before the grant award.

Organizational history

Both grants management and program staffs in ORR have key responsibilities for reviewing and recommending approval or disapproval of grant proposals and monitoring funded projects. The grants management staff concentrates on the financial and management aspects, while the program staff focuses on service delivery.

ORR's HRDA grant file did not show that ORR had adequately assessed and documented HRDA's organizational history. Only limited information about HRDA's history was presented in the initial and final grant proposals. The wording in those proposals could easily lead one to conclude that HRDA was (1) an ongoing, nonprofit organization operating in a number of States and (2) experienced in providing needed services to refugees. Neither was the case.

Initially, ORR grants management staff told us HRDA was a for-profit organization involved in resettling refugees since 1977. Later, this staff gave us two memorandums on this subject, prepared by a grants management staff member, that were not in the grant file when we started our review. One memorandum, dated August 28, 1981, indicated that HRDA was incorporated on July 5, 1977, as a for-profit organization; the other, which was undated, showed that HRDA was incorporated in July 1977, as a nonprofit organization. We could not determine whether the second memorandum was prepared before or after the July 28, 1981, grant award.

On September 9, 1981, the ORR program staff member responsible for the grant told us HRDA had been operating only about 2 months and that its nonprofit status was awaiting approval by the Internal Revenue Service. On September 11, HRDA's director told us that HRDA was a new organization, not yet staffed, that would become staffed and operational with the ORR grant. At that time he had not begun to implement the project because of adverse publicity. He also said that he had recently applied for nonprofit status for his organization but approval had not been received. On October 22, 1981, ORR requested in writing that HRDA submit proof of its nonprofit status. That proof was never submitted.

We attempted to determine whether conflicting or erroneous information concerning HRDA's organizational history was given to outside participants on ORR's review panel. Most persons who participated on that panel had difficulty recalling specifics of the proposal when we interviewed them 2 months later. However, technical review sheets prepared by some panel members indicated a favorable impression of HRDA based on several factors, including an understanding that HRDA was already staffed and operational and had strong ties with the Hispanic community.

Grantee performance capability

HRDA's performance capability was not adequately assessed and documented before the grant award. This included inadequate assessment of staffing and inadequate assessment and documentation of prior experience and capability to fulfill the program requirements for the type of entrant to be resettled. Although not designated as a "high-risk" organization, HRDA met significant aspects of criteria which are cited in HHS' Grants Administration Manual for such a designation and which require action to minimize those risks.

Chapter 1-05-20 of the HHS Grants Administration Manual identifies five factors related to performance capability that can help in assessing the degree of potential risk associated with a grantee and can serve as a basis for designating organizations as "high risks" and therefore requiring actions to minimize those risks. Those factors are (1) poor financial stability, (2) inexperience such as may occur in newly formed organizations or organizations that have not previously received Federal grants, (3) financial dependence on Federal support, (4) serious deficiencies in the program or business management system, and (5) a history of unsatisfactory performance, material violations of grant terms, or large cost disallowances on previous awards. Actions to minimize risks range from not awarding the grant to providing technical assistance and close monitoring or attaching special conditions or requirements to the award. HRDA was not designated a high-risk organization although it was a new organization, did not have an approved financial management system, and was depending on Federal funding to become operational.

Documentation in the grant file of any reference checks concerning the performance capabilities of HRDA and its director was limited. A brief summary of the HRDA proposal prepared just before one of the review panel sessions indicated that background checks had been made with persons representing various organizations that had dealt with HRDA's director and his organization. However, dates for the actual reference checks were not indicated, nor was there backup documentation concerning what information had been obtained.

The only other indication of reference checks was information obtained by a program staff member during a visit to the Corona Heights area in April 1981. The program staff met with a local elected official who was a member of three Cuban organizations mentioned as being willing to provide support to HRDA's proposed project. The grant file did not describe those organizations' previous association with HRDA's director, if any, or their planned future involvement. A program staff member confirmed that no reference checks were made with State and local agencies.

ORR knew that other groups experienced in operating halfway houses had had difficulty keeping hard-to-settle entrants in them for 3 months. In fact, this point was raised by an ORR staff member concerning the HRDA proposal. However, neither HRDA's initial or final proposals nor available file documents pertaining to the review provided information about what experience the organization had in operating halfway houses or what would be done to keep entrants in the halfway house for the required 6 months.

HRDA's performance capability was made further unclear by the grant proposals' lack of clarity about the HRDA director's involvement with the project. While HRDA's initial proposal identified costs of \$12,000 for the director's salary and stated that he would devote 40 percent of his time to the project, the final proposal did not include any salary and made no mention of the time he would devote to the project. The grants management staff did not know whether HRDA's director would receive a salary and maintained that, if he did, his salary would be charged to administrative costs. The program staff commented that the director would serve on an unpaid basis. Neither staff knew how much time the director planned to spend on the project. The director told us that he would serve on a voluntary basis, but his expenses, such as travel and telephone, would be paid by the organization.

We considered the director's degree of program involvement to be a key factor, of which ORR should have had a clear understanding, since he was the only person connected with the organization at the time. Without significant involvement on his part or some certainty about others who would be involved, the viability of the organization and the proposed project should have been considered questionable.

CONSULTATION WITH STATE AND LOCAL OFFICIALS

The Refugee Act of 1980 requires consultation between the Federal Government and State and local government officials concerning the sponsorship process and the intended distribution of refugees. While Cuban entrants have not been given legal status as refugees under the Refugee Act, they are provided assistance equivalent to that provided refugees. In the eyes of State and local officials, there is little difference between entrants and refugees. In the case of hard-to-place Cuban entrants, the services required in order for them to be effectively resettled in a local community are greater than those required for many refugees. Therefore, we believe it is incumbent upon ORR to coordinate with State and local officials in making decisions on resettling entrants.

Consultation with and involvement of State and local officials was limited before the HRDA grant award. An ORR program staff member said she initially notified the New York State Refugee Coordinator of the HRDA grant proposal in early May. However, there was no documentation of this in the grant file, and the State coordinator could not remember receiving such a call.

ORR asks State refugee coordinators to serve on panels to review proposals affecting their States. However, in the case of HRDA, information regarding the proposal was provided to New York State officials only 2 days before the third panel meeting (the first session under ORR jurisdiction). An ORR official acknowledged that ORR has not always given timely notice to State coordinators, but that it now tries to provide notice at least a week before panel meetings. Since ORR relies on the coordinators to inform State and local agencies of resettlement projects in their areas, early contact seems warranted to assure effective consultation and coordination with other service providers in the area.

GAO BRIEFING TO ORR DIRECTOR
AND FOLLOWUP ACTION

The absence of documentation and the conflicting information given us by ORR grants management and program staffs raised questions about the basis of the HRDA grant award and the need for close monitoring by ORR's program and grants management staffs.

On September 25, 1981, we presented our observations to the Director of ORR and senior members of his staff. The ORR staff did not dispute our findings, but attributed the lack of documentation to the need for quick action in response to the administration's emphasis on moving entrants out of Ft. Chaffee and resettling them in U.S. communities. They also cited the absence of many private organizations willing to resettle entrants. For these reasons, ORR was interested in having HRDA assist in the entrant resettlement program. At the end of the meeting, we understood that, before implementing the project, ORR would act immediately to correct the deficiencies while giving HRDA an opportunity to resolve open questions.


One month elapsed before ORR followed up with a written request to HRDA for additional information. Even so, that letter did not specify a time frame for HRDA's response.

In a November 17, 1981, letter, the director of HRDA notified ORR that he did not wish to implement the grant project. ORR officially terminated HRDA's grant award on December 2, 1981, without any project funds being spent.

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At your request, we did not take the additional time needed to obtain written agency comments on the matters discussed in this report. As arranged with your office, unless you announce its contents earlier, we plan no further distribution of this report until 10 days from its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Gregory J. Ahart
Director