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**Findings As To Certain
Activities Of The
Montgomery Community
Action Committee, Inc.
Montgomery, Alabama**

B-130515

Office Of Economic Opportunity

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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MAY 17, 1973



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

B-130515

Dear Mr. Dickinson:

This is our report on certain activities of the Montgomery Community Action Committee, Inc., Montgomery, Alabama, the Community Action Agency which administers antipoverty programs in the county of Montgomery under the Economic Opportunity Act of 1964, as amended. The review was made pursuant to your request of September 25, 1970.

The Office of Economic Opportunity, the Montgomery agency, and other parties mentioned in this report have not been given an opportunity to formally examine and comment on the report.

As agreed with you, we are sending copies of this report to the Director, Office of Economic Opportunity, in order that appropriate corrective actions in areas in need of improvement may be undertaken.

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 by you concerning the contents of the report.

Sincerely yours,

A handwritten signature in cursive script, reading "James B. Stets".

Comptroller General
of the United States

The Honorable William L. Dickinson
House of Representatives

COMPTROLLER GENERAL'S
REPORT TO THE HONORABLE
WILLIAM L. DICKINSON
HOUSE OF REPRESENTATIVES

FINDINGS AS TO CERTAIN ACTIVITIES
OF THE MONTGOMERY COMMUNITY
ACTION COMMITTEE, INC.--
MONTGOMERY, ALABAMA
Office of Economic Opportunity
B-130515

D I G E S T

WHY THE REVIEW WAS MADE

The Montgomery Community Action Committee, Inc. (the Corporation), administers antipoverty programs in the county of Montgomery, Alabama, as a grantee of the Office of Economic Opportunity (OEO), the Department of Health, Education, and Welfare (HEW), and the Department of Labor.

To assist the poor of Montgomery County, the Corporation carried out activities funded by grants of \$2 million by OEO for Community Action Programs, \$1.4 million by HEW for the Head Start program, and \$1.4 million by Labor for manpower training programs.

Congressman Dickinson asked the General Accounting Office (GAO) to examine into

- the administration of certain activities of the Corporation and Health Services, Inc., a delegate agency of the Corporation that administers an OEO Comprehensive Health Services Program and
- actions taken by the Corporation and Health Services, Inc., to correct deficiencies reported by OEO in its April 1970 audit report on the Corporation's activities.

The Corporation, OEO, and other parties mentioned in this report have not been given an opportunity to formally examine and comment on this report.

FINDINGS AND CONCLUSIONS

Payments for accounting services charged to prior program year

A constituent of Congressman Dickinson charged that Health Services, Inc., made two payments to a certified public accounting firm during the program year which began July 1, 1969, but that the payments were charged to the program year which ended June 30, 1969. The payments consisted of \$1,500 in September 1969 for the preparation of a

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MAY 17, 1971

personnel policy and procedures manual under a May 1969 agreement with the firm and \$4,000 in December 1969 for an audit of the activities for the program year which ended June 30, 1969, and for assistance in establishing and implementing an accounting system.

GAO found that the payments of \$5,500 to the certified public accounting firm were for services or products received during the program year which began on July 1, 1969, which, according to OEO instructions for Community Action Programs, should have been charged to that year. GAO believes, however, that the \$1,500 payment for the preparation of the manual could be considered an appropriate charge to the program year ended June 30, 1969, because the services of preparing the manual were rendered largely in that program year. (See p. 6.)

Employment of former executive director
as a consultant to the Corporation

The constituent charged that the Corporation's former executive director, Mr. Charles Sheldon, was paid \$100 a day as a consultant to the Corporation when he was, in fact, an employee of the University of Alabama Medical Center in Birmingham.

GAO found that the former executive director was employed by the Corporation as a consultant on an "as needed" basis at \$100 a day during the period November 1969 to January 1970. During this period, he served in the capacity of acting executive director for 22 days at \$100 a day and for 5 additional days without pay until the Corporation employed a new executive director in January 1970. OEO approved the Corporation's employment of the former executive director and the University of Alabama agreed to his serving as a consultant to the Corporation. (See p. 8.)

Maintenance of inventory record cards
for medical items

The constituent charged that inventory record cards were not being maintained by the Corporation for medical items stored in a converted fire station.

GAO found that the Corporation did not maintain such cards for medical items that were obtained from surplus stocks at the Job Corps Center at Camp Atterbury, Indiana, and at Maxwell Air Force Base, Montgomery, Alabama, and that were stored in a fire station which had been converted into a warehouse. The Corporation, however, maintained certain controls over the medical items, such as requiring requisition slips approved by a corporation official for withdrawal of items from stock and keeping the warehouse locked except when items were being withdrawn from the warehouse. (See p. 9.)

OEO audit findings and
corrective actions taken

OEO's audit report of April 1970 stated that Government vehicles were being used by employees of the Corporation and the delegate agency for unauthorized transportation to and from their homes and that usage logs were not maintained on the vehicles.

GAO found that the Corporation had taken a number of actions to strengthen control over the use of the Government vehicles, such as using a form for requesting the use of vehicles, preparing daily reports on vehicle use, establishing motor pools, providing space for overnight parking of vehicles, and requiring written justification and approval for overnight use of vehicles.

GAO found, however, that further improvements were needed. In a number of instances, vehicle usage logs were not prepared, vehicle request forms were not used, and written authorizations for overnight use of vehicles were not obtained. (See p. 11.)

OEO stated in its audit report that a certified public accounting firm had audited 2,941 payments by Health Services, Inc., to private pharmacies for prescriptions and had found that 429 prescriptions had erroneously included a professional fee on drugs not requiring a doctor's prescription (nonlegend drugs). It stated further that the firm had found that, in some instances, the pharmacies had refilled prescriptions a greater number of times than specified by Health Services, Inc., physicians.

Health Services, Inc., found that its program under which prescriptions were filled by private pharmacies was becoming too costly and canceled it effective December 31, 1969, and required that thereafter prescriptions were to be filled in its pharmacy and by private pharmacies only in emergency situations or when its pharmacy does not have drugs on hand. It also no longer permits the pharmacies to refill prescriptions. (See p. 13.)

The OEO audit report stated that Health Services, Inc., had not employed enough full-time physicians to completely staff its health clinic and that the resultant use of part-time physicians was more costly than employing the necessary number of full-time physicians.

GAO found that Health Services, Inc., had been unable to employ a sufficient number of full-time physicians. Recognizing the need to maintain needed services, OEO's Office of Health Affairs in January 1970 approved the employment of part-time physicians. In February 1970, Health Services, Inc., to reduce the cost of using part-time physicians, lowered the hourly rates paid to part-time physicians from \$25 to \$15. Information obtained by GAO indicated that the need for part-time physicians would continue in the foreseeable future. (See p. 15.)

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ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
OEO	Office of Economic Opportunity

D I G E S T

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GAO found that the former executive director was employed by the Corporation as a consultant on an "as needed" basis at \$100 a day during the period November 1969 to January 1970. During this period, he served in the capacity of acting executive director for 22 days at \$100 a day and for 5 additional days without pay until the Corporation employed a new executive director in January 1970. OEO approved the Corporation's employment of the former executive director and the University of Alabama agreed to his serving as a consultant to the Corporation. (See p. 8.)

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GAO found that the Corporation had taken a number of actions to strengthen control over the use of the Government vehicles, such as using a form for requesting the use of vehicles, preparing daily reports on vehicle use, establishing motor pools, providing space for overnight parking of vehicles, and requiring written justification and approval for overnight use of vehicles.

GAO found, however, that further improvements were needed. In a number of instances, vehicle usage logs were not prepared, vehicle request forms were not used, and written authorizations for overnight use of vehicles were not obtained. (See p. 11.)

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Health Services, Inc., found that its program under which prescriptions were filled by private pharmacies was becoming too costly and canceled it effective December 31, 1969, and required that thereafter prescriptions were to be filled in its pharmacy and by private pharmacies only in emergency situations or when its pharmacy does not have drugs on hand. It also no longer permits the pharmacies to refill prescriptions. (See p. 13.)

The OEO audit report stated that Health Services, Inc., had not employed enough full-time physicians to completely staff its health clinic and that the resultant use of part-time physicians was more costly than employing the necessary number of full-time physicians.

GAO found that Health Services, Inc., had been unable to employ a sufficient number of full-time physicians. Recognizing the need to maintain needed services, OEO's Office of Health Affairs in January 1970 approved the employment of part-time physicians. In February 1970, Health Services, Inc., to reduce the cost of using part-time physicians, lowered the hourly rates paid to part-time physicians from \$25 to \$15. Information obtained by GAO indicated that the need for part-time physicians would continue in the foreseeable future. (See p. 15.)

CHAPTER 1

INTRODUCTION

The Montgomery Community Action Committee, Inc., hereinafter referred to as the Corporation, is an Office of Economic Opportunity (OEO) Community Action Agency that administers antipoverty programs in the county of Montgomery, Alabama, under grants from OEO; the Department of Health, Education, and Welfare (HEW); and the Department of Labor.

By letter dated September 25, 1970, Congressman William L. Dickinson requested that we examine into charges made by Mr. Milton H. Magill regarding the administration of certain activities of the Corporation and of the Health Services, Inc., a delegate agency of the Corporation that operates an OEO Comprehensive Health Services Program for the Corporation. (See app. I.) Mr. Magill was a former office manager for Health Services, Inc.

Our review was made during the period October through December 1970 at the Corporation's office in Montgomery, Alabama. In accordance with an agreement reached in discussions with Congressman Dickinson, we examined into the charges made by Mr. Magill, with the exception of the charge concerning the independence of a certified public accounting firm engaged by the Corporation. We examined also into the actions taken by the Corporation and Health Services, Inc., to correct deficiencies revealed in an OEO audit report dated April 6, 1970.

The OEO audit was made in October and November 1969 and included a review of management controls, administrative procedures, and operations of the Corporation's OEO-funded activities. The audit report commented on (1) the unauthorized use of Government vehicles by Corporation employees, (2) payments by Health Services, Inc., for prescriptions filled by private pharmacies for poor patients participating in the Comprehensive Health Services Program, and (3) staffing of the Health Services, Inc., health clinic in Montgomery, Alabama, with part-time physicians. We did not make an evaluation of the effectiveness of the Corporation's antipoverty programs.

We reviewed the Corporation and Health Services, Inc., records and interviewed Mr. Milton H. Magill; Mr. Charles Sheldon, the former executive director of the Corporation; Mrs. Doris Robertson, a former partner in the certified public accounting firm; and other persons associated with the Corporation and Health Services, Inc.

The Corporation, a nonprofit corporation, was organized on October 15, 1965, to develop, conduct, administer, and coordinate antipoverty programs in Montgomery County, Alabama. As of November 1970, the Corporation's governing board was composed of 48 members, of which 16 represented the public sector, 16 represented the poor, and 16 represented various business and community organizations. At that time, the Corporation employed about 550 persons to administer its programs.

According to the latest data available at the time of our field review, 39,830 families were living in Montgomery County, which had a total population of 163,000; 42 percent of the families had incomes of less than \$3,000. To assist the poor of Montgomery County, the Corporation at the time of our review was carrying out activities that were funded by grants of \$2 million by OEO for Community Action Programs, \$1.4 million by HEW for the Head Start program, and \$1.4 million by Labor for manpower training programs.

CHAPTER 2

CHARGES RELATING TO ADMINISTRATION

OF CERTAIN ACTIVITIES OF THE CORPORATION

AND ITS DELEGATE AGENCY, HEALTH SERVICES, INC.

PAYMENTS FOR ACCOUNTING SERVICES
CHARGED TO PRIOR PROGRAM YEAR

Mr. Magill charged that Health Services, Inc., had made two payments to a certified public accounting firm during the program year which began July 1, 1969, but that the payments were charged to the program year which ended June 30, 1969. The payments consisted of \$1,500 in September 1969 for the preparation of a personnel policy and procedures manual under a May 1969 agreement with the firm and \$4,000 in December 1969 for an audit of the activities of Health Services, Inc., for the program year which ended June 30, 1969, and for assistance in establishing and implementing an accounting system.

OEO instructions for Community Action Programs provide that payments may be made up to 3 months after the close of a program year and may be charged to that program year for goods or services that had been received during that program year. OEO officials informed us that the intent of this instruction is to deter OEO grantees from spending excess funds on hand at the end of a program year for goods or services that will not be delivered or provided until the following program year.

In May 1969, Health Services, Inc., entered into a verbal contract with a certified public accounting firm to prepare a personnel policy and procedures manual. The firm worked on the manual in May, June, and July 1969 and in July 1969 provided drafts of the manual to the executive director of the Corporation and to the coordinator of Health Services, Inc., for review.

In August 1969, the firm submitted a \$1,500 invoice to Health Services, Inc., for work performed on the manual. On September 30, 1969, Health Services, Inc., paid the

invoice with funds for the program year ended June 30, 1969. During November 1969, the firm, at no additional charge, performed further work on the manual to make it more complete. The completed manual was delivered to and accepted by the Corporation and Health Services, Inc., in December 1969.

In September 1969, Health Services, Inc., engaged the firm to audit its activities for the program year ended June 30, 1969. In November 1969, Health Services, Inc., engaged the same firm to assist it in establishing and implementing an adequate accounting system and to provide the Corporation and Health Services, Inc., with biweekly progress reports showing the extent of implementation of the system and the problems encountered.

On December 5, 1969, the firm furnished the Corporation and Health Services, Inc., with the first of four progress reports. The firm's audit report to the Corporation was issued on December 6, 1969. The firm submitted a \$4,000 invoice to Health Services, Inc., on December 11, 1969, which included \$3,600 for the audit and for work performed on the accounting system and an estimate of \$400 for additional work necessary to test the system in operation. On December 15, 1969, Health Services, Inc., paid the \$4,000 invoice with OEO program funds for the year ended June 30, 1969. The firm issued additional progress reports to the Corporation and Health Services, Inc., on December 22, 1969, and January 19, 1970. In its final progress report dated February 6, 1970, the firm reported that the accounting system and internal controls of Health Services, Inc., had been adequately implemented. In October 1970, both the coordinator of Health Services, Inc., and a partner in the certified public accounting firm informed us that verbal approval had been obtained from the OEO Atlanta Regional Office to use funds for the program year ended June 30, 1969, to pay the \$4,000 invoice.

In November 1970, the coordinator of Health Services, Inc., requested OEO headquarters' advice as to how the cost of an audit of activities for the program year which began July 1, 1969, which was to be conducted in the following program year, should be funded. OEO told Health Services, Inc., that audit costs should be paid from funds for

the program year during which the audit services were rendered, even though the audit might cover a prior program year.

The OEO Atlanta Regional Auditor informed us in December 1970 that under OEO-prescribed procedures for Community Action Programs the \$1,500 and \$4,000 payments should have been made from funds for the program year which began July 1, 1969, instead of from funds for the program year ended June 30, 1969. He stated, however, that he would recommend to OEO that no adjustment be made because Health Services, Inc.'s books for the program year ended June 30, 1969, had been closed and that any funds left over from that program year had been reprogrammed for use during the following program year. He also said that he would instruct the Corporation and Health Services, Inc., on how transactions of this type should be handled in the future.

In our opinion, the use of program funds for the year ended June 30, 1969, to pay the \$1,500 invoice for preparation of the manual was not an unreasonable treatment of the transaction, even though it was contrary to OEO instructions, because the manual was prepared largely in May and June 1969. However, the \$4,000 payment to the firm was for audit services rendered in the program year which began July 1, 1969, and therefore should have been charged as a cost in that year.

EMPLOYMENT OF FORMER EXECUTIVE DIRECTOR
AS A CONSULTANT TO THE CORPORATION

Mr. Magill charged that the Corporation's former executive director, Mr. Charles Sheldon, was paid \$100 a day as a consultant to the Corporation when he was, in fact, an employee of the University of Alabama Medical Center in Birmingham.

In August 1969, Mr. Sheldon resigned his position as executive director of the Corporation because he had accepted a full-time position with the University of Alabama Medical Center, which was to begin on October 1, 1969. At the request of the Corporation's executive committee, he agreed to remain in the Corporation's employment in an annual leave status until his 39 days of accrued annual leave had been used. During this period of leave, which ended on

November 9, 1969, he served the Corporation in the capacity of acting executive director.

As of November 9, 1969, the Corporation's executive committee had not selected a new executive director. With OEO approval, the former executive director was engaged as a consultant to serve on an "as needed" basis until a new executive director could be chosen. OEO's approval of his fee as a consultant was not required because the fee did not exceed \$100 a day. As a full-time employee of the University of Alabama Medical Center, the former executive director obtained the university's approval to work as a paid consultant to the Corporation.

The former executive director worked at the Corporation's office in an acting capacity for 6 days in November 1969, 8 days in December 1969, and 8 days in January 1970, for which he was paid \$100 a day. In addition, he spent 5 days at the Corporation's office during this period, for which he received no pay. The Corporation subsequently employed a new executive director who began work on January 19, 1970.

MAINTENANCE OF INVENTORY RECORD CARDS
FOR MEDICAL ITEMS

Mr. Magill charged that inventory record cards were not being maintained by the Corporation for medical items stored in a converted fire station.

OEO instructions for Community Action Programs require that Community Action Agencies maintain inventory records on all items of equipment in stock, including those obtained from surplus property of other agencies. In March 1969, the Corporation obtained OEO's approval to obtain certain medical supplies and equipment at no cost from the Job Corps Center at Camp Atterbury, Indiana, which was in the process of being closed. The Job Corps Center's transfer document listed 181 units of equipment, involving 88 different items, and supply items (drugs and medicines) which were not specifically identified. The Job Corps assigned costs of about \$25,000 to the items transferred.

The Corporation stored the items in an old fire station that had been donated to the Corporation by the city of

Montgomery for use as a warehouse. In addition, medical items obtained by the Corporation from surplus stock at Maxwell Air Force Base, Montgomery, Alabama, were stored in the warehouse. The Corporation did not establish inventory record cards for any of the medical items stored in the warehouse.

The warehouse was under the custody of a Corporation official who informed us that he kept the warehouse locked except when medical items were being withdrawn by Health Services, Inc., for use in its medical program. He informed us also that he approved all requisition slips for medical items withdrawn from the warehouse.

We made a physical count of the equipment items stored in the warehouse and summarized the requisition slips covering items withdrawn in an attempt to account for the 88 equipment items received from the Job Corps Center. We were able to account for 55 of the items but could not account for overages in three items and shortages in 30 items.

A Corporation official informed us that some of the shortages might have been attributable to the failure to prepare requisition slips for all items issued.

A Corporation official told us that the drugs and medicines on hand in the warehouse were worthless and would be destroyed. Also, the Corporation's executive director told us that the equipment items would be screened, unserviceable items would be destroyed, and inventory cards would be prepared for the serviceable items.

The OEO Regional Auditor informed us that inventory records for the equipment should have been maintained by the Corporation and that he would review the Corporation's compliance with this requirement during the next OEO audit.

CHAPTER 3

ACTIONS TAKEN BY THE CORPORATION AND HEALTH SERVICES, INC., TO CORRECT DEFICIENCIES REPORTED BY OEO AUDITORS IN APRIL 1970

The OEO Atlanta Regional Auditor made an audit in October and November 1969 of the Corporation's OEO-funded activities. The audit report dated April 6, 1970, revealed deficiencies in (1) the use of Government vehicles by Corporation employees, (2) payments by Health Services, Inc., for prescriptions filled by private pharmacies for poor patients participating in the Comprehensive Health Services Program, and (3) staffing of the Health Services, Inc., health clinic in Montgomery, Alabama, with part-time physicians.

The results of our inquiries into the corrective actions taken by the Corporation and Health Services, Inc., through November 1970 are discussed in the following sections.

USE OF GOVERNMENT VEHICLES

The OEO audit report stated that Government vehicles were being used by employees of the Corporation and of the delegate agency for unauthorized transportation to and from their homes and that usage logs were not maintained on the vehicles.

At the time of the OEO audit, the Corporation had issued instructions requiring all drivers to maintain motor vehicle usage logs showing odometer readings for all trips made. Because the Corporation did not have a motor pool or a parking area for its vehicles, staff members were allowed to keep assigned vehicles at their homes overnight.

The Corporation responded to the audit report in a letter dated May 22, 1970, to the OEO Atlanta Regional Office. The letter stated that (1) the maintenance of a usage

log for each vehicle had been instituted, (2) all employees to whom vehicles were assigned had been instructed on the proper method of maintaining the log and that it should be submitted upon completion of each trip, and (3) a permanent file was being maintained on the use of each vehicle.

In July 1970, the Corporation established four motor pools and issued instructions requiring that after working hours all vehicles were to be parked in spaces available at these pools. The instructions provided that vehicles, when needed at night, could be obtained only after a vehicle request form, stating the reason for which the vehicle was needed, had been approved by a program or staff director.

At the time of our review, the Corporation had 87 surplus Government vehicles of various types which were used in the operation of its programs. These vehicles had been acquired from the General Services Administration during the previous 4 years. The Corporation had no written procedures for determining its vehicle requirements. Its practice was to review General Services Administration surplus vehicle listings and to verbally check with program directors to determine whether a vehicle was needed and, if so, to prepare a transfer property form and submit it to OEO for approval. OEO instructions for Community Action Programs provide that procurement of surplus Government vehicles by Community Action Agencies does not require a written justification of need.

We reviewed vehicle request forms and usage logs for 43 vehicles--29 sedans, eight pickup trucks, and six station wagons--that were used during a 1-week period in September 1970. Although the Corporation had instituted procedures intended to control the use of Government vehicles, we found that (1) vehicle request forms were not used by three of the four motor pools, (2) vehicle request forms used at the fourth motor pool did not show the justification for use of six vehicles, (3) usage logs were not available for 15 vehicles used during this 1-week period, and (4) written authorizations were not obtained by drivers of three vehicles that were taken home overnight on a total of 10 occasions.

In December 1970, Corporation officials told us that they had not tested compliance with the new vehicle control procedures since the motor pools were established in July 1970. They said that training their employees to fill out the vehicle usage logs was a constant educational process. They agreed that all motor pools should be using the vehicle request form and stated that written procedures would be established for acquiring needed vehicles.

The Corporation's executive director told us in December 1970 that he would take action to ensure that (1) employees were instructed on the prescribed procedures for use of vehicles, (2) vehicle usage logs were properly maintained and reviewed, (3) vehicle request forms were properly filled out and used by all motor pools, and (4) a review of the Corporation's vehicle requirements was made.

The OEO Regional Auditor told us that he would provide for a review of these procedures in OEO's next review of Corporation activities.

PHARMACY PROGRAM

The OEO audit report stated that a certified public accounting firm had audited 2,941 payments by Health Services, Inc., to private pharmacies for prescriptions and had found that 429 prescriptions erroneously included a professional fee on nonlegend drugs (drugs not requiring a doctor's prescription). It stated further that the firm had found that, in some instances, the pharmacies had refilled prescriptions a greater number of times than specified by Health Services, Inc., physicians.

On July 26, 1968, Health Services, Inc., awarded a contract to Pharmacy Services, Inc., for administration of a pharmacy program which provided that prescriptions for legend and nonlegend drugs from Health Services, Inc., physicians could be filled by participating pharmacies which in turn would bill Health Services, Inc. Under this contract, the pharmacies received, as a fee, an amount equal to 50 percent of the cost of items not requiring a physician's prescription (nonlegend) and a \$1.25 professional fee for each item requiring a prescription (legend). The Health Services, Inc., physicians used prescription forms as a means of authorizing the patient's purchase of nonlegend

drugs. On September 1, 1969, the contract was amended to provide for a professional fee of \$1.65 for each prescription item.

The certified public accounting firm engaged by Health Services, Inc., to make an audit of its activities for the program year ended June 30, 1969, reviewed the pharmacy program and found that professional fees of \$1.25 were erroneously charged by participating pharmacies for nonlegend drugs. The accounting firm reported these erroneous charges, which involved bills for 429 of 2,941 prescriptions examined, to the OEO Atlanta Regional Office in December 1969. At the request of OEO, the firm extended its audit to include, on a statistical-sampling basis, bills for all 24,166 prescriptions filled at a cost to the program of \$99,653 during the program year ended June 30, 1969.

This extended audit revealed additional overcharges on the basis of which we estimated that the overcharges amounted to about \$1,900 on the approximately 2,500 nonlegend prescriptions during the program year.

For the program year which began July 1, 1969, the Health Services, Inc., approved budget for the pharmacy program totaled \$120,640. As of October 31, 1969, Health Services, Inc., had disbursed \$68,000 and was committed to pay another \$81,000 for outstanding prescriptions which allowed for refills by pharmacies. Because of this anticipated budget overrun, Health Services, Inc., recalled all outstanding prescriptions which allowed for refills by pharmacies and canceled the program effective December 31, 1969. As of that date, Health Services, Inc., had disbursed \$99,461.

On January 1, 1970, Health Services, Inc., revised its procedures to require all prescriptions to be filled by the Health Services, Inc., in-house pharmacy. The new procedures provided, however, that prescriptions could be filled by private pharmacies in emergency situations or when the Health Services, Inc., pharmacy did not have a prescribed item. From cancellation of the program on December 31, 1969, through July 31, 1970, payments to the pharmacies totaled \$3,850.

For the program year which began August 1, 1970, Health Services, Inc., budgeted \$6,000 for emergency

prescriptions and as of September 30, 1970, had disbursed \$1,382 for this purpose. The professional fee paid for each legend prescription was reduced to \$1.50 and the policy of allowing refills of prescriptions in emergency situations was discontinued.

Our review of the bills for 10 percent of 310 prescriptions filled by private pharmacies during August and September 1970 revealed no payments of professional fees for non-legend drugs.

STAFFING OF HEALTH CLINIC WITH PART-TIME PHYSICIANS

The OEO audit report stated that Health Services, Inc., had not employed enough full-time physicians to completely staff its health clinic and that the resultant use of part-time physicians was more costly than employing the necessary number of full-time physicians.

At the time of the OEO audit in October 1969, the Health Services, Inc., budget for the program year which began July 1, 1969, provided funds for the employment of six full-time general physicians and the services of medical specialists for a total of 4 hours weekly. Also included were funds adequate to operate the health clinic between the hours of 7:30 a.m. and 8:30 p.m., 5 days a week. In practice, however, Health Services, Inc., was able to employ on a full-time basis only two general physicians who worked from 7:30 a.m. to 4:30 p.m. each day and used the funds programmed for the other four full-time physicians and the medical specialists to pay part-time general physicians from Maxwell Air Force Base to operate the health clinic from 4:30 p.m. to 8:30 p.m.

Recognizing the need to maintain essential services and because Health Services, Inc., had been unable to employ a sufficient number of full-time physicians, the OEO Office of Health Affairs, Washington, D.C., in January 1970 approved the employment of part-time physicians. In February 1970, Health Services, Inc., to reduce the cost of using part-time physicians, lowered the hourly rates paid to the part-time physicians from \$25 to \$15.

In response to the OEO audit report, the Corporation informed OEO on May 22, 1970, that Health Services, Inc., had been unsuccessful in its attempts to hire more full-time physicians and, because the clinic was to remain open from 7:30 a.m. to 8:30 p.m. each day, part-time physicians would have to be used. On July 10, 1970, the OEO Regional Deputy Director informed the OEO Regional Auditor that the Corporation's explanation on this matter was adequate and that he considered the audit point closed.

Our follow-up of this matter in November 1970 indicated that Health Services, Inc., would have to continue using part-time physicians. The Health Services, Inc., coordinator informed us that he had contacted two universities, advertised in two national medical journals, and corresponded with 12 physicians in an attempt to employ more full-time physicians but that his efforts had been unsuccessful.

APPENDIX

WILLIAM L. DICKINSON
2ND DISTRICT, ALABAMA

WASHINGTON OFFICE:
204 CANNON HOUSE OFFICE BUILDING
PHONE: AREA CODE 202-225-2901
WASHINGTON, D.C. 20515

2ND DISTRICT COUNTIES:
BALDWIN CRENSHAW
BUTLER ESCAMBIA
CONECUH LOWNDES
COVINGTON MONTGOMERY
PIKE

Congress of the United States
House of Representatives
Washington, D.C. 20515

September 25, 1970

WALTER J. BAMBERG
FIELD REPRESENTATIVE

DISTRICT OFFICES:
ROOM 401 POST OFFICE BUILDING
PHONE: AREA CODE 205-265-5811, EXT. 453
MONTGOMERY, ALABAMA 36104

STAPLETON BUILDING
111 HOYLE AVENUE
PHONE: AREA CODE 205-937-8818
BAY MINETTE, ALABAMA 36507

COMMITTEES:
ARMED SERVICES
HOUSE ADMINISTRATION

Mr. Elmer B. Staats
Comptroller General of the United States
General Accounting Office
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Staats:

One of my constituents, retired Air Force Major Milton H. Magill, was employed as Office Manager for Health Services, Inc., which is a delegate agency of the Montgomery Community Action Agency, Montgomery, Alabama. Major Magill has made certain allegations involving the management of MCAC and Health Services, Inc., which I shall appreciate your investigating.

Specifically, I would like for you to look into the following allegations:

1. A Certified Public Accountant was paid \$1,500 in September 1969 for writing a procedures manual which has not been prepared, and which was charged to program year B, which ended June 30, 1969.
2. A voucher for \$4,000 was paid in December 1969 and was charged to program year B.
3. The CPA firm did not maintain its independence since one of the firm's partners audited and certified MCAC's financial statements and was performing duties of MCAC employees at the same time.
4. Mr. Charles Sheldon, former MCAC executive director, is being paid \$100 per day as a consultant when he is, in fact, an employee of the University of Alabama Medical Center in Birmingham.

APPENDIX I

Mr. Elmer B. Staats

- 2 -

September 25, 1970

5. Inventory and stock record cards are not being maintained for medical items stored in a converted fire station.

I shall appreciate your also investigating any related activities in the management of MCAC.

With kindest regards, I am

Sincerely yours,



WM. L. DICKINSON

WLD:bg