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Dear Mr. Gonzalez:

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Pursuant to your request of December 27, 1971, we audited the financial records pertaining to Office of Economic Opportunity (OEO) grants to the Economic Opportunities Development Corporation (EODC) of San Antonio and Bexar County, Tex., for education and rehabilitation of migrant farmworkers. The grants were made under title III, part B, of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2862).

BACKGROUND

Grants of \$222,900 and \$228,900 were awarded to EODC for the periods September 1, 1970, through August 31, 1971, and September 1, 1971, through August 31, 1972, respectively, to carry out a project for the education and rehabilitation of migrant farmworkers. For each of the grant years, EODC delegated responsibility for the project to the Greater San Antonio Federation of Neighborhood Councils (Federation). As a delegate agency, the Federation was responsible for carrying out the project and for maintaining all books and records of account. The Federation delegated this responsibility to its affiliate, the Bexar County Migrant Farmworkers Association (BCMFWA).

BCMFWA was also administering a \$160,000 grant from the Department of Health, Education, and Welfare (HEW) for a program to serve the health needs of migrant farmworkers and their families and a \$15,000 grant from the Associated City-County Economic Development Corporation of Hidalgo County, Tex., an OEO grantee, for furnishing emergency food assistance.

The migrant population in Bexar County is estimated to be about 15,000. As of January 31, 1972, the migrant project reported that it had compiled case files on 2,140 families having about 12,000 members. Services provided by the project included, among other things, adult basic education, employment referral, and health services. At the time of our audit, February through April 1972, 30 employees were administering the OEO and HEW grants--17 paid from OEO funds and 13 paid from HEW funds.

In September 1971, an OEO evaluation team concluded that the Federation had served no useful purpose since the migrant

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project's inception and that the project could be more effectively carried out by BCMFWA's migrant project staff if they were divorced from the Federation.

Accordingly, on December 17, 1971, OEO released the Federation from responsibility for the project and placed responsibility for direct administration of the project with EODC, on an interim basis, until a plan could be formalized to make BCMFWA the direct grantee for the project.

However, since that time, OEO decided that, effective August 31, 1972, farmworker programs under title III, part B, would be transferred from EODC to the Barrio Development Corporation, Uvalde, Tex. In a June 8, 1972, letter to EODC, OEO cited the following reasons for its decision.

1. EODC failed to effect a transfer of title III, part B, programs to BCMFWA by May 31, 1972, as was required by a special condition included in the 1971-72 program year.
2. The migrant project was located in an urban setting and served a population which could just as well be served by EODC under its title II Community Action Program. As an example OEO stated that both title II and title III, part B, funds were being used to administer the same kinds of programs, such as adult basic education, job placement, referrals, and supportive services in the same general geographical area.
3. A substantial number of farmworkers resided in the counties of Dimmit, Frio, Medina, Uvalde, and Zavala where no title III, part B, programs were in operation; this indicated a greater need for a farmworker program in these counties than in Bexar County which could be served by EODC.

SCOPE

Our audit of selected expenditures and internal controls was conducted at BCMFWA and EODC offices in San Antonio, Tex., and was directed toward determining whether OEO grant funds were used in accordance with terms of the grant awards and the applicable OEO policies and instructions. Our audit covered the period September 1, 1970, to March 31, 1972. We interviewed OEO, EODC, and migrant project officials and examined personnel records and other records concerning expenditures of \$102,186 of the \$330,895 charged to the OEO grants during the

period covered by our audit. We reviewed selected expenditures of the other two grants administered by the BCMFWA to determine whether the integrity of the separate funds was being maintained. We also reviewed a January 1972 report issued by a certified public accountant (CPA) firm on its audit of the OEO title III, part B, grant for program year 1970-71 and followed up on the corrective action taken on the CPA findings.

AUDIT RESULTS

We found that expenditures of grant funds were, for the most part, authorized and adequately supported but that improvements were needed in

- documenting personnel files and records,
- accounting for travel expenses,
- maintaining supporting documentation and accounting for purchases, and
- adhering to the requirement that expenditures be charged to the grant year in which they are incurred.

We also noted that controls over accountable property, which in the past had been ineffective, had shown improvement. Migrant project officials told us that appropriate corrective action would be taken in the above areas. Details of our findings follow.

Personnel files and records

If an employee's starting salary exceeds \$5,000, it may not exceed his prior salary by 20 percent or \$2,500, whichever is less, without OEO approval. Also a record of confirmation of prior salary is required to be included in personnel files. Files for seven of the 10 employees, hired with starting salaries above \$5,000, did not contain a record of confirmation. Information in employment applications for five of the seven employees indicated that their starting salaries did not exceed the limitation. Applications on file for the remaining two employees did not show their prior salaries.

Pay increases to employees whose annual salaries exceed \$5,000 are to be limited to 20 percent or \$2,500, whichever is less, in any 12-month period unless otherwise approved by OEO. In its report the CPA firm questioned two such salary increases which exceeded the annual salary limitation by \$98

and \$68. One of the individuals terminated employment in March 1971. We found no evidence that a waiver of the 20-percent limitation was ever requested in her case. In the case of the other individual, the migrant project requested in May 1971 that EODC obtain a waiver regarding her salary increase. As of May 1, 1972, EODC officials could not show us any evidence that an OEO waiver had ever been requested.

OEO requires that time and attendance reports be reviewed and signed by employees' supervisors. Of the 66 time and attendance reports filed during three pay periods included in our review, five were not signed by supervisors, three were signed by supervisors before the end of the pay period, and 15 did not show when they were signed by supervisors.

Travel

OEO procedures for out-of-town travel require that (1) travel expenses be supported by travel expense statements, (2) travel expense reports show beginning and ending odometer readings for mileage claims, and (3) travel advances be recorded as accounts receivable.

Our review of \$2,994 in out-of-town travel expenses paid during the audit period disclosed that (1) travel expenses of \$19 and \$54 paid to two employees were not supported by travel expense statements, (2) claims for reimbursement did not show odometer readings, and (3) travel advances were not recorded as accounts receivable.

Purchases

Under procedures followed by the migrant project, payments for purchases were authorized and checks were prepared on the basis of vendor invoices. We reviewed 63 purchases valued at \$14,994 and found that vendor invoices were on file for all except three purchases valued at \$37, \$28, and \$102. In two other instances, we found that payments of \$70 and \$117 were made against invoiced amounts of \$64 and \$60, respectively. The fiscal officer told us that he would try to recover the apparent overpayments.

Control over accountable property

The CPA firm issued a qualified opinion in its January 1972 report because it was not able to verify certain accountable property acquired by the migrant project between September 1967 and August 1969. The report noted that property

valued at \$7,802 was not verified because no one knew where it was located. The report noted also that the migrant project had requested EODC to obtain a release of accountability from OEO for \$7,084 worth of the property. On May 1, 1972, EODC's executive director said that he was holding the release request, pending further clarification of certain information contained in the migrant project's request.

OEO requires grantees and participating agencies to take annual inventories of accountable property and to submit property listings, together with inventory certifications, stating that all property being used in administering each grant program is listed. In January 1972 the migrant project forwarded its listing of property valued at \$18,623 and its inventory certification to EODC, who forwarded it to OEO the following month.

We made a physical inventory of 49 items, valued at \$11,870 and included in the property listing, and were able to locate all the items except that for two desks and an adding machine--valued at \$351--the inventory control numbers shown on the listing were not the same as those on similar items found at the designated locations. On the basis of our test, it appears that the migrant project has improved its control over accountable property since the 1967-69 period.

Expenses of prior grant year
charged against current year funds

OEO grant agreements provide that expenses incurred outside the grant year may not be charged to the grant. We found that the migrant project used \$7,595 of the 1971-72 grant year funds to pay for certain prior year obligations--\$6,151 for an air-conditioning system, \$1,005 for salaries, and \$439 for a mimeograph machine.

Installation of the air-conditioning system began in June 1971. In August and September 1971 the migrant project used funds from the HEW health grant to pay for the system. In October \$6,151 in OEO funds for the 1971-72 grant year were used to reimburse the HEW grant account.

The migrant project's former operations officer said that, prior to incurring the expense, the OEO Migrant and Seasonal Farmworkers Division in Washington, D.C., verbally advised the project that funds for this item would be provided in the grant for the 1971-72 program year. He said the air-conditioning system had been installed in the 1970-71 grant year so it could

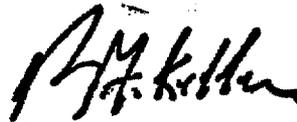
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be used during the summer. A Migrant Division official informed us that a waiver would be issued which would retroactively approve the transaction.

The migrant project did not accrue salary expenses which had been incurred, but not paid, at the end of a grant year. As a result, salary expenses of \$1,005, incurred for 2 days (August 30 and 31) of the 1970-71 grant year, were paid with 1971-72 program year funds. This problem should not occur in the future because, under the semimonthly pay procedures adopted in January 1972, the last pay period in August will end on the last day of the grant year.

Officials of OEO, EODC, and the migrant project have not been given an opportunity to formally examine and comment on this report. No further distribution of this report will be made unless copies are requested and then only after obtaining your permission or after you have publicly announced the contents of the report.

Sincerely yours,



Comptroller General
of the United States

The Honorable Henry B. Gonzalez
House of Representatives