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Operations And Administration  
Of The Appalachian Research  
And Defense Fund, Inc.,  
Charleston, West Virginia B-130515

Office of Economic Opportunity

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

~~904537~~ 090514

MAY 31, 1972



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

MAY 31 1972

B-130515

Dear Mr. Perkins:

1 Pursuant to your request of May 13, 1971, and subsequent discussions with you, we are enclosing a report on the operations and administration of the Appalachian Research and Defense Fund, Inc., of Charleston, West Virginia. The Appalachian Fund operates a legal services program in the Appalachian region of West Virginia and Kentucky under grants from the Office of Economic Opportunity and is a delegate agency of the Tech Foundation of the West Virginia Institute of Technology.

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As previously agreed with you, we are transmitting copies of this report to Congressmen Ken Hechler and John M. Slack, Jr., and to the Director of the Office of Economic Opportunity.

Sincerely yours,

(Signed) Elmer B. Staats

Comptroller General  
of the United States

Enclosures - 3

The Honorable Carl D. Perkins  
House of Representatives

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ABBREVIATIONS

GAO	General Accounting Office
OEO	Office of Economic Opportunity

COMPTROLLER GENERAL'S REPORT  
TO A MEMBER OF CONGRESS

OPERATIONS AND ADMINISTRATION  
OF THE APPALACHIAN RESEARCH  
AND DEFENSE FUND, INC.,  
CHARLESTON, WEST VIRGINIA  
Office of Economic Opportunity  
B-130515

D I G E S T

WHY THE REVIEW WAS MADE

In accordance with a congressional request of May 13, 1971, the General Accounting Office (GAO) reviewed the operations and selected administrative practices of the Appalachian Research and Defense Fund, Inc.--a delegate agency of the Tech Foundation of the West Virginia Institute of Technology.

The Appalachian Fund operates a legal services program in the Appalachian region of West Virginia and Kentucky under grants from the Office of Economic Opportunity (OEO). GAO's examination was directed toward analyzing and evaluating the results of the Appalachian Fund's operations during the period August 1, 1970, to October 31, 1971, for which the Appalachian Fund received an initial OEO grant of \$476,101.

For the same member of Congress, GAO previously audited the financial records of the Appalachian Fund, and the results were reported in August 1971.

The Appalachian Fund, which was established in December 1969, received its first grant from OEO in August 1970. From inception to April 1972, the Appalachian Fund received grants from OEO totaling about \$685,000 for a legal services program. OEO expects to award a grant for the operation of the Appalachian Fund for the period May through December 1972.

GAO discussed the matters included in this report with Appalachian Fund, OEO, and Tech Foundation officials; however, they were not given an opportunity to formally examine and comment on this report.

--To involve the poor in the decisionmaking process of the Legal Services program project and, to the extent feasible, to include target-area residents on the staff of the project. (See p. 16.)

GAO noted that difficulties were experienced in starting operations in the Kentucky offices during the early period of the grant because of differences between Kentucky and West Virginia attorneys as to the purpose of the project, the nature of the legal services to be provided, and the delegation of decisionmaking authority.

During the early period of the grant, these differences resulted in little litigation and few law reform activities in Kentucky and in a delay in developing the unitary regional approach to the legal problems of the poor as contemplated by the grant. As of October 31, 1971, the difficulties experienced in starting operations in Kentucky had been resolved. (See p. 16.)

#### Project administration

GAO's review revealed some administrative weaknesses in documentation of client eligibility and establishment of a referral and follow-up system for persons referred to private attorneys for assistance or to agencies for nonlegal services.

The improvements needed were brought to the attention of the director of the Appalachian Fund, who stated that corrective action would be taken. (See p. 19.)

## CHAPTER 1

### INTRODUCTION

BEST DOCUMENT AVAILABLE

The Office of Economic Opportunity awarded a grant of \$476,101 for the period August 1, 1970, to October 31, 1971, to the Tech Foundation of the West Virginia Institute of Technology for operation of a legal services program in the Appalachian region of West Virginia and Kentucky. The grant was made under section 222 of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2809). The foundation delegated the operation of the legal services program to the Appalachian Research and Defense Fund, Inc., a West Virginia nonprofit corporation.

In accordance with a congressional request dated May 13, 1971, we have reviewed the operations and selected administrative practices of the Appalachian Fund. Pursuant to the same congressional request, we audited the financial records of the Appalachian Fund, and the results of this audit were reported to the initiator of the request in August 1971.

This review was made during the period August 1971 through April 1972 at the Charleston, West Virginia, and Prestonsburg and Lexington, Kentucky, offices of the Appalachian Fund and in Washington, D.C., at OEO's Office of Legal Services which administers the Legal Services program. We reviewed applicable legislation, OEO policies, and the grant agreement. We interviewed officials of the foundation, the Appalachian Fund, and OEO. We interviewed also 30 current or former clients of the Appalachian Fund to obtain their views and comments on the project and the services received.

Our review, which covered the 15-month period ended October 31, 1971, was directed toward analyzing and evaluating the results of the Appalachian Fund's operations and toward determining whether the activities of the Appalachian Fund were being carried out in accordance with the authorizing legislation and OEO's Legal Services program guidelines.

Although the officials of OEO, the foundation, and the Appalachian Fund were not given an opportunity to formally examine and comment on this report, the findings were discussed with these officials.

The Appalachian Fund was chartered under West Virginia law on December 29, 1969. Its declared purpose was to restore self-government to the people of the Appalachian Mountain area by helping them to conserve and develop the human

and natural resources of the region for the common benefit of all. The purposes of the OEO grant were:

1. To provide legal services on issues or matters of concern to eligible individuals or groups in the designated service area.
2. To serve a bi-State area.
3. To enhance existing legal services efforts in the area by research and litigation support.
4. To carry out education and training and to disseminate information through professional journals and appropriate media.
5. To employ an interdisciplinary approach and to draw on the resources of educational institutions to develop solutions to sophisticated legal problems.

OEO's grant provided that the Appalachian legal services program was to develop and test an approach to the specialized legal problems of individuals and groups in the Appalachian region of Kentucky and West Virginia. Regional problems, as defined in the grant, include occupational diseases and environmental pollution caused by coal mining and other industries.

The purpose of the Appalachian Fund's grant is unique among the projects funded by OEO through its Legal Services program in that it is regionally oriented and addresses regional problems in the areas of environment, mining, and pollution.

As of October 31, 1971, the Appalachian Fund employed 12 attorneys and 14 administrative and clerical personnel and maintained law offices in Charleston, Lexington, and Prestonsburg. The Appalachian Fund also operated an office in Barbourville, Kentucky, during the period August 1970 to June 1971.

OEO awarded a follow-on grant of \$209,044 to the foundation for operation of the Appalachian Fund during the period November 1, 1971, to April 30, 1972. OEO clarified the purpose of the Appalachian Fund's program under this grant by requiring the Appalachian Fund to direct primary attention to serving as a backup center to provide technical assistance to operating programs in connection with health, environmental, and other recurring problems common to the poor of the Appalachian area and to direct only secondary

attention to the operation of neighborhood legal services offices. OEO officials informed us in April 1972 that they expected to award a grant for the same purpose to the foundation for the period May through December 1972.

## CHAPTER 2

### RESULTS OF OPERATIONS

The Appalachian Fund furthered the cause of justice among the poor by providing free legal and legal-related services to a number of persons to whom such services otherwise might not have been available and advocated institutional reform of laws and practices which adversely affected the poor.

During the 15-month period ended October 31, 1971, the Appalachian Fund handled over 1,300 cases in such diverse areas as health, welfare, housing, and the environment and was involved in all OEO's Legal Services program goal areas. Its operations, for the most part, were consistent with the terms of the grant.

We noted, however, that the Appalachian Fund had experienced difficulties in starting operations in Kentucky, which prevented greater accomplishments by the Appalachian Fund during the early period of the grant. As of October 31, 1971, the difficulties experienced in starting operations in Kentucky had been resolved.

### PROGRAM GOALS

With respect to legislative objectives, section 222 of the act provides for a Legal Services program to:

"\*\*\* further the cause of justice among persons living in poverty by mobilizing the assistance of lawyers and legal institutions and by providing legal advice, legal representation, legal counseling, education in legal matters, and other appropriate legal services."

The goals of OEO's Legal Services program follow. An OEO official informed us that all Legal Services program projects were expected to participate, to some extent, in each goal area.

1. To provide quality legal services to the greatest possible number consistent with the size of the staff and the other goals of the program.
2. To educate target-area residents as to their legal rights and responsibilities in areas of concern to them.

3. To ascertain what rules of law affecting the poor should be changed to benefit the poor and to achieve such changes through test case<sup>1</sup> and appeal, statutory reform, or changes in the administrative process.
4. To serve as advocate for the poor in the social decisionmaking process.
5. To assist the poor in the formulation of self-help groups, such as cooperative purchasing organizations, merchandizing ventures, and other business ventures.
6. To involve the poor in the decisionmaking process of the Legal Services program project and, to the extent feasible, to include target-area residents on the staff of the project.

A discussion of the Appalachian Fund's achievements in these goal areas and problems relating to project achievements which we noted during our examination follows.

Provision of quality legal services  
to the greatest possible number

The Appalachian Fund, through the use of OEO grant funds, provided free legal services in over 1,300 cases in such diverse areas as health, welfare, housing, and the environment and, in addition, provided free legal-related services to 603 persons applying for Black Lung benefits. An estimated \$328,000 in retroactive benefits has been obtained for 157 of the 603 persons.

We were unable to fully evaluate the quality of legal services provided to clients by the Appalachian Fund because information which would afford a basis for such evaluations was contained only in the attorneys' case files which were not available to us because of the confidential nature of the lawyer-client relationship. The Appalachian Fund's concern with providing quality legal services is evidenced, however, by the fact that it conducted educational programs for its attorneys and other members of its staff in areas relating to the problems of the poor. The clients of the Appalachian Fund whom we interviewed expressed satisfaction with the services received.

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<sup>1</sup>A case that has direct impact on persons not involved in actual litigation.

### Quality of services provided--clients' views

All 30 clients of the Appalachian Fund whom we interviewed stated that they were satisfied with the services they had received from Appalachian Fund attorneys. The names of the clients whom we interviewed were obtained from cases handled by the Appalachian Fund that were a matter of public record. Nine clients stated that they had obtained legal services from other attorneys previously and that the services rendered by Appalachian Fund attorneys were equal to, or better than, the services which they had obtained previously. Of the 30 clients interviewed, 16 indicated that their problems had been satisfactorily resolved by Appalachian Fund attorneys. The problems of 12 clients were pending resolution at the time of our interviews, and the two remaining clients indicated that their problems had not been resolved satisfactorily.

### Education program for staff

During the grant period the Appalachian Fund conducted three special educational seminars for members of its staff concerning the rights of individuals under the National Labor Relations Act, public power and the environment, and legal aspects of the health problems of the poor. The Appalachian Fund conducted biweekly staff conferences at which such topics as Black Lung benefits for disabled miners and widows of miners, community action program issues, food stamps, and health and welfare matters were discussed.

### Extent of legal services provided

Appalachian Fund records and information provided by its attorneys showed that the Kentucky offices of the Appalachian Fund had accepted 393 cases and that the West Virginia office had accepted 940 cases, for a total of 1,333 cases during the grant period.

The types of cases handled, the types of services provided, and the social program areas in which the services were rendered for the 15-month period ended October 31, 1971, are summarized below. It should be recognized that the amount of legal work required to dispose of a case may vary from a few minutes to a number of days, depending on the nature of the case.

	<u>West Virginia</u>	<u>Kentucky</u>	<u>Total</u>
Type:			
Individual	846	371	1,217
Class action (note a)	70	6	76
Not determinable	<u>24</u>	<u>16</u>	<u>40</u>
Total	<u>940</u>	<u>393</u>	<u>1,333</u>
Service:			
Consultation	551	193	744
Representation	164	103	267
Research	128	25	153
Referral	27	40	67
Rejected	10	7	17
Not determinable	<u>60</u>	<u>25</u>	<u>85</u>
Total	<u>940</u>	<u>393</u>	<u>1,333</u>
Social program area:			
Health and welfare	626	179	805
Domestic and other			
civil	154	143	297
Housing	62	10	72
Criminal	17	20	37
Employment	17	3	20
Environment	7	7	14
Not determinable	<u>57</u>	<u>31</u>	<u>88</u>
Total	<u>940</u>	<u>393</u>	<u>1,333</u>

<sup>a</sup>An action brought on behalf of other persons similarly situated.

The extractive industries, principally coal mining, constitute the economic base of the area served by the Appalachian Fund. This area has experienced a high unemployment rate and outmigration of employable persons. Consequently the cases handled by the Appalachian Fund show a heavy concentration on health and welfare matters, and there is particular emphasis on public assistance benefits. The Appalachian Fund also has devoted some of its efforts to matters relating to the manner in which industries of the area have affected the environment and the health and welfare of persons.

The director of the Appalachian Fund informed us that 110 cases had been taken to court during the grant period. Of these cases, 43 resulted in favorable decisions, in whole

or in part, and 54 were still in process as of October 31, 1971.

During the grant period community aides trained by the Appalachian Fund provided assistance to 603 persons applying for Black Lung benefits from the Social Security Administration and helped 157 of these persons obtain retroactive benefits totaling an estimated \$328,000. The assistance rendered by the Appalachian Fund in the Black Lung area consisted of educating persons as to their legal rights, assisting persons in applying for benefits, and representing persons before hearings conducted by the Social Security Administration for determining eligibility.

#### Education of target-area residents

OEO's Legal Services program guidelines provide that:

"An essential ingredient of a legal services program is comprehensive education to apprise eligible people of their legal rights and obligations. The community action program, law schools, the organized bar, individual attorneys and others, should be involved in this phase of the program. A strong preventive law approach should be established, educating potential clients to become aware of their legal rights and to protect them so that legal remedy sought after involvement will be the exception rather than the rule."

The Appalachian Fund has initiated steps to educate both organizations and individuals as to their legal rights. Appalachian Fund records showed that staff attorneys talked to such groups as the Eastern Kentucky Welfare Rights Organization, the Council of Southern Mountains, the Association of Disabled Miners and Widows, and various community action agencies about legal rights and obligations. Topics discussed included Black Lung disease, food stamps, and school lunches. Examples of the Appalachian Fund's efforts in the legal education area follow:

- Establishing a training program to provide skills and technical assistance to disabled miners and other community members on Black Lung benefit operations and requirements so that the persons trained could render assistance to other persons.
- Advising various parent groups of recent developments in the school lunch program.

- Providing information to women's groups on such issues as equal employment opportunities for women.
- Advising individuals on such matters as highway statutes and property rights.
- Counseling parents on State and Federal laws concerning children's rights to equal educational opportunities.
- Appearing before various community groups, such as welfare rights organizations, and providing information relating to legal rights and changes in the law.

### Law reform

The principal missions of OEO's Legal Services program are to have projects engage in actions that challenge--by class action or by test case--that portion of the statutory, regulatory, and administrative base of the existing order considered to discriminate against the poor; to conduct research into conflicting or discriminating applications of laws or administrative rules; and to make proposals for administrative and legislative changes. The Appalachian Fund has been involved in these types of actions.

Appalachian Fund records and information provided by its attorneys showed that during the grant period Appalachian Fund attorneys had been involved in law reform activities in such areas as mental health, housing, property, health and welfare, contracts and employment, and the environment.

Examples of law reform cases handled by the Appalachian Fund during the grant period follow. These cases were still in process in April 1972.

1. United Appalachian Poor People versus Webster County Memorial Hospital--This is an action to ensure that hospitals that have received Hill-Burton construction funds provide, according to Federal regulations, a reasonable volume of free services to persons unable to pay.
2. Billy Howard Cook versus South-East Coal Company--This case tests whether the owner of the surface of the land has a right, by necessity, to drill a water well through coal seams owned by mining companies and to be compensated for damage to the well caused by the mining operations of the mineral owner.

3. Western versus Ashland Finance Company--This case challenges the West Virginia justice of the peace system on the basis that the system denies due process to defendants in civil actions. The basis of the action is the contention that the system is inadequate because justices of the peace (1) are paid by the number of cases handled, (2) lack sufficient education, and (3) can only assess certain fees after judgment for the creditor-plaintiff.
4. Hayes versus Reclamation Commission--This is an action to revoke the mining permits of 30 coal companies for repeatedly violating the State of Kentucky's strip-mining and reclamation statutes and regulations.

### Advocacy for the poor

During the grant period the Appalachian Fund has served as an advocate for the poor in the social decisionmaking process.

Examples of Appalachian Fund activities in this goal area follow.

#### Interstate highway system

The Appalachian Fund has conducted negotiations with the city of Charleston, the State Highways Department, and the U.S. Department of Transportation concerning the dislocation of low-income neighborhoods and the environmental effects caused by the planned construction of three interstate highways through the narrow confines of the Kanawha Valley.

#### Public transportation

Because of a prolonged cessation of bus service to Kanawha Valley, the Appalachian Fund petitioned the West Virginia Public Service Commission for appropriate short-term relief on behalf of low-income residents who depended on buses for their daily transportation.

#### Welfare

The Appalachian Fund is seeking to have the West Virginia Welfare Department comply with its regulations requiring advance notice of termination and pretermination hearings for welfare recipients. The Appalachian Fund contends that the department flouts the law by ignoring or attempting to circumvent the requirements.

## Economic development

OEO's Office of Legal Services recognized that successful use of the courts and reform of governmental processes, by themselves, would not significantly improve the daily lives of the poor. It believed that, if the cycle of poverty were to be broken and if the poor were to achieve middle-class living standards, even more far-reaching changes would have to occur in the private sector than in the public sector. The Office of Legal Services noted that, despite the availability of substantial amounts of Federal funds for housing and economic development, there had been few visible signs of improved conditions in low-income communities. The Office of Legal Services attributed this lack of progress to the inaction on the part of the private sector normally engaged in entrepreneurial endeavors to fully utilize available Federal and private funds for projects in poverty localities.

The Office of Legal Services has established economic development as a primary goal of Legal Services program projects. The Office of Legal Services approach to economic development is to encourage the poor to develop economic units in their home communities, and it is hoped that these units will generate funds to provide more adequate housing, retail facilities, loans, and employment.

Examples provided by the director of the Appalachian Fund of the project's activities in this goal area include:

- Providing legal assistance, research, and counsel concerning the establishment of a gas cooperative.
- Assisting in the establishment of a large tomato growing and marketing cooperative in conjunction with the Ford Foundation. The cooperative employs about 75 persons.
- Providing legal assistance for the incorporation of a grocery cooperative.
- Incorporating the Guyandotte Water and Sewer Development Association, a private nonprofit corporation whose purpose is to secure funding and provide technical assistance to small communities desiring to improve their water and sewer facilities.
- The Appalachian Fund has been involved in a number of pollution abatement cases, the object of which is to provide a cleaner environment which will make living and working in Appalachia more attractive.

Involvement of the poor  
in the decisionmaking process

The Appalachian Fund has involved the poor or representatives of the poor in the decisionmaking process of the project through employment of target-area residents on the staff of the project and representation on the Appalachian Fund's board of governors.

The Economic Opportunity Act requires that each community action agency have a governing board which has at least one third of the board members chosen in accordance with democratic selection procedures adequate to ensure that they are representative of the poor in the area served.

OEO's Legal Services program guidelines provide that board members who represent the poor need not be poor themselves. If they are not residents of the areas or members of the groups served, however, they must be truly representative of those residents and groups. The guidelines state that this essential quality may be ensured through truly democratic selection by the poor.

OEO noted that, although all members of the Appalachian Fund's board of governors were poor-person oriented, refinements were needed in the method of selecting board members. Consequently OEO included a special condition in the November 1971 grant that required the Appalachian Fund to restructure its board to include at least one third democratically selected representatives of the poor. In December 1971 the Appalachian Fund's board adopted certain revisions to its bylaws and regulations in compliance with the special grant condition.

As of October 31, 1971, there were eight full-time, paid employees and 21 community volunteers who were trained in the areas of Black Lung, food stamps, and school lunch benefits participating in the Appalachian Fund's program. All 29 individuals were residents of the target area.

PROBLEMS IN STARTING OPERATIONS IN KENTUCKY

The Appalachian Fund experienced difficulties in starting operations in the Kentucky offices during the early period of the grant because of differences between Kentucky and West Virginia attorneys as to the purpose of the project, the nature of the legal services to be provided, and the delegation of decisionmaking authority. During the early period of the grant, these differences resulted in little litigation and few law reform activities in Kentucky

and in a delay in developing the unitary regional approach to the legal problems of the poor as contemplated by the grant.

Two organizations are combined  
as Appalachian Fund

The Appalachian Fund was established in December 1969 by four attorneys concerned with public interest matters. In April 1970 OEO's Office of Legal Services desired to establish a legal services program which would be responsive to unmet legal needs of the people of the Appalachian area and asked the Appalachian Fund to consider a Federal grant to provide legal services on the condition that a bi-State program be created.

As a result of the offer, the Appalachian Fund entered into negotiations with the Mountain Legal Rights Association, an organization in Kentucky which was providing legal services to the Appalachian Volunteers, an OEO grantee, for the purpose of discussing the merger of the two organizations in order to accept the Federal grant. An agreement was reached between the association and the Appalachian Fund, and an OEO grant for the 15-month period which began on August 1, 1970, was awarded to the foundation for operation of the Appalachian Fund. The foundation served as sponsor for the Appalachian Fund because of its interest in the community and education work of the Appalachian Fund and because of the engineering expertise it could make available to the Appalachian Fund.

In September 1970 the attorney who had been director of the Kentucky organization resigned for health reasons, and in November 1970 a new directing attorney for the Kentucky operation was hired.

Differences in approach create difficulties

During the early months of the grant period--prior to the hiring of the new directing attorney in Kentucky and for a short while thereafter--differences developed between the West Virginia and Kentucky attorneys. According to the director of the Appalachian Fund, the Kentucky attorneys insisted on operating their offices independently and on concentrating their efforts on organizational activities rather than on litigation and law reform.

According to the new directing attorney for the Kentucky operations, there was virtually no court litigation in Kentucky and most of the cases handled by the Kentucky staff at the outset in the area of litigation were individual public

assistance and social security disability cases, some of which proceeded to hearings. He indicated that--because Kentucky law permitted representation at these hearings by nonlawyers and because the Kentucky attorneys, only one of whom was a Kentucky-licensed attorney, were out of law school less than 2 years--these were natural areas of emphasis for them.

The new directing attorney of the Kentucky operations decided to initiate more activity in the litigation area and to centralize the Kentucky operations in Lexington because of its proximity to the State capitol and the University of Kentucky law school from which support services, such as student research, could be obtained.

The Kentucky attorneys disagreed with these decisions and felt that (1) emphasis should be placed on advice and counsel to individuals and grass-roots organizations rather than on litigation and law reform, (2) the Kentucky operations should remain autonomous, and (3) centralizing operations in Lexington took the program out of the mountains where the poor lived. Some Kentucky attorneys resisted efforts to direct their activities and hired an attorney to represent them.

#### Resolution of the problem

In January 1971 the Appalachian Fund's board of governors upheld the authority of the new directing attorney. Subsequently the Kentucky attorneys resigned or were terminated, and, at the completion of our fieldwork, the Kentucky offices were staffed with six attorneys, all of whom were members of the bar.

The director of the Appalachian Fund, in a March 1972 letter to OEO, stated that the difficulties experienced with the Kentucky attorneys made it impossible to develop a unitary regional approach to the legal problems of the poor as contemplated by the grant and that it was not until the late spring of 1971, after the turnover in Kentucky staff, that the Kentucky operation was able to function effectively.

## CHAPTER 3

### PROJECT ADMINISTRATION

Our examination revealed some administrative weaknesses in documentation of client eligibility and establishment of a referral and follow-up system.

The improvements needed were brought to the attention of the director of the Appalachian Fund who stated that corrective action would be taken.

#### ELIGIBILITY

Appalachian Fund's grant from OEO provides that client eligibility be based on income and that other factors, such as the availability of private counsel, be taken into consideration. With respect to determining income eligibility, the grant states that the standard is the OEO poverty guidelines. For example, in 1970 these guidelines provided that a nonfarm family of four qualified for assistance if its income amounted to \$3,600 annually or less.

We examined the financial information pertaining to 29 clients. We were unable to make the selection of clients' financial records ourselves because these records contained the names of the clients; therefore copies of these records which did not contain clients' names were provided to us by Appalachian Fund attorneys.

For 13 of the 29 clients, the records showed that reported income was within OEO's poverty guideline standard. For the 16 remaining clients, we were unable to determine whether OEO's poverty guideline standard had been adhered to because such necessary information as incomes and numbers of dependents had not been recorded.

The director of the Appalachian Fund informed us that he would emphasize to his staff the importance of recording financial information of clients.

#### REFERRAL AND FOLLOW-UP

Because of the large demand for legal assistance and the eligibility restrictions placed upon applicants for services, OEO's Legal Services program guidelines provide that a lawyer-referral procedure be established to ensure that ineligible persons are provided legal assistance and that a follow-up system be maintained to determine the outcome of the referrals.

Referrals usually are made through existing referral services of the organized bar or by establishing panels of local attorneys who are willing to accept referrals. To obtain nonlegal assistance for clients, referrals also should be made to social work agencies or to the appropriate Government agencies that may be able to solve the clients' problems.

Our examination showed that the Appalachian Fund had no formal referral or follow-up system; and, because there was a lack of documentation on these activities, we could not make a detailed study of it. The director of the Appalachian Fund acknowledged, however, that referral efforts had been haphazard and that follow-up seldom was performed. He informed us that, to correct this problem, he would establish procedures for referral and follow-up activities.