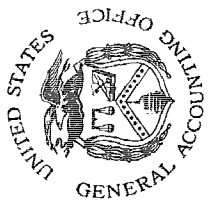


B-164031(1)

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Awarding And Implementing An Emergency School Aid Act Grant To The North End Concerned Citizens Community Council, Detroit, Michigan

B764031(1)

Office of Education
Department of Health, Education,
and Welfare

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

Job 849 [090124]

AUG. 28, 1974



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

B-164031(1)

The Honorable Lucien N. Nedzi
House of Representatives

Dear Mr. Nedzi:

In response to your December 6, 1973, request, we reviewed the Emergency School Aid Act grant awarded to the North End Concerned Citizens Community Council, Detroit, by the Office of Education, Department of Health, Education, and Welfare.

The council was awarded a \$148,656 grant to finance activities designed to overcome educational disadvantages of minority group isolation and increase interracial understanding. The grant covered the period July 1, 1973, to June 30, 1974.

Our review was directed at obtaining information on

- those aspects of the award process involving the relationship between the council and the local educational agency,
- the extent to which the council had accomplished its objectives,
- conformity of council expenditures to grant conditions, and
- the status of the council's recently terminated drug counseling program funded under a contract with the Michigan Department of Social Services.

We reviewed program activities, other than financial reporting, for the period July 1973 through April 1974. Since HEW requires quarterly financial reporting, we reviewed the council's expenditures through March 31, 1974. Our tests of the financial transactions covered \$96,584, or 85 percent of the total costs charged to the grant at that time. The results of our review--presented in more detail in the appendix--are summarized below.

AWARD PROCESS

The Detroit school system operates under a central board and eight regional boards. The council is in region 6. In awarding the grant, the Office of Education recognized the central board as the local educational

agency. As a result, the region 6 board felt it had no input in developing the proposal. A controversy developed concerning whether the council should have coordinated its proposed program with the central board or the region 6 board.

Office of Education regulations do not require that local educational agencies approve of a nonprofit applicant's proposal. Moreover, the regulations are unclear as to the responsibilities of the nonprofit applicant to the local educational agency. According to the regulations, the nonprofit applicant will not be penalized if it has sought in good faith but failed to establish a working relationship with the local educational agency. Thus, the regulations allow the Office of Education to award a grant to a nonprofit applicant even without cooperation or collaboration of the local educational agency, if the applicant has tried to gain its cooperation.

From available information, it appears that the council made reasonable attempts to obtain the cooperation of the region 6 board and the central board. Therefore, the council's actions in the award seem consistent with Office of Education regulations irrespective of any determination as to whether the region 6 or the central board should be the local educational agency.

PROJECT ACCOMPLISHMENTS

The council's objectives were fourfold: promote community involvement in school decisionmaking, tutor and counsel needy persons, expand existing educational services to school dropouts, and reduce minority group isolation through cultural exchange activities.

On the basis of its records, the council had not fully achieved its grant objectives by April 30, 1974, but had made tangible accomplishments. For example, three community forums had been conducted to provide information on the Detroit school system operations; 75 students had been enrolled in a tutoring program; 278 students had been enrolled in general educational development classes; and cultural exchange activities had offered public displays featuring various ethnic groups and their cultures.

FINANCIAL ACCOUNTABILITY

We reviewed expenditures of \$96,584 representing about 85 percent of total expenditures as of March 31, 1974. About \$11,355, or 12 percent of the expenditures reviewed, did not conform to grant conditions. Office of Education officials are evaluating these costs and have assured us they will take appropriate action.


DRUG COUNSELING PROGRAM

In February 1973 the council was awarded a contract by the Michigan Department of Social Services to provide drug counseling services to 200 clients. The Department terminated the contract in September 1973. A Department official said the Department's evaluation indicated that the council could not deliver required services to the proposed number of clients. We did not evaluate the drug counseling program or verify the validity of the Department's decision.

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02 We are sending an identical report to Senator Robert P. Griffin
and, as agreed with your office, are sending a copy to Congressman John
Conyers, Jr. We discussed the results of our review with council; De-
partment of Health, Education, and Welfare; and local school officials and
considered their comments in this report. We do not plan to distribute
the report further unless you agree or publicly announce its contents.

Sincerely yours,



Acting Comptroller General
of the United States

AN EMERGENCY SCHOOL AID
ACT GRANT TO THE NORTH END
CONCERNED CITIZENS COMMUNITY COUNCIL,
DETROIT, MICHIGAN

BACKGROUND

Title VII of the Education Amendments of 1972 (20 U.S.C. 1601-1619) (supp. No. II, 1972), referred to as the Emergency School Aid Act, provides for grants to school districts and to public and private nonprofit organizations (community groups) to defray the cost of eliminating or preventing minority group isolation and improving the quality of education of children. The Office of Education (OE), Department of Health, Education, and Welfare, is responsible for administering the act. Eight percent of available funds are reserved for grants to community groups.

According to OE, funds are provided for community groups because (1) these organizations can play an important role in achieving successful school integration, (2) to be fully effective, school integration requires community support and participation, and (3) in some communities organizations other than the school district may be in a better position to carry out some types of activities essential to school integration.

The North End Concerned Citizens Community Council, Detroit, was organized in 1968 as the result of a racial incident at a local elementary school in northeast Detroit. Community volunteers were recruited to address the problem of racial hostility. In trying to deal with this problem, other areas of need were identified, such as educational disadvantages of minority groups. As a result of an OE-sponsored meeting on availability of emergency school aid funds in Ann Arbor, Michigan, the council began preparing a proposal for a grant in late 1972. The council formally applied for a grant on May 2, 1973, and the application was approved June 18, 1973.

Our review was directed at obtaining information on selected aspects of the award process and the council's performance under the grant. We reviewed program activities, other than financial reporting, for July 1973 through April 1974. Since HEW requires quarterly financial reporting, we reviewed the council's expenditures through March 31, 1974.

AWARD PROCESS

Although OE regulations provide local educational agencies with an opportunity for review and comment on a nonprofit applicant's proposal, neither the law nor the regulations specify the procedures a nonprofit

applicant must follow in offering its proposal to the local educational agency. Moreover, Detroit's decentralized school system presented the council with more than one possible local educational agency.

OE's award of a grant to the council resulted in a controversy concerning which of two local educational organizations--the Detroit Central Board of Education or the Region 6 Board of Education--should have been recognized by OE as the local educational agency. We believe that the council made reasonable attempts to obtain the cooperation of both organizations, and it appears that its actions in the award process were consistent with OE regulations, irrespective of which educational organization was designated the local educational agency.

Part of the controversy surrounding the grant award concerned the relationship between the central board, the region 6 board, and the council. The region 6 board has refused to endorse the council project, claiming it had no input in developing the proposal. The council, on the other hand, maintains that it solicited region 6 cooperation. These efforts are discussed on pages 6 through 8.

Organization of Detroit school system

In Detroit the school district is composed of a central board and eight semiautonomous regions, each having its own school board. Each regional board, subject to guidelines established by the central board, has the authority to hire its own superintendent, determine curriculum, determine the budget for its schools, and perform other duties delegated by law or by the central board. Because the council is in region 6, it could have dealt with two local educational agencies.

Legislative and OE guidelines on involving local educational agencies

The act defines a local educational agency as a "public board of education." Where the possibility of more than one local educational agency exists, the law permits OE to determine which one is appropriate for purposes of the act. OE decided to accept the central board as the appropriate local educational agency.

OE regulations state that applications for assistance must contain "an assurance that the appropriate local educational agency has been given at least 15 days to offer recommendations to the applicant with respect to such application." A legal opinion by the Department of Health, Education, and Welfare's Office of the General Counsel states that:

"* * * the regulation appears to provide the appropriate local educational agency with an opportunity for review and comment,

but does not require that the agency exercise such opportunity in order for the Office of Education to process the application and fund the project."

The regulations do not require that local educational agencies approve a proposal submitted by a nonprofit applicant. OE guidelines specify that the local educational agency must not be allowed to determine the activities the applicant proposes. Although a spirit of cooperation and coordination between the applicant and the local educational agency is encouraged, the regulations do not penalize an applicant which has sought in good faith but failed to establish a working relationship with the agency.

Council actions to obtain cooperation
of central and region 6 boards

The regulations are not clear on the extent of effort to be made by a nonprofit applicant in obtaining the comments and cooperation of a local educational agency. However, the council efforts seem consistent with the regulations in that a reasonable attempt was made to secure a working relationship with both the region and central boards. The following chronology concerning development of the proposal was developed from our discussions with school and project officials and records made available to us.

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| February | Mr. D. Harris, project director, contacted the region 6 board chairman seeking information on the Detroit school district desegregation plan. The chairman told him to contact Dr. S. Gretchko, assistant superintendent of region 6 schools. |
| | In late February or early March, Ms. N. Lorber, assistant project director, called Dr. Gretchko and asked for data on ethnic and racial statistics of region 6. Dr. Gretchko referred her to Dr. F. Flynn, director of intergroup relations for the Detroit school system. |
| March | Council officials contacted Dr. Flynn, who provided ethnic and racial statistics needed in developing the proposal. |
| March 16 | Council officials met with Mr. W. Billups, region 6 superintendent, and Dr. Gretchko. They discussed school desegregation efforts and the Detroit school district's plan to apply for emergency school aid funding. Dr. Gretchko said he knew then that the council would submit a proposal, but specifics of that proposal |

were not discussed. The meeting concluded with an agreement that Dr. Gretchko and Ms. Lorber would act as liaison for region 6 and the council, respectively.

March or April

In late March or early April, Ms. Lorber gave Dr. Gretchko a draft of the council proposal and requested a response. Dr. Gretchko said region 6 board approval was needed before a response could be given. At Ms. Lober's request Dr. Gretchko agreed to send a region 6 representative to an upcoming council advisory committee meeting. He chose to send Mrs. D. Pruitt, assistant principal of Law Middle School, because she was a resident of the community and was familiar with the school's involvement in citywide desegregation efforts.

Mrs. Pruitt said her involvement with the council began when the principal of Law Middle School told her Dr. Gretchko had called and instructed her to attend the meeting. Mrs. Pruitt said she had no idea of what to do, what was expected of her, or that she was an official representative of region 6. She later received a call from Ms. Lorber requesting her presence at the advisory council meeting. Mrs. Pruitt could not be present so the initial draft of the proposal was given to her. Mrs. Pruitt said she went to only one subsequent council meeting and offered suggestions on how to enlist community support. When Mr. Billups learned that Mrs. Pruitt was expected to help write the proposal, he instructed Mrs. Pruitt to stop attending any more council meetings.

Council officials said that Mrs. Pruitt's suggestions were incorporated into a later draft of the proposal.

Dr. Gretchko explained that he obtained an abstract of the revised draft of the proposal from Mrs. Pruitt and presented it to the region 6 board shortly before April 23, 1973. The region 6 board said it then requested a complete copy of the final proposal from the council.

Mr. Billups explained that he requested the complete proposal from Mr. Harris and received it on June 7 or 8, but, according to the region 6 board, copies were not provided individual board members until late June or early July.

Mr. Harris, on the other hand, said he gave the complete proposal to Mr. Billups on May 3 or 4. He also said he provided copies for each board member in late May or early June, after being told that it was too costly for region 6 to reproduce.

At the request of the Detroit School District's Program Development Office, Dr. Flynn said he agreed to act as liaison between the Detroit school district and the council. He periodically reviewed the proposal as it was being written.

- April 23 Dr. Flynn reviewed the entire proposal.
- April 30 Dr. Flynn was officially appointed liaison between the Detroit school district and the council. The appointment was made by the general superintendent of Detroit public schools.
- May 1 Dr. Flynn signed the application.
- May 2 Mr. Harris signed the application and submitted it to OE.
- May 8 The region 6 board notified the council that, because it had no input into the proposal, relationships between them must be negotiated on the basis of mutual concurrence.

OE review of the council's proposals

Before approving an application for assistance, OE is required to make a comprehensive review of the proposal. OE must evaluate the format of proposals--reasonableness of proposed activities and budgets--and verify that applicants have made assurances that they have complied with various OE requirements.

An integral part of OE's review is its analysis of the educational and programmatic merits of each application. Proposals are evaluated and scored according to five basic standards. A maximum of 45 points may be assigned to a proposal. OE officials told us that, in rating the council proposal, they convened a four-member nonpartisan, non-Federal panel, consisting primarily of professional educators. The panel gave the proposal a score of 42.75 points. Panel members were highly favorable in their evaluation of the proposal, saying that the proposal provided an excellent opportunity for interracial involvement of community persons, project objectives were clearly defined, and the plan to attract qualified staff gave priority to community applicants.

In their proposals for assistance, applicants assure OE that they have complied with its requirements. One assurance is that the applicant has given the local educational agency 15 days to comment on the proposal. The council's assurance to OE that it had given the local educational agency (central board) an opportunity to comment was based on the signature of Dr. Flynn, who had been appointed as liaison between the council and the central board. Dr. Flynn told us he had enough time to review the proposal.

In reviewing the council's proposal, OE did not question whether it had properly made all the required assurances. Although we found no indication that Dr. Flynn formally presented the council proposal to the central board as a group, OE officials said they accepted his signature as evidence of review by the local educational agency (central board) because

- the general superintendent of Detroit public schools officially designated Dr. Flynn as liaison between the central board and the council,
- OE officials were familiar with Dr. Flynn from prior working relationships,
- the central board has the staff capabilities to provide the council with information and assistance needed in writing its proposal, and
- the central board was considered the local educational agency when it submitted its own applications for assistance under the Emergency School Aid Act.

After its review, OE ranks all community groups' applications from the same State on the basis of assigned ratings. Funding begins with the highest rated proposal and continues until all available funds are exhausted. OE approved the council proposal on June 18, 1973, and awarded it a grant of \$148,656. The council's proposal was ranked third out of six community groups' proposals received from Michigan.

At a central board meeting on November 13, 1973, council officials described their activities under the 1974 proposal and requested board support for a 1975 proposal. The region 6 board representative on the central board, objecting to a motion of support for the proposal, said this was strictly a matter of curriculum and as such is under the sole jurisdiction of the region 6 board. Another central board member observed that the council offered a support service; had nothing to do with curriculum; and, therefore, was under the jurisdiction of the central board. The board then voted to support the council's activities and its request for continued funding under the Emergency School Aid Act.

Recent events also indicate movement toward settling past differences between region 6 and the council. The region 6 board has agreed to cooperate with the council on those activities mentioned in the 1975 proposal. Each region 6 school is permitted to decide whether it will support the council's activities.

PROJECT ACCOMPLISHMENTS UNDER FIRST GRANT

The council intended to achieve the following objectives from July 1, 1973, through June 30, 1974.

- Promote community involvement in school decisionmaking.
- Tutor and counsel needy persons.
- Expand existing educational services to school dropouts.
- Reduce minority group isolation and promote ethnic awareness.

On the basis of council records and other sources, it had not fully achieved its objectives by April 30, 1974, but had made tangible accomplishments.

Promoting community involvement in school decisionmaking

One way the council proposed to accomplish this objective was to recruit 30 representatives, one from each region 6 school, to develop a model for community participation in school district decisionmaking.

Three workshops were conducted to develop skills in model building. Representatives of at least 20 schools attended one or more workshops. A task force was then organized to plan the design of a model. Four task force meetings were held, but a final model was not developed. Council officials told us they discontinued these activities because the region 6 schools now have an advisory committee to accomplish essentially the same objective. Although there is no official working relationship between the council and this advisory committee, the council has offered its services to interested committee members.

In addition, the council proposed to provide seven educational information forums for community residents interested in the operation of the school system. Three forums were conducted to provide the community with information on the functions and decisionmaking operations of a decentralized school system. On October 30, 1973, 53 persons attended the first; 51 attended the second on February 5, 1974; and 42 attended

the third on April 20, 1974. The remaining four forums were planned for May and June 1974.

Tutor and counsel needy persons

The council proposed to provide tutoring and counseling to 1,500 students and parents of children who demonstrate evidence of under-achievement. To carry out this objective, the following activities have been offered:

- A youth sharing program, to provide students with tutoring and counseling to strengthen their personal, academic, and social concepts. Seventy-five students enrolled. To determine whether the council was reaching low-achieving students, we submitted the names of 14 of these students to region 6 officials. Their response indicated that 11 of the 14 could be considered low achievers.
- A tutor-training program, to train volunteers who wish to work with those students in the youth sharing program. At least 53 volunteers have attended this training program.
- An outreach program, to provide tutor training to members of interested church or community groups who have their own youth sharing programs. This training has been provided to at least 68 representatives of 6 organizations, and council officials estimate that each organization should reach between 50 and 100 youths.
- Special interest classes in electronics, science, bowling, modern dance, upholstery, and audio mechanics. A total of 71 students enrolled. Council officials explained that the philosophy behind these classes is to develop students' self-confidence so they will try harder to overcome academic shortcomings. Plans are being made to add an airplane-model-building class in May.
- A student workshop featuring simulation exercises to demonstrate personal versus society concepts on ethnic awareness. The workshop, attended by 73 persons, was held on January 19, 1974.
- Four parent seminars directed at understanding parent-child relationships were held between January 5 and April 6, 1974; 39 persons attended one or more of the seminars.
- During 1 week in October 1973, the council sponsored interim day school classes while Detroit school teachers were on strike. The classes were conducted by volunteer certified teachers. Council officials said these classes were in keeping with the

council's learning experience philosophy but were not aimed at reaching only low achievers. They said 506 children attended these classes. We did not verify these statistics.

Council officials believe that they would have reached more low achievers and their parents if the region 6 board had supported these activities from the start of the grant. They said they should reach more children through the outreach program during the remainder of the grant period.

Expand existing educational services to school dropouts

The council intended to enlarge existing educational services to reach at least 1,000 school dropouts. Using council facilities, the Detroit Board of Education sponsors both adult basic education and general educational development classes. Certified teachers conduct the classes, and the council provides publicity and volunteer tutors.

Board statistics showed that the adult basic education class enrollment expanded from 32 at the beginning of the 1972-73 school year to 57 at the beginning of the 1973-74 school year. Statistics on general educational development classes for the same period showed an increase in total average attendance from 45 to 110 students. Teacher records showed that 104 students enrolled in adult basic education classes and 278 students in general educational development classes during the grant period.

Council officials said they were emphasizing the quality of services offered to dropouts rather than quantity and efforts to enroll more dropouts were continuing. The Detroit Board of Education, however, is limited by lack of funds as to the number of classes it can offer.

Reduce minority group isolation and promote ethnic awareness

The council has sponsored four ethnic workshops to promote an understanding of ethnic affiliations and human interactions. A "mini-ethnic" festival was held on November 8, 1973; an estimated 300 people attended. This festival was to provide a public presentation of eight different cultural groups.

Monthly cultural exchange activities have offered public displays featuring ethnic groups and their cultures. These activities include both learning sessions and festivals featuring presentation of ethnic heritage and culture. The council designated January 1974 as Arabic-American month. Activities were highlighted by an ethnic festival attended by at least 108 persons. February 1974 was Afro-American month and the

festival attracted 280 persons. April was designated Polish-American month with a festival planned for May 3, 1974.

To promote ethnic awareness, the council proposed to reevaluate existing curriculums in the school system. Officials said they have not achieved significant results in this area but plan to work with school officials to accomplish this objective.

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The council's second proposal, for fiscal year 1975, had the following objectives which were similar to those in its initial proposal:

1. Identify, recruit, and increase the knowledge of 800 students and community persons regarding their roles, responsibilities, and opportunities related to the Detroit schools.
2. Establish 10 learning centers to serve 800 students and parents in the area of remedial, cultural, and social-educational activities.
3. Identify and assist 700 students and parents to demonstrate organized efforts to reduce racial isolation.
4. Provide information and assistance to 400 students and parents who want job opportunities.

The application was approved by OE on April 3, 1974, and funded for \$165,344. OE officials told us this application was awarded a score of 42.25 by the review panel, about the same as the 42.75 given to the fiscal year 1974 proposal.

FINANCIAL ACCOUNTABILITY

Council financial statements as of March 31, 1974, show costs of \$113,234 charged to the grant; \$77,573 of these costs were for personal services. Our review of \$96,584, or 85 percent of total charges, showed that \$11,355, or about 12 percent, of the costs reviewed were unauthorized, as follows:

- Consultant services of \$867 were employee salaries which should have been charged to another grant.
- Equipment costing \$3,293 was charged to the grant. Equipment purchases were not included in the approved budget.
- A tax penalty of \$418 for late payment of withholding taxes was paid with grant funds. Penalty payments are specifically disallowed by regulation.

- The council maintains a general account which is used for expenses not allocable to the grant. This account is financed through private donations. Although we did not audit this account, its financial position as of March 31, 1974, showed a deficit of \$3,447. Grant funds had been used to cover the deficit.
- Council employees draw on a petty cash fund for immediate needs, such as program supplies, travel expenses, and consumable items used for community events. We were unable to document petty cash withdrawals amounting to \$647.
- Payments of \$2,433 for services of a certified public accounting firm were charged to the grant. Accounting services were not included in the approved budget.
- A payment of \$250 for services of a local attorney were charged to the grant. Legal fees were not included in the approved budget.

In addition, supervisory approval of employee time and attendance records was not initiated until December 1973--5 months after the grant period started.

OE and council officials concurred with our findings. Action has been taken to close out the petty cash fund. We confirmed that the council had received and deposited \$5,388 in private donations which it offered to apply against any outstanding unauthorized expenditures. OE officials are evaluating these costs and assured us they would take appropriate action.

DRUG COUNSELING PROGRAM

On February 1, 1973, the Michigan Department of Social Services awarded a \$112,000 contract to the council to provide drug counseling and related services to 200 eligible clients. Seventy-five percent of these funds were provided by the Social Security Administration, Department of Health, Education, and Welfare, and 25 percent by a private foundation.

As a result of an onsite evaluation on August 9, 1973, the Department of Social Services notified the council that the contract would be terminated due to (1) improper accounting procedures, (2) inadequate client case records, and (3) the council's inability to provide services to 200 clients.

On September 19, 1973, the Department of Social Services made a preliminary financial review and the bookkeeping system and financial accountability records were found adequate. Reporting on its review, the Department concluded that

- beginning August 1, 1973, a complete bookkeeping system had been introduced with a full chart of accounts;

APPENDIX

--an account ledger was being maintained and earlier journal entries were posted; and

--payment and receipt information was readily retrievable and totals for the various account classifications could be computed.

On September 24, 1973, the Department officially terminated the contract. The Department made a final financial audit on November 30, 1973, and reported that (1) the council had hired a certified public accounting firm which prepared an operating statement for the drug program and (2) the bookkeeping system was in order. Costs incurred during the contract period February 1 through September 24, 1973, totaled \$66,670, including equipment purchases of \$2,798. The council decided to buy this equipment using funds received under the Emergency School Aid Act grant, thereby reducing to \$63,872 total program costs reimbursable by the Department. However, as discussed on p. 13, equipment purchases were not in the approved budget.

Community residents told us the council initially intended to operate a methadone clinic for drug addicts. However, a Department official said there were no indications the council had been operating a methadone clinic. He emphasized that the reason for terminating the contract was because the council had treated only 21 clients and could not deliver services to the 200 clients proposed in the contract.