



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ARCADE PLAZA BUILDING, 1321 SECOND AVENUE
SEATTLE, WASHINGTON 98101
November 5, 1975

Phil!

REGION X

Office of Community
Planning & Development

IN REPLY REFER TO:

10D

Al Jamison, Director
Portland Model Cities Program
Bureau of Human Resources
620 S.W. Fifth
Portland, OR 97204

Dear Mr. Jamison:

Subject: ME-36-001 - Report on Audit for Period June 1, 1972 -
October 31, 1974, Audit Finding No. 8

This letter is to confirm a telephone conversation between yourself and Sue Clements of my staff on November 4, 1975 concerning the above subject.

Per your request, we requested the Regional Inspector General for Audit to review your response to Audit Finding Number 8, and determine if this action would clear the finding. It was determined that our recommended action, stated in the September 15, 1975 letter, was in the best interest to both the Portland Model Cities Program and to HUD in the clearance of this finding..

If you have any further questions concerning the above, please do not hesitate to contact this office.

Sincerely,

Robert C. Scalia
Robert C. Scalia
Assistant Regional Administrator

Ref # 8

July 28, 1975

Mr. Robert C. Scalia
Assistant Regional Administrator
Department of Housing and
Urban Development
Arcade Plaza Building, MS 317
1321 Second Avenue
Seattle, Washington 98101

Dear Mr. Scalia:

In the Department of Housing and Urban Development's audit of the Comprehensive City Demonstration Program of the City of Portland there was a finding dealing with possible duplicate educational aid (HUD Finding Number 8). Model Cities is of the opinion that because of the late date of 1972/73 and the small amount of money involved for the four students, an average of \$370 each, it would be unprofitable to attempt to collect any amount owing by the students. This situation means that the money would have to come from the projects, who were both acting within their contract with the City of Portland.

Collecting money from the projects would only serve to eliminate money available for future scholarships, thus depriving other needy applicants.

Model Cities Agency, therefore, with the concurrence of one of the projects involved, proposes an alternate method of recovery of the duplicate payments. The proposal would be that Martin Luther King Scholarship Fund would prepare a statement asserting that while they fulfilled the terms of their contract with the City of Portland, and therefore were not liable for the duplicate payments, they would provide from their general fund scholarship grants in an amount to cover the questioned costs.

Mr. Robert C. Scalia
Model Cities/Audit
07/28/75

Page -2-

The scholarships would be awarded to three Model Cities' residents during the academic year of 1975/76. The total cost of this grant would be approximately \$1,980. This statement would be included in the formal response to the HUD audit.

Sincerely,


Al Jamison, Director
Model Cities Agency

January 6, 1975

10D

Honorable Neil Goldschmidt
Mayor, City of Portland
1220 S. W. Fifth Avenue
Portland, Oregon 97204

RECEIVED

JAN 13 1975

Dear Mayor Goldschmidt:

Subject: ME 36-001 - Report on Audit of the Comprehensive City
Demonstration Program of the City of Portland, Oregon
For The Period June 1, 1972 - October 31, 1974

Staff review of some findings contained in the above designated report on audit has been completed. Following is our comments and requirements for the necessary actions to be taken by your agency to resolve these findings.

Finding No. 1 - Inadequate Program Monitoring and Evaluation of Operating Agencies.

Please provide narrative information that will indicate what actions have been taken by the CDA since the audit period to correct the deficiencies and omissions relative to the evaluations as cited in the report of audit. Please include specific information relating to the status of evaluations for those five projects that were reviewed by the auditors in connection with this finding. In addition, please provide us with an evaluation schedule for the other operating agencies.

Finding No. 2 - Questioned Charges for CDA In-Kind Contributions (Questioned Costs - \$74,852)

This finding is still under review by Regional staff. You will be advised of any additional information that will be required in connection with this finding.

Finding No. 3 - Need to Eliminate Ethnic Discriminatory Provisions
In Operating Agency Contracts

The audit report indicates that the CDA has taken action to remove all discriminatory clauses from all contracts effective July 1, 1974. This action is deemed adequate to clear this finding.

Finding No. 4 - Need to Change the Method of Charging for Outside
Bookkeeping Services

Information contained in the audit report indicates that the CDA has taken action effective July 1, 1974, of all accounting fees for operating agencies will be based on a per hour rate and that no operating agency will be reimbursed for accounting fees based on a percentage of program costs. This corrective action is deemed necessary to clear this finding.

Finding No. 5 - Noncompliance by AYOS with Certain HUD Operating
Requirements (Questioned Costs - \$6,482)

The CDA's reply to this finding indicated that the City has complied or will comply with the seven recommendations of the auditors contained in the audit report on Page 26. Please submit for our review, documentation that indicates those actions the City has taken to comply with the recommendations contained in the report.

Finding No. 6 - Need to Improve the Operating Agency's Procedures
for Determining Recipient Eligibility (Questioned
Costs - \$3,451)

Please provide this office with any further information that the CDA may have developed regarding this finding. Please indicate which students have been determined to have received ineligible payments and indicate what actions the City will take relative to those costs which are determined to be ineligible.

Finding No. 7 - Questioned Expenditures Made by Operation Step-Up
(Questioned - \$3,138)

Please provide any further information in response to this finding and to the recommendations contained therein. Please advise us of any action that has been taken.

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JAN 13 1975

Finding No. 8 - Need to Delete Dual Educational Aid from Operating Agency's Cost

The City reported that it is presently making a determination on which operating agency properly aided the students in question and will remove excess aid costs from the appropriate operating agency. Your advice to this office that the determination has been made and the ineligible costs have been removed will be sufficient to clear this finding.

We will appreciate receiving your response to the above within 30 days so that these findings may be resolved promptly. If you have any questions regarding the above, please call me.

Sincerely,

(Sgd.) Robert C. Scalia

Robert C. Scalia
Assistant Regional Administrator

cc: Al Jamison, Director, Portland Model Cities Program
C. Jordan, Portland City Commissioner

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JAN 13 1975

Finding Number 5 - Noncompliance by Certain HUD Operating Requirements
(Questioned Costs: \$6,482)

Recommendation Number 1

A copy of AYOS's Employees Handbook has been reviewed by Model Cities and a comparison between it and the City of Portland's personnel policies were made. Where any discrepancies appeared, the applicable section of the City of Portland's Code was forwarded to AYOS accompanied by a letter requesting compliance with the City's Code (Attachment A and B)

Recommendation Number 2

In discussion with Mr. Spruill and according to the current approved budget, there are no anticipated third-party contracts being planned. However, in the event that a third-party contract may be required, Model Cities is requiring that AYOS receive the CDA director's approval prior to entering into any contract services agreements. If any such requests are made and approval granted, Model Cities will aid the agency in following City of Portland procedures outlining third-party contracts. (Attachment C-2)

Recommendation Number 3

A leasehold improvement amortization clause has been added to AYOS's rental agreement. (Attachment D) It should also be noted that the three-year amortization period has now elapsed.

Recommendation Number 4

The agreement between Shirley Vidal and AYOS has been reviewed and it is Model Cities' opinion that the agreement is a third-party contract. The agreement also has provisions requiring AYOS to purchase all restroom stock. (Agreement E; Page E-5)

Recommendation Number 5

The following costs will be removed as ineligible expenditures:

Fines and Penalties		\$ 185.00
Flowers		63.00
Entertainment:		
Christmas Party	\$ 90.00	
Food at Open-house	146.00	
Total ineligible		<u>\$ 484.00</u>

It is Model Cities' opinion that the remainder of the costs of \$462 be treated as eligible expenses. Model Cities does not consider these costs as an entertainment item, but rather as school-related activities - not unlike the activities included in the curriculum of the Portland Public School. These types of activities were also anticipated by AYOS and written into the contract between them and Model Cities. (Attachment F1 and F6 lined in red).

Recommendation Number 6

Model Cities recommends that the following costs be determined eligible:

Student clothing	\$ 496.00	
Consultant fees	5,040.00	
Total		<u>\$5,536.00</u>

The student's clothing was determined to be eligible in that they were anticipated by AYOS in their budget. AYOS also has submitted further documentation giving a breakdown of the articles of clothing and the cost of each item. The student's signature is also provided indicating receipt of the clothing. (Attachment G and H; Pages, 4, 5, 6, and 7)

The recommendation for approval of the consulting fees as eligible expenses based on AYOS's rendering copies of the initial correspondence with the consultants establishing an agreement of services to be rendered and the amount to be paid. (Attachment I, J, K)

AYOS also has sent to the Model Cities' office copies of the final reports made by the consultants. (Dr. Ogbuobiri's report is quite lengthy and would not be economical to reproduce; our copy is being kept on file in the event you need it for reference.

Model Cities has further required AYOS to submit advance notice to this office of any intent to hire other consulting services. If such requests are received and approval granted, Model Cities will aid the agency in following City of Portland procedures outlining third-party contracts. (Attachment C; Part IV)

Recommendation Number 7

All data compiled to support the above six positions is being attached for your review.

THE CITY OF
PORTLAND



OREGON

DEPARTMENT OF
PUBLIC SAFETY

CHARLES JORDAN
COMMISSIONER

MODEL CITIES
AGENCY

ALONZO JAMISON, JR.
DIRECTOR

5329 N.E. UNION AVE.
PORTLAND, OR. 97211
503/288-8261

October 10, 1974

Richard Hugill
Department of Housing and Urban Development
1321 Second Avenue
Seattle, Washington 98101

Dear Mr. Hugill:

The following are preliminary responses to the HUD Audit Findings conducted on the Portland Model Cities. These responses are for the purpose of notifying you of the present status of the audit findings, which are to be discussed in greater detail at the Exit Conference to be held Tuesday, October 15th, at 10:30 A.M. in the Model Cities offices.

Finding #1 - Inadequate Program Monitoring and Evaluation
of Operating Agencies

Response to Report:

I concur that the CDA Evaluation Section has not been as effective as possible. However, it must be recognized that 4 of the 5 reports cited in the Finding were written by a staff member who is no longer with the Agency, and whose ability was not at a level of competency as the other 3 staff members.

Response to Recommendations:

1. I have, in effect, eliminated the Evaluation Section by assigning staff members to specific "problem areas" which best utilize their talents.
2. After reviewing the Albina Youth Opportunity School's present status of accomplishment, I do not consider this Project to be "marginal". Considering that AYOS has 5 1/2 months before the termination of Model Cities funds and a strong possibility of School District #1 funding of the program, I feel defunding them at this time would cause undue hardships for the Project, therefore, I will give no further consideration to defunding AYOS.

3. The Teachers Training project was terminated June 30, 1974.

Finding #2 - Questioned Costs for CDA In-Kind Contributions

Response to Report:

After investigation of our In-Kind contributions, we have found that the City-Wide Cost Allocation Plan has been approved by LEAA and is effective until December 31, 1974. We see no reason to make any adjustments at this time.

Finding #3 - Need to Eliminate Ethnic Discriminatory Provisions in Operating Agency Contracts

Response to Report:

All contracts effective July 1, 1974 reflect elimination of those clauses which provide for any applicant preferences. In addition, incorporated in all contracts is HUD Form 7050-Supplementary General Conditions.

Finding #4 - Need to Change the Method of Charging for Outside Bookkeeping Service

Response to Recommendation:

Effective July 1, 1974, all accounting fees for operating agencies are based on a per-hour rate, as recommended by the National Society of Public Accountants (of which the accounting firm in question is a member). No Operating Agencies under contract have accounting fees based on a percentage of program cost.

Finding #5 - Need to Improve the Operating Agencies Procedures for Determining Recipient Eligibility (Questioned costs \$4,064)

Response to Audit:

Because of the magnitude of this Finding, we are still in the process of determining the entire recipient eligibility matter. However, all recipients cited in Exhibit A who resided outside the Model Cities Neighborhood have been determined ineligible for tuition expenses under the Martin Luther King Project.

Finding #6 - Questioned Expenditures Made by Operation Step-Up (Questioned costs \$3,138)

Response to Recommendations:

1. We are in the process of compiling the necessary information to respond to this Recommendation. It is our opinion that to

make a determination without additional information from Operation Step-Up would be a premature response.

2. The costs for the Christmas Party (\$100) and Flowers (\$74) have already been deducted from eligible project costs. Determination on Brewed Hot Coffee (\$715) will be made upon receipt of the Operation Step-Up response.

Finding #7 - Non-compliance by AYOS with Certain HUD Operating Requirements (Questioned costs \$6,482)

Response to Recommendations:

1. AYOS has established written policies and procedures (a copy is on file at CDA Office).
2. The CDA has informed AYOS that all third party contracting will be accomplished as outlined by the City of Portland Code. CDA has made it a requirement that all Operating Agencies comply with the City Code for third party contracting.
3. & 4. CDA is in the process of determining the eligibility of questioned costs and remove those found ineligible from project costs.
5. A letter is on file in the CDA Office from landlord in which he agrees to the terms of the amortization clause.
6. It has been determined that Shirley Vidal is not an employee of AYOS. All costs for janitorial supplies will be removed from project costs.

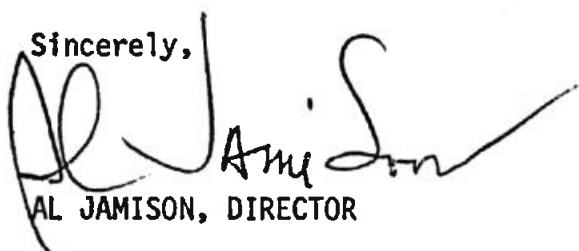
Finding #8 - Need to Delete Dual Educational Aid from Operating Agency's Costs

Response to Recommendation:

CDA is presently making a determination on which Operating Agency properly aid the students in question, and will remove excess aid costs from appropriate Operating Agency.

I'll be looking forward to your visit on Tuesday.

Sincerely,



AL JAMISON, DIRECTOR

AL:PE:ce



August 20, 1975

DEPARTMENT OF
PUBLIC SAFETY

CHARLES JORDAN
COMMISSIONER

MODEL CITIES
AGENCY

ALONZO JAMISON, JR.
DIRECTOR

5329 N.E. UNION AVE.
PORTLAND, OR. 97211
503/288-8261

Mr. Robert C. Scalia
Assistant Regional Administrator
Department of Housing & Urban
Development
Arcade Plaza Building, MS 317
1321 Second Avenue
Seattle, Washington 98101

Dear Mr. Scalia:

Model Cities has reviewed the supplemental instructions you have outlined in your letter dated July 16, 1975. The following is the action taken concerning the additional instructions:

Finding Number 1 - Inadequate program monitoring and evaluation of operating agencies.

No further action needed.

Finding Number 2 - Questioned charges for CDA - In-Kind Contributions -

The City's Bureau of Financial Affairs has "recomputed the charges for in-kind contributions excluding expenditures for citizens participation and operating agencies" as directed in your communication dated July 16, 1975. (See Schedule D of the City's Indirect Cost Plan pertaining to Model Cities. The Bureau of Financial Affairs for the City of Portland has, also, "adjusted the charges for program costs accordingly." These adjustments result in a net increase of the City's contribution to Program #ME-36-001 of \$12,268. We attach the required documentation as directed (Attachment A is Schedule D).

Finding Number 3 - Need to eliminate ethnic discriminatory provisions in operating agency contract.

No further action needed.

Robert C. Scalia
Department of Housing and
Urban Development

Page -2-

Finding Number 4 - Need to change the method of charging for outside book-keeping services.

No further action needed.

Finding Number 5 - Non-compliance by AYOS with certain HUD operating requirements.

Recommendations 1 and 2

No further action needed.

Recommendations 3

Attachment Set B is a copy of the rental agreement and a copy of the leasehold improvements amortization clause.

Recommendation 4

The City Attorney of Portland was requested to review all pertinent data to the relationship between the contracted janitorial service and the purchasing of janitorial supplies by Albina Youth Opportunity School. It is the attorney's opinion that entering into a third party contract does not preclude the furnishing of supplies used by that contractor (Attachment C). Therefore, Model Cities maintains the recommendation that the \$470 of janitorial supplies be included as an eligible cost.

Recommendation 5 and 6

Entertainment Costs - Of what the HUD auditor's considered ineligible entertainment cost, Model Cities considers only the Christmas party and food at Open House to justifiably fall into that category. These have been reversed from the Project's book by the Project's accountant according to the schedule attached (Attachment D).

Regarding the remaining costs in this category, a legal opinion was sought to determine if these remaining costs were within AYOS's contract. It is the City Attorney's opinion that these cost were within the contract and directly beneficial to the program (Attachment E). A statement by the Project's director outlining the direct benefits is also enclosed (Attachment F). Model Cities maintains the position that the remaining cost of \$462 be considered an eligible cost.

Fines and Penalties - The fines and penalties have been reversed out by the Project's accountant according to the schedule attached (Attachment D).

Page -3-

Student Clothing - Model Cities obtained a legal opinion regarding the cost for student clothing. It is the City Attorney's opinion that these costs were within the contract of AYOS. Further the City Attorney feels that there are adequate examples by other Federal programs setting up guidelines sufficiently broad to include this type of expenditures for implementing a project's goals (Attachment G).

Flowers - The costs for flowers has been reversed out by the Project's accountant according to the schedule attached (Attachment D).

Finding Number 6 - Need to improve the operating agency's procedures for determining recipient eligibility.

The \$1,281 cost for students not living in the Model Cities Area has been removed. The cost of five of the students has been reversed out according to the schedule attached (Attachment D).

As part of an audit finding by Andrew Branch & Company, CPA, the Project was requested to complete a reconciliation of students cost for the years 1970 through 1973. While the reconciliation did agree to the amount Martin Luther King invoiced to Model Cities, the reconciliation did not include the name of three of the students listed in the HUD audit with non-Model Cities' addresses. Model Cities concludes that the students were replaced with eligible students since the \$522 representing the ineligible students were not included in the amount billed to Model Cities.

The City Attorney has rendered an opinion that the contract with Martin Luther King did not require a one year residency in the Model Cities Area to be an eligible student applicant (Attachment H). The HUD auditors based this opinion on a letter by a prior director of Model Cities. The City Attorney has stated that that letter cannot constitute a contract change. Model Cities, therefore, maintains that this cost be included as an eligible expense.

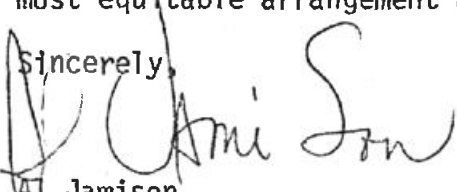
Finding Number 7 - Questionable Expenditures Made by Operation Step-Up

A copy of the letter sent to the Finance Department of the City of Portland notifying them that the \$715 will be an adjustment to the final amount determined to be owing to, or from, Operation Step-Up (Attachment I).

Finding Number 8 - Dual Educational Aids

A copy of the previously proposed solution to this finding is attached (Attachment J). It is Model Cities' opinion that this solution represents the most equitable arrangement available.

Sincerely,


Al Jamison
Director

AL:GM:rcc

cc: Commissioner Charles Jordan

110ack Cities
Summary of Journal Entries
at July 31, 1975

	Reference Number	Account Number	Debit	Credit
Unearned Adm. Grant Cost Control - Admin. To reverse indirect cost entries for fiscal years 72/73, 73/74, and 74/75 set up utilizing incorrect cost rate of 1.4% as per HUD audit instructions dated July 16, 1975, finding #2	JV-116	2254 1470	10706527	10706527
Cost Control - Admin. Unearned Adm. Grant To record indirect costs applicable to fiscal years 72/73, 73/74 and 74/75 util- izing corrected indirect cost rate of 8% as per HUD audit instructions dated July 16, 1975, find- ing #2.	JV-117	1470 2254	119333 -	119333 -

Attachment A

RESOLUTION OF DUPLICATE
Finding #2 per HUD instructions
dated July 16, 1975

	Indirect Costs Recorded	Admin. Costs	I & E Costs	Capital Acquisition
Fiscal 72/73 Totals	3925258	387804-	217484-	2462-
Fiscal 73/74 Totals	4035156	306412-	213265-	490-
Fiscal 74/75 Totals	7746113	243314-	126434-	121-
	10706527	937580-	557183-	3073-
3 Year overall check Totals	10706527	937580-	557182-	3072-

Corrected Computation

Admin. Costs	937580-
Info & Evaluation Costs	557182-
Sub-Total	1494762-
Less: Capital Acquisitions	(3072-)
Indirect Cost Base	1491660-
Revised Indirect Rate - 8%	
Revised Value of Indirect Cost	119333-

City of Portland
Indirect Cost Rate Proposal
Year Ended June 30, 1972^m

Schedule B

MODEL CITIES

Computation of Indirect Cost Rate

	Not allowable	Indirect	All other	Total
Bureau Totals (from Schedule D)	<u>2,829,864</u> <u>\$ 50,900</u>	<u>46,758</u> <u>\$ 55,343</u>	<u>586,712</u> <u>\$ 3,356,676</u>	<u>3,463,334</u> <u>\$ 3,511,919</u>

Computation of A-87 indirect cost rate:

$$\frac{\text{Indirect}}{\text{All other}} = \frac{\$ \overset{46,758}{\cancel{55,343}}}{\overset{586,712}{\cancel{3,356,676}}} = \text{A-87 indirect cost rate of } \overset{8\%}{\cancel{3}} \% \text{ of total net direct allowable costs less capital expenditures.}$$

City of Portland
Indirect Cost Rate Proposal
Year Ended June 30, 1972

Schedule C

MODEL CITIES

Financial Statement

Personal services	\$ 539,230
Operation and maintenance	2,819,200
Capital expenditures	<u>59,900</u>
	<u>\$ 3,418,330</u>

Reconciliation:	
Divisions	\$ 3,418,330
Less revenue offsets	(<u>1,754</u>)
	3,416,576

Allocated bureau costs:	
Department administration	23,191
Nondepartmental allocations	5,675 2,813
Building use	88
Equipment use	-
Central service allocations	66,389 43,857
	<u>3,463,534</u>
Total Bureau Cost (from Schedule D)	<u>\$ 3,511,919</u>

Attachment A-4

City of Portland
Indirect Cost Rate Proposal
Year Ended June 30, 1972

Schedule D

MODEL CITIES

Bureau Cost Categories

<u>Divisions</u>	<u>Not allowable</u>	<u>Indirect</u>	<u>All other</u>	<u>Total</u>
Executive and Clerical (D)*	\$ 8,096	\$ -	\$ 395,536	\$ 403,632
Citizens Participation (D)	161,306 8,155	-	153,151	161,306
Information and Evaluation (D)	1,414	-	192,930	194,344
City-Wide Projects (D)	2,659,048 42,235	-	2,616,813	2,659,048

Less revenue offsets

2,829,864 59,900	-	588,466 3,358,430	3,418,330
-	-	(1,754)	(1,754)
59,900 2,829,864	-	3,356,676 586,712	3,416,576

Allocated bureau costs
(from Support Schedules)

Department administration	-	23,191	-	23,191
Nondepartmental allocations	-	5,675 2,813	-	5,675 2,813
Building use	-	88	-	88
Equipment use	-	-	-	-
Central service (Sched. E, Pg.60)	-	66,389 43,857	-	66,389 43,857
	-	46,758	-	46,758
	\$ 59,900	\$ 95,343	\$ 3,356,676	\$ 3,511,919
	2,829,864		586,712	

*(D) Direct

City of Portland
Consolidated City-Wide Cost Allocation Plan
Year ending June 30, 1972

Summary - Central Service to Grantee Allocations

Grantee Receiving Service	Total Grantee Allocation	Central Services										Revenue and Treasury	She
		Architectural Planning	Building Maintenance	Central Services	City Attorney	City Auditor	Civil Service Board	Communications and Electronics	Management Services	Personnel	Purchases and Stores		
City Engineer	\$ 542,117	\$ -	\$113,034	\$24,750	\$90,144	\$180,506	\$37,106	\$35,670	\$42,671	\$23,535	\$22,741	\$16,667	\$
City Planning Commission	67,090	-	54,984	884	1,040	3,711	1,213	478	154	834	2,413	641	1
Fire	77,844	-	68,408	880	1,040	1,878	1,004	400	520	880	2,450	551	4
Manpower Planning - CAMPS	266,891	-	-	25,508	15,712	68,733	38,197	99,921	2,578	24,180	17,007	11,123	69
Model Cities	433,133	-	-	25,943	15,712	68,810	89,226	100,508	12,142	21,341	19,244	11,860	94
Parks	11,775	-	9,626	126	503	513	181	60	19	119	60	147	
Police	10,000	-	9,673	120	503	1,110	187	60	63	120	650	149	
Public Employment	23,857	-	1,863	2,020	11,357	3,092	1,374	1,181	2,025	10,871	10,871	1,120	
Traffic Engineering	20,882	-	1,912	2,020	11,357	3,092	1,374	1,181	2,025	10,871	10,871	1,120	
Water Works	21,004	12,413	-	14,596	80,021	65,000	21,463	11,022	1,831	10,871	20,761	11,220	304
Other City	540,139	1,924	-	32,579	30,928	89,474	48,741	138,141	3,446	30,970	18,611	14,240	148
Total	914,881	0,000	0,000	83,143	30,928	115,472	60,069	138,640	13,401	91,175	10,840	16,460	400
Central Service Page	61	64	67	70	73	76	79	82	85	88	91		

CITY OF PORTLAND
CONSOLIDATED CITY-WIDE COST ALLOCATION PLAN
Year ended June 30, 1972

Schedule I

SUMMARY OF NON-DEPARTMENTAL ALLOCATIONS

Department/Bureau	Total allocation	Sundry direct allocations	Data Processing Authority	Insurance	Travel	Motor Fuel	Fire and Police Disability and Retirement Fund	Sundry appropriations	
Office of the Mayor	\$ 3,463 3,463	\$ 513	\$	\$ 908	\$ 1,845	\$	\$	\$ -865	13
Commissioner of Public Utilities	895 763			270	480			105	3
of Public Safety	826 814			438	292			100	2
of Public Affairs	482 356			317				105	3
of Public Works	1,799 1,616			743	712			838	16
Central Services									
Architectural Planning	1,158 1,048			367	604			189	7
Building Maintenance	1,191 915			744				461	17
Central Services	1,038 6,801	6,230		450				850	12
City Attorney	3,600 3,236			740	2,350			410	13
City Auditor	97,062 97,254		94,795	1,724	343			600	59
Civil Service Board	1,023 1,101			333	664			880	10
Communications and Electronics	8,101 1,618			608	891			604	12
Management Services	684 424			347				587	7
Personnel	844 282			238				120	4
Purchases and Stores	7,441 7,520	6,814		530	65			820	11
Revenue and Treasury	6,188 5,026		4,715	170	94			146	47
Shops	10,801 9,146			8,188	139			8,364	819
Grantees									
City Engineer	894,695 188,791	8,700	2,106	43,438	2,933	133,824		87,010	5,942
City Planning Commission	8,888 5,888		5,149	997	2,527			880	215
Fire	1,805,807 45,348		2,575	32,373	4,241		1,838,768	17,735	6,159
Manpower Planning - CAMPS	873 215			188				85	27
Model Cities	5,875 2,813			2,310				3,885	503
Parks	60,600 44,389		6,974	31,440	2,493			8,603	3,482
Police	8,888,811 173,062	1,870	106,828	50,048	6,429		1,888,768	81,413	1,884
Public Employment	8,710 1,810	1,103		95	595			819	17
Traffic Engineering	4,804 2,977			2,507				8,887	410
Water Works	43,892 28,151			24,042	278			18,970	831
Other City	280,380 763,985		244,940	11,408	3,340			18,012	1,095
	\$ 1,801,870 961,244	\$ 20,850 16,530	\$ 468,082	\$ 215,957	\$ 33,304	\$ 133,824	\$ 8,677,606	\$ 1,889,341 33,447	

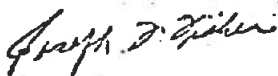
November 13, 1972

Rance Spruill, Executive Director
Albina Youth Opportunity School
3710 N. Mississippi Avenue
Portland, Oregon

Dear Mr. Spruill:

This letter is to confirm our conversation of this date regarding your making certain improvements to the property at 3710 North Mississippi Avenue. I agree to extending to the Albina Youth Opportunity School the option for two more one year lease periods after September, 1973. Or, at my option, I can pay the City of Portland the pro-rata share of renovations made after this date. In any event, the full value of the improvements shall be vested in the control and ownership of Joseph F. Fisher and Bessie D. Fisher after three years from this date.

Sincerely,



JOSEPH F. FISHER

cc: A. Raubeson, Acting Director
Portland Model Cities

Attachment B



ADDENDUM TO LEASE AGREEMENT

The Lease Agreement dated September 30, 1971 by and between JOSEPH F. FISHER and BESSIE D. FISHER, Lessor, and ALBINA YOUTH OPPORTUNITY SCHOOL, INC., Lessee, relating to the building, parking, and storage lots commonly known as 3710 North Mississippi Avenue, Portland, Oregon, is hereby amended and changed in the following respect:

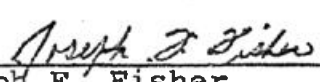
The rental of \$5,700 for the twelve months beginning with the month of July, 1974, and concluding with the month of June, 1975, which would be paid for under the terms of the lease by payment of \$475 on the first day of each of those months will, instead, be paid in nine successive monthly payments of approximately \$635 per month beginning with the month of July, 1974 and concluding with the month of March, 1975.

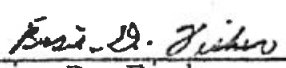
DATED for reference this 1st day of July, 1974.

ALBINA YOUTH OPPORTUNITY SCHOOL,
INC.

By: 

Secretary


Joseph F. Fisher


Bessie D. Fisher

THIS INDENTURE OF LEASE, made and entered into this 30th day of September, 1971, by and between JOSEPH F. FISHER and BESSIE D. FISHER, husband and wife

hereinafter called the lessor, and ALBINA YOUTH OPPORTUNITY SCHOOL, INC., an Oregon non-profit corporation

hereinafter called the lessee,
WITNESSETH: In consideration of the covenants, agreements and stipulations herein contained on the part of the lessee to be paid, kept and faithfully performed, the lessor does hereby lease, demise and let unto the said lessee those certain premises, as is, situated in the City of Portland, County of Multnomah and State of Oregon, known and described as follows:

Lots 12, 14, 15 and 16, Block 25, MULTNOMAH, including the parking and storage lots thereon and the building commonly known as 3710 North Mississippi Avenue.

To Have and to Hold the said described premises unto the said lessee for a period of time commencing with the 1st day of November, 1971, and ending at midnight of the 31st day of October, 1976, at and for a rental of \$28,500.00 for the whole of the said term payable in lawful money of the United States at 5735 North Vancouver Avenue City of Portland, State of Oregon, at the following times and in the following amounts, to-wit: Rent shall be payable on the first day of each month in advance, except that rent for the first and last months has been paid upon the execution of this lease and Lessor acknowledges receipt of this sum of \$950.00.

In consideration of the leasing of said premises and of the mutual agreements hereafter contained, each party hereto does hereby expressly covenant and agree to and with the other, as follows:

LESSEE'S
ACCEPTANCE
OF LEASE

(1) The lessee accepts said letting and agrees to pay to the order of the lessor the rentals above stated for the full term of this lease, in advance, at the times and in the manner aforesaid.

USE OF
PREMISES

(2a) The lessee shall use said demised premises during the term of this lease for the conduct of the following business purposes: The operation of a school, including counseling, technical and vocational training, and other charitable and community related purposes and for no other purpose whatsoever without lessor's written consent.

(2b) The lessee will not make any unlawful, improper or offensive use of said premises; he will not suffer any strip or waste thereof; he will not permit any objectionable noise or odor to escape or to be emitted from said premises or do anything or permit anything to be done upon or about said premises in any way tending to create a nuisance; he will not sell or permit to be sold any spirituous, vinous or malt liquors on said premises, excepting such as lessee may be licensed by law to sell and as may be herein expressly permitted.

(2c) The lessee will not allow the leased premises at any time to fall into such a state of repair or disorder as to increase the fire hazard thereon; he shall not install any power machinery on said premises except under the supervision and with written consent of the lessor; he shall not store gasoline or other highly combustible materials on said premises at any time; he will not use said premises in such a way or for such a purpose that the fire insurance rate on the building in which said premises are located is thereby increased or that would prevent the lessor from taking advantage of any rulings of the Insurance Rating Bureau of the state in which said leased premises are situated or its successors, which would allow the lessor to obtain reduced premium rates for long term fire insurance policies.

(2d) Lessee shall comply at lessee's own expense with all laws and regulations of any municipal, county, state, federal or other public authority respecting the use of said leased premises.

UTILITIES

(3) The lessee shall pay for all heat, light, water, power and other services or utilities used in the above demised premises during the term of this lease.

REPAIRS AND
IMPROVEMENTS

(4a) The lessor shall not be required to make any repairs, alterations, additions or improvements to or upon said premises during the term of this lease, except only those hereinafter specifically provided for; the lessee hereby agrees to maintain and keep said leased premises, including heating system, interior wiring, plumbing and drain pipes to sewers or septic tank, in good order and repair during the entire term of this lease at lessee's own cost and expense, and to replace all glass which may be broken or cracked during the term hereof in the windows and doors of said premises with glass of as good or better quality as that now in use; lessee further agrees that he will make no alterations, additions or improvements to or upon said premises without the written consent of the lessor first being obtained.

(4b) The lessor agrees to maintain in good order and repair during the term of this lease the exterior walls, roof, gutters, downspouts and foundations of the building in which the demised premises are situated and the alterations thereon.

It is understood and agreed that the lessor reserves and at any and all times shall have the right to alter, repair or improve the building of which said demised premises are a part, or to add thereto and for that purpose at any time may erect scaffolding and all

other necessary structures about and upon the demised premises and lessor and lessor's representatives, contractors and workmen for that purpose may enter in or about the said demised premises with such materials as lessor may deem necessary therefor, and lessee waives any claim to damages, including loss of business resulting therefrom.

**LESSOR'S
RIGHT OF
ENTRY**

(5) It shall be lawful for the lessor, his agents and representatives, at any reasonable time to enter into or upon said demised premises for the purpose of examining into the condition thereof, or any other lawful purpose.

**RIGHT OF
ASSIGNMENT**

(6) The lessee will not assign, transfer, pledge, hypothecate, surrender or dispose of this lease, or any interest herein, or permit any other person or persons whomsoever to occupy the demised premises without the written consent of the lessor being first obtained in writing; this lease is personal to said lessee; lessee's interests, in whole or in part, cannot be sold, assigned, transferred, seized or taken by operation at law, or under or by virtue of any execution or legal process, attachment or proceedings instituted against the lessee, or under or by virtue of any bankruptcy or insolvency proceedings had in regard to the lessee, or in any other manner, except as above mentioned.

LIENS

(7) The lessee will not permit any lien of any kind, type or description to be placed or imposed upon the building in which said leased premises are situated, or any part thereof, or the real estate on which it stands.

**ICE, SNOW,
DEBRIS**

(8) If the premises herein leased are located at street level, then at all times lessee shall keep the sidewalks in front of the demised premises free and clear of ice, snow, rubbish, debris and obstruction; and if the lessee occupies the entire building, he will not permit rubbish, debris, ice or snow to accumulate on the roof of said building so as to stop up or obstruct gutters or downspouts or cause damage to said roof, and will save harmless and protect the lessor against any injury whether to lessor or to lessor's property or to any other person or property caused by his failure in that regard.

**OVERLOADING
OF FLOORS**

(9) The lessee will not overload the floors of said premises in such a way as to cause any undue or serious stress or strain upon the building in which said demised premises are located, or any part thereof, and the lessor shall have the right, at any time, to call upon any competent engineer or architect whom the lessor may choose, to decide whether or not the floors of said premises, or any part thereof, are being overloaded so as to cause any undue or serious stress or strain on said building, or any part thereof, and the decision of said engineer or architect shall be final and binding upon the lessee; and in the event that the engineer or architect so called upon shall decide that in his opinion the stress or strain is such as to endanger or injure said building, or any part thereof, then and in that event the lessee agrees immediately to relieve said stress or strain either by reinforcing the building or by lightening the load which causes such stress or strain in a manner satisfactory to the lessor.

**ADVERTISING
SIGNS**

(10) The lessee will not use the outside walls of said premises, or allow signs or devices of any kind to be attached thereto or suspended therefrom, for advertising or displaying the name or business of the lessee, or for any purpose whatsoever without the written consent of the lessor; however, the lessee may make use of the windows of said leased premises to display lessee's name and business when the workmanship of such signs shall be of good quality and permanent nature; provided further that the lessee may not suspend or place within said windows or paint thereon any banners, signs, sign-boards or other devices in violation of the intent and meaning of this section.

**LIABILITY
INSURANCE**

(11) The lessee further agrees at all times during the term hereof, at his own expense, to maintain, keep in effect, furnish and deliver to the lessor liability insurance policies in form and with an insurer satisfactory to the lessor, insuring both the lessor and the lessee against all liability for damages to person or property in or about said leased premises; the amount of said liability insurance shall not be less than \$ 100,000.00 for injury to one person, \$300,000.00 for injuries arising out of any one accident and not less than \$ 25,000.00 for property damage. Lessee agrees to and shall indemnify and hold lessor harmless against any and all claims and demands arising from the negligence of the lessee, his officers, agents, invitees and/or employees, as well as those arising from lessee's failure to comply with any covenant of this lease on his part to be performed, and shall at his own expense defend the lessor against any and all suits or actions arising out of such negligence, actual or alleged, and all appeals therefrom and shall satisfy and discharge any judgment which may be awarded against lessor in any such suit or action.

FIXTURES

(12) All partitions, plumbing, electrical wiring, additions to or improvements upon said leased premises, whether installed by the lessor or lessee, shall be and become a part of the building as soon as installed and the property of the lessor unless otherwise herein provided.

**LIGHT
AND AIR
DAMAGE BY
CASUALTY,
FIRE AND
DUE TO
REPAIR**

(13) This lease does not grant any rights of access to light and air over the property.

(14) In the event of the destruction of the building in which said leased premises are located by fire or other casualty, either party hereto may terminate this lease as of the date of said fire or casualty, provided, however, that in the event of damage to said building by fire or other casualty to the extent of 35% per cent or more of the sound value of said building, the lessor may or may not elect to repair said building; written notice of lessor's said election shall be given lessee within fifteen days after the occurrence of said damage; if said notice is not so given, lessor conclusively shall be deemed to have elected not to repair; in the event lessor elects not to repair said building, then and in that event this lease shall terminate with the date of said damage; but if the building in which said leased premises are located be but partially destroyed and the damage so occasioned shall not amount to the extent indicated above, or if greater than said extent and lessor elects to repair, as aforesaid, then the lessor shall repair said building with all convenient speed and shall have the right to take possession of and occupy, to the exclusion of the lessee, all or any part of said building in order to make the necessary repairs, and the lessee hereby agrees to vacate upon request, all or any part of said building which the lessor may require for the purpose of making necessary repairs, and for the period of time between the day of such damage and until such repairs have been substantially completed there shall be such an abatement of rent as the nature of the injury or damage and its interference

to use the premises

(21) Lessee's Use of Premises Prior to November 1, 1971. Lessee shall have the right/prior to November 1, 1971, for the purpose of remodeling. Rent shall be pro-rated on a daily basis. Lessee commences school operations prior to November 1, 1971, and the lease term shall be deemed to have commenced on the date school operations commence if it is prior to November 1, 1971.

(22) Conditions to Effectiveness of Lease. Notwithstanding any other provision contained herein, Lessee's obligation to perform under this lease may, if Lessee shall so elect, be excused in the event Lessee is unable to obtain the right from the City of Portland and other applicable governing agencies and departments to operate a school on the premises in accordance with Lessee's plans, copy of which has been furnished to Lessor, or if the costs of remodeling in accordance with said plan exceed the sum of \$15,000.00, and if Lessee does so elect, all monies paid hereunder shall be refunded by Lessor to Lessee, provided, however, that Lessee's right to so elect shall terminate by December 1, 1971, if not previously exercised.

(23) Lessee's Termination Rights. Lessee shall have the right to terminate this lease and all of its obligations thereunder if the funding for its programs becomes insufficient, or if the program which it desires to undertake and which it can afford expands to a point that the premises are too small to accommodate it. Termination under this paragraph shall be effective ninety (90) days following notice thereof to Lessor.

(24) Attorney's Fees. The paragraph relating to attorney's fees and court costs shall apply to the benefit of Lessee, if Lessee is the prevailing party.

(25) Reasonableness Required. Wherever Lessor's consent or approval is required herein, Lessor shall grant such consent there to withhold it would be unreasonable under the circumstances.

(26) Increase in taxes: Lessee shall pay, during the term of this lease, any increase in real property taxes over those assessed for the 1971-1972 tax year. That assessment is \$1,368.94.

with the occupancy of said leased premises by said lessee shall warrant; however, if the premises be but slightly injured and the damage so occasioned shall not cause any material interference with the occupation of the premises by said lessee, then there shall be no abatement of rent and the lessor shall repair said damage with all convenient speed.

**WAIVER OF
SUBROGATION
RIGHTS**

(15) Neither the lessor nor the lessee shall be liable to the other for loss arising out of damage to or destruction of the leased premises, or the building or improvement of which the leased premises are a part or with which they are connected, or the contents of any thereof, when such loss is caused by any of the perils which are or could be included within or insured against by a standard form of fire insurance with extended coverage, including sprinkler leakage insurance, if any. All such claims for any and all loss, however caused, hereby are waived. Said absence of liability shall exist whether or not the damage or destruction is caused by the negligence of either lessor or lessee or by any of their respective agents, servants or employees. It is the intention and agreement of the lessor and the lessee that the rentals reserved by this lease have been fixed in contemplation that each party shall fully provide his own insurance protection at his own expense, and that each party shall look to his respective insurance carriers for reimbursement of any such loss, and further, that the insurance carriers involved shall not be entitled to subrogation under any circumstances against any party to this lease. Neither the lessor nor the lessee shall have any interest or claim in the other's insurance policy or policies, or the proceeds thereof, unless specifically covered therein as a joint assured.

**EMINENT
DOMAIN**

(16) In case of the condemnation or appropriation of all or any substantial part of the said demised premises by any public or private corporation under the laws of eminent domain, this lease may be terminated at the option of either party hereto on twenty days written notice to the other and in that case the lessee shall not be liable for any rent after the date of lessee's removal from the premises.

**FOR SALE
AND
FOR RENT
SIGNS**

(17) During the period of ⁻⁹⁰⁻ days prior to the date above fixed for the termination of said lease, the lessor herein may post on said premises or in the windows thereof signs of moderate size notifying the public that the premises are "for sale" or "for rent" or "for lease."

**DELIVERING
UP
PREMISES
ON
TERMINATION**

(18) At the expiration of said term or upon any sooner termination thereof, the lessee will quit and deliver up said leased premises and all future erections or additions to or upon the same, broom-clean, to the lessor or those having lessor's estate in the premises, peaceably, quietly, and in as good order and condition, reasonable use and wear thereof, damage by fire, unavoidable casualty and the elements alone excepted, as the same are now in or hereafter may be put in by the lessor.

**ADDITIONAL
COVENANTS
OR
EXEMPTIONS**

(19) Option to Purchase. At anytime prior to November 1, 1973, Lessee shall have the sole and exclusive right to purchase the property leased herein at a price of Seventy-Five Thousand Dollars (\$75,000.00), plus a sum equal to any sums expended by Lessor for taxes, improvements, repair expenses, insurance premiums, and interest on \$75,000.00 at the rate of eight percent (8%) per annum from November 1, 1971 to the date the option is exercised, and less a sum equal to rentals paid hereunder prior to the exercise of the said option.

(20) Remodelling. Lessee shall have the right to remodel the premises to suit its educational purposes, including the installation of partitions, wiring and plumbing, at Lessee's own expense. Lessee shall have the right to remove upon termination of the lease all trade fixtures installed by Lessee, including partitions. All remodeling, repairs and work done by Lessee shall meet the requirements of all city and other governmental agencies.

(21) Additional Covenants. Contained on Separate Page Attached Hereto.

**ASSIGNMENT
AND
DEFAULT**

PROVIDED, ALWAYS, and these presents are upon this condition, that if the lessee shall be in arrears in the payment of said rent for a period of ten days after the same becomes due, or if said lessee shall fail or neglect to do, keep, perform or observe any of the covenants and agreements contained herein on lessee's part to be done, kept, performed and observed and such default shall continue for ten days or more after written notice of such failure or neglect shall be given to lessee, or if said lessee shall be declared bankrupt or insolvent according to law, or if any assignment of lessee's property shall be made for the benefit of creditors, or if on the expiration of this lease lessee fails to surrender possession of said leased premises, then and in either of said cases or events, the lessor or those having lessor's estate in the premises, lawfully, at his or their option, immediately or at any time thereafter, without demand or notice, may enter into and upon said demised premises and every part thereof and repossess the same as of lessor's former estate, and expel said lessee and those claiming by, through and under lessee and remove lessee's effects at lessee's expense, forcibly if necessary and store the same, all without being deemed guilty of trespass and without prejudice to any remedy which otherwise might be used for arrears of rent or preceding breach of covenant.

**HOLDING
OVER**

In the event the lessee for any reason shall hold over after the expiration of this lease, such holding over shall not be deemed to operate as a renewal or extension of this lease, but shall only create a tenancy from month to month which may be terminated at will at any time by the lessor.

...shall be deemed to be a continuing waiver, and shall not operate to bar or prevent the lessor from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

Any waiver by the lessor of any breach of any covenant herein contained to be kept and performed by the lessee shall not be deemed or considered as a continuing waiver, and shall not operate to bar or prevent the lessor from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

Any notice required by the terms of this lease to be given by one party hereto to the other or desired so to be given, shall be sufficient if in writing contained in a sealed envelope, deposited in the U. S. Registered Mails with postage fully prepaid, and if intended for the lessor herein then it addressed to said lessor at No. 5135 North Vancouver Avenue, Portland, Oregon and if intended for the lessee, then if addressed to the lessee at No. 3710 North Mississippi Avenue, Portland, Oregon. Any such notice shall be deemed conclusively to have been delivered to the addressee thereof forty-eight hours after the deposit thereof in said U. S. Registered Mails.

All rights, remedies and liabilities herein given to or imposed upon either of the parties hereto shall extend to, inure to the benefit of and bind, as the circumstances may require, the heirs, executors, administrators, successors and, so far as this lease is assignable by the terms hereof, to the assigns of such parties.

In construing this lease, it is understood that the lessor or the lessee may be more than one person; that if the context so requires, the singular pronoun shall be taken to mean and include the plural, the masculine, the feminine and the neuter, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, the respective parties have executed this instrument in duplicate on this, the day and year first hereinabove written, any corporate signature being by authority of its Board of Directors. ALBION YOUTH OPPORTUNITY SCHOOL, INC.

By: Edgar B. McNeill President

By: Tom M. Verner Secretary

Joseph T. Fisher

Bessie D. Fisher

LESSEE

LESSOR

1-2-56

LEASE
BUSINESS PROPERTY

(Form No. 912)

TO

PRIMES

Date, 19

Expires, 19

THE STEVENSON LAY CO., PORTLAND, ORE.



August 12, 1975

OFFICE OF
CITY ATTORNEY
JOHN W. OSBURN
CITY ATTORNEY

Mr. Al Jamison, Director
Model Cities Program
5329 N.E. Union Avenue
Portland, Oregon 97211

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503/248-4047

Re: AYOS Audit

Dear Mr. Jamison:

This letter is in response to audit material which you forwarded to this office for legal review. In that review, I have considered your files relative to the AYOS contract and the contractual arrangement between AYOS and Ms. Vidal. Two facts are essential to a clear understanding of this arrangement. The first is that, according to AYOS files, Ms. Vidal was hired as an independent contractor to perform janitorial service. The janitorial service was an eligible cost under the contract with the city. The janitorial contract, although this part is not clearly in writing, provided that AYOS would provide the janitorial supplies.

The audit has treated the janitorial supplies as ineligible items supplied to a third party contractor. I have not discovered the reason why, however, must assume that the auditor believed that the supplies would not have been used in the course of the contractor's performance of services for AYOS. A review of the HUD guidelines indicates no such prohibition. A review of those guidelines indicate that a subcontractor for the city could contract for services and as part of the consideration for those services agree to provide the supplies necessary to complete the work. The difficulty may arise because by purchasing the supplies and making them available to the contractor for performance of the work, the item does not fit into one of the audit categories available to the auditor. Disregarding the audit categories which are available, the intent was that janitorial services necessary to carry out the particular task are an eligible item and if the supplies were used in that regard, they are eligible under the contract.

Attachment C

RECEIVED

AUG 13 1975

DCJ:at

Very truly yours,

Donald C. Jeffery
DONALD C. JEFFERY
Senior Deputy City Attorney

REQUIRED REVERSING ENTRIES
HUD Audit of 10/31/74

Description	Amount	Reversing Journal Entry Date	
<u>Finding Number Five</u>			
Fines & Penalties	185.00	JE 12-09	5AY
Flowers	63.00 (30.00)	JE 12-09	5AY
	(33.00)	JE 6-37	7/24/75
Christmas Party/ Open House	236.00	JE 6-38	7/24/75
<u>Finding Number Six</u>			
Sharon Bibb	175.00	JE 6-19	5AY
James Grant	172.00	Replaced by eligible student	
Derrick Dinsby	204.00	JE 3-18 E 6-19	5AY
Linda Dickens	175.00	Replaced by eligible student	
Freddy Miller	175.00	Replaced by eligible student	
Kathleen Gunnell	175.00	JE 3-48/Je 6-19	5AY
Thelma Spencer	30.00	JE 6-19	5AY
John Williams	175.00	JE 6-19	5AY

Attachment D



August 12, 1975

OFFICE OF
CITY ATTORNEY

JOHN W. OSBURN
CITY ATTORNEY

1229 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503/248-4047

Mr. Al Jamison, Director
Model Cities Program
5329 N.E. Union Avenue
Portland, Oregon 97211

Re: AYOS Audit

Dear Mr. Jamison:

This refers to the portion of your contract files regarding the AYOS contract and the HUD pointing up that a portion of the funds were used to purchase out-of-classroom learning experience for students. Questions regarding these costs are raised under the title, "Entertainment," and references made to CDA 8, Part II, relative to Amusements, Social Activities and Incidental Costs. The HUD auditor raised these items, and properly, because of a discussion with the AYOS executive director in which the director indicated that "He felt they were valid expenditures necessary to achieve the goals of the project; to give the students some reason for attending the classes at AYOS; and in his opinion, any cost necessary to maintain a good relationship with students and parents was acceptable."

Although there may, from this conversation, be some indication that the executive director of AYOS believed that the activities involved were entertainment oriented, it is my opinion that his opinion is not controlling in this matter.

I have inquired of persons personally familiar with remedial education and find that the activities cited in the audit are accepted as essential learning experiences in such a program. I have also learned from your staff that these activities were approved by the city because they are essential learning experiences.

It is my opinion, as lawyer for the city, that the statement of the executive director regarding his motivation or belief

Attachment E

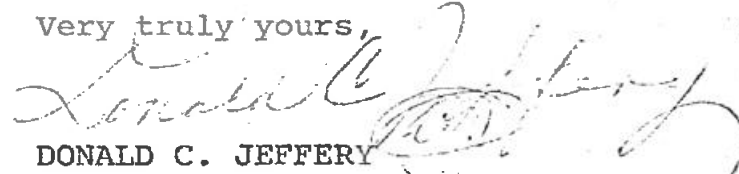
RECEIVED

AUG 13 1975

Mr. Al Jamison
August 12, 1975
Page 2

of the utility of these experiences is immaterial in determining their eligibility. I recommend therefore that in your response to HUD, you indicate that these learning experiences are an essential element in a remedial education program and for that reason are eligible under this program.

Very truly yours,



DONALD C. JEFFERY
Senior Deputy City Attorney

DCJ:at

Attachment E-2

RECEIVED

AUG 13 1975

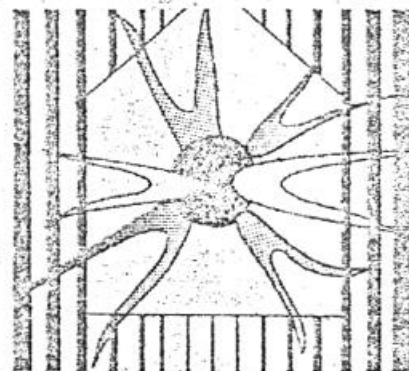
RECEIVED

AUG 04 1975

ALBINA YOUTH OPPORTUNITY SCHOOLS INC.

3710 N. Mississippi
Portland, Oregon 97227
Telephone (503) 288-5813

Rance C. Spruill, Director
Charles Leech, Assistant Director



August 1, 1975

Greg Mueller
Model Cities Agency
5329 N.E. Union Avenue
Portland, Oregon 97211

Dear Mr. Mueller:

As per your request, I would like to respond to the H.U.D. determination of \$698 worth of ineligible costs for FY '73-'74, as follows:

Every one of these items was in accord with activities approved in our Model Cities contract, as necessary to carry out the function of our program. Specific explanations for each expenditure and referral to program functions and activities spelled out in the contract are given in the copy of my letter to your office dated October 8, 1974 and attached hereto.

There seems to be a confusion on the part of the auditors as to the nature of these expenses, arising, perhaps, from an uncertainty about how they relate to the purposes of our program.

First of all, activities such as bowling, ice skating and other field trips are absolutely similar to normal functions which the public schools undertake. Such activities are doubly vital to our students, who are so economically and culturally deprived that in the normal course of their daily lives they have neither the means nor expectations of being exposed to these things.

And if our students are never exposed to alternative modes of entertainment, modes far removed from pool halls, street-corner gambling and other dead-end activities to which they have become accustomed, we find it difficult to see how we as an alternative educational and cultural resource, are indeed offering any alternatives.

In addition to raising expectations and broadening horizons, these activities proved of immeasurable benefit to our students --- they returned to their math classes with freshened outlooks after seeing how math related to computing their bowling scores, for instance. In all the activities, they gained a sense of associating with a group in society and of acceptable behavior and expected behavior.

The Christmas party and the Open House for parents were held in accordance with contract activities, and did much to re-enforce the students' positive feelings about the educational process, and to draw parents, students and school closer together.

A REAL EDUCATIONAL ALTERNATIVE

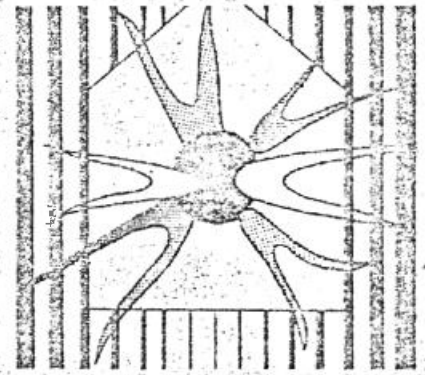
Attachment F

more

ALBINA YOUTH OPPORTUNITY SCHOOLS INC.

3710 N. Mississippi
Portland, Oregon 97227
Telephone (503) 288-5813

Rance C. Spruill, Director
Charles Leach, Assistant Director



Greg Mueller, Model Cities - August 1, 1975

Page 2

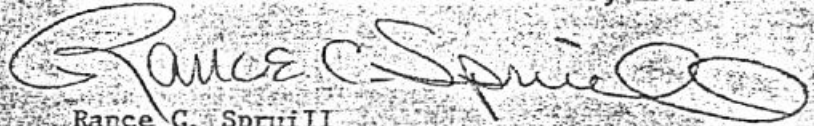
Traditionally, Category 79 in our budget has been used to cover items such as student clothing, notebooks and supplies and other student fees and expenses. Certainly recreation is a normal and accepted expense of education and is recognized as such in the public school system, even to the point of giving credits for classes involving recreational activities such as bowling, for instance.

If the public school system recognizes recreational functions as necessary to the entire educational process, surely such functions should be acceptable in an alternative school setting where the students are in even greater need of this type of exposure.

If you desire any further information, please let me know.

Sincerely,

ALBINA YOUTH OPPORTUNITY SCHOOLS, INC.

A handwritten signature in cursive script that reads "Rance C. Spruill".

Rance C. Spruill
Director

RCS:kp

enclosure - Oct. 8, 1974 letter, pp. 1-3

Attachment F-2

RECEIVED

AUG 04 1975

A REAL EDUCATIONAL ALTERNATIVE



ALBINA YOUTH OPPORTUNITY SCHOOLS, INC.

3710 N. Mississippi
Portland, Oregon 97227
Phone 288-5813

October 8, 1974

Mr. Al Jamison
Director Model Cities Agency
5329 N.E. Union
Portland, Oregon 97211

Dear Mr. Jamison:

Pursuant to the recent audit review conducted in your office the following are responses to that report.

- | | | | |
|----|----------------|----------|--|
| 1. | Check No. 1299 | 12-17-73 | Grand Central Bowl
103 Lines of Bowling \$52.00 |
|----|----------------|----------|--|

This activity was a scheduled part of the curriculum offered by this agency. As always this program has utilized all Fridays during the school year as a day of constructive recreation for staff and students. The majority of our student body do not utilize facilities within their community. We feel our program familiarizes our students to alternate social environment as do the local school District.

refer to Model Cities proposal function	4	Activity	5.6
" " " " " "	5	Activity	5.6

2. Check No. 1300 12-18-73 Rance Spruill
Christmas Party \$90.00

This activity was a scheduled activity for staff and students during the Christmas season. The staff felt the students were deserving of a party and I cannot over emphasize the importance of our students relating will to their school environment and hopefully upon their return to public school, participate to a greater extent in the educational process.

refer to Model Cities proposal function 5 Activity 5.6

3. Check No. 1429 3-1-74 Lloyd Corporation
Ice Skating Party \$13.00

This event was particularly educational to our students, because many had never attempted to ice skate. This activity was scheduled on the basis of lack of knowledge of the event, and most of our students needed the experience of learning to relate to other people without conflict or demonstrating unacceptable behavior.

refer to Model Cities proposal function 5 Activity 5.6

4. Check No. 1435 3-18-74 Wesley C. Austin
Bowling & Pool Fees \$35.00

This activity was prescheduled as a Friday activity at the Interstate Bowl and due to the non availability of funds, Wesley C. Austin paid all cost and was reimbursed from receipts presented to the Director. The main purpose of these activities were the staff discovered that none of the youth knew the process of score keeping. And it proved to be quite educational to most after the Math teacher explained the scoring process during the activities. The Bowling lanes were over crowded and some students preferred pool shooting. The reason for introducing our students to events like bowling are we find it difficult to get our youth involved in other types of functions besides dances and parties within their community.

refer to Model Cities proposal function 5 Activity 5.6
Fourth Action Year Objectives. No.7

Provide Increased recreational and cultural activities for enrollees.

5. Check No. 1467 4-18-74 Cinema 5 Theatre
Movie tickets \$58.00

This activity was requested by the Educational department. Students were as part of related studies in Black History were applying their theories as to ways black people relate to other blacks, in a competitive society especially by illegal means. One of the real problems facing our youth is the hero attitude, many youths give those that make their living, by illegal means, pimping, selling narcotics, etc. This film "The Mack" clearly demonstrates some of the going-on and hopefully with strong explanation reverse their negative thinking of other avenues that they can take, and survive without reverting to the street.

refer to Model Cities proposal function 5 Activity 5.5

- | | | | |
|----|----------------|---------|------------------------------|
| 6. | Check No. 1471 | 4-22-74 | Templeton Fund
Food \$146 |
|----|----------------|---------|------------------------------|

It has always been extremely difficult to successfully get parents actively involved in the educational process addressing the needs of their youth. The food was used as a special motivational technique for the parents to come to the scheduled open-house. The open-house was a evening of special activities planned by the staff and students, included was students performing singing, dancing routines, poetry reading and most important were the conferences between staff and parents.

refer to Model Cities proposal Project Description No. 7 Citizen Participation

7. Check No. 1350 1-30-73 Rance Spruill (20 Adults)
Field Trip \$70.00 (20 Students)

This activity was initiated by the Director in a memo requesting from the Educational Department, the names of twenty students they felt demonstrated personal motivation and high standards of conduct in obtaining their educational goals. The activity was taken to the Oyster bar restaurant where students and staff had lunch. This program encourages high standards for its students and this activity was well deserving.

refer to Model Cities proposal function 5 Activity 5.5

- | | | | |
|----|----------------|---------|---|
| 8. | Check No. 1570 | 6-25-74 | Templeton Fund
Camping Trip \$234.00 |
|----|----------------|---------|---|

This camping trip was prescheduled as part of the educational studies conducted by this program in science. Only a selected group of students participated because of cost and the limited number enrolled in the science class. The duration of the trip was (3) three days from Portland along the coast highway to the Oregon Coast. In trip, numerous stops were to be made for experimental purposes. The trip was more productive than anticipated due to the enthusiasm of the students involved. For some students it had been their (1) first experience of this nature. I cannot put enough emphasis on alternate ways of life.

refer to Model Cities proposal function 5 Activity 5.5

Attachment F-5

RECEIVED

AUG 04 1975



August 12, 1975

OFFICE OF
CITY ATTORNEY

JOHN W. OSBURN
CITY ATTORNEY

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503/248-4047

Mr. Al Jamison, Director
Model Cities Program
5329 N.E. Union Avenue
Portland, Oregon 97211

Re: AYOS Audit

Dear Mr. Jamison:

You have forwarded to this office for legal review your contract files relative to AYOS and payment by that organization for clothing to permit their students to return to the Portland public school program. I note from the budget that fees and expenses to allow students to return to a public school were included. Inasmuch as the Portland public school does not require tuition, I assume that "fees and expenses" contained in the budget were intended to provide payment for things not provided by the school district.

I am familiar with the various job training programs provided through CETA and previously through CEP and the OEO programs. In these programs, standard costs were to provide work clothing, dentistry, tools, glasses, and such other personal items, including cosmetics, as were required to permit the job enrollees to take regular employment. Considering the budget item, "fees and expenses," and our experience with the job training program, it is apparent that one would assume that clothing, school supplies, and other aids to allow a student to return to the public school system were contemplated by the budget.

It is understandable that HUD, having not had experience in job placement and training programs or education programs, does not have a history for its auditors to provide precedence for payment of such expenses. I am adequately convinced, however, that the examples given by other federal programs are adequate to document that the particular guide-

Attachment G

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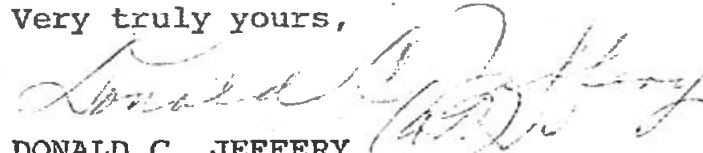
AUG 13 1975

Mr. Al Jamison
August 12, 1975
Page 2

lines are sufficiently broad to include this as an eligible category and believe that the contractor properly expended funds in this fashion.

Should you require additional information on this subject, please let me know.

Very truly yours,



DONALD C. JEFFERY
Senior Deputy City Attorney

DCJ:at

Attachment G-2

RECEIVED

AUG 13 1975

THE CITY OF
PORTLAND



OREGON

July 24, 1975

OFFICE OF
CITY ATTORNEY

JOHN W. OSBURN
CITY ATTORNEY

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503/248-4047

Mr. Al Jamieson, Director
Portland Model Cities
5329 N.E. Union Avenue
Portland, Oregon 97211

Re: Contract No. 13478/Martin Luther King
Scholarship Fund of Oregon, Inc.

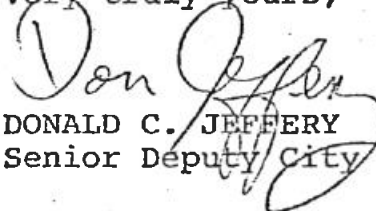
Dear Mr. Jamieson:

You have inquired of this office regarding whether or not the captioned contract requires that a person eligible for a scholarship under the contract live in the Model Cities area for one or more years prior to application. The contract at I, A(4) states:

"Applicant must be a resident of the
Model Neighborhood;"

I have reviewed the remainder of the contract and find no other requirement which the corporation was required to follow in selecting eligible students. For this reason, it is my opinion that any student applicant who was a resident of the Model Neighborhood at the time of application was eligible for the funds.

Very truly yours,


DONALD C. JEFFERY
Senior Deputy City Attorney

DCJ:at

Attachment H

RECEIVED

JUL 28 1975

THE CITY OF
PORTLAND



OREGON

DEPARTMENT OF
PUBLIC SAFETY

CHARLES JORDAN
COMMISSIONER

MODEL CITIES
AGENCY

ALONZO JAMISON, JR.
DIRECTOR

5329 N.E. UNION AVE.
PORTLAND, OR. 97211
503/288-8261

MEMORANDUM

TO: Marino Bual
Accounting Manager

FROM: Al Jamison, Director
Model Cities Agency

RE: Ineligible Cost - Operation Step-Up

In compliance with HUD's letter dated July 16, 1975, Subject ME-36-001 Report on Audit Portland Model Cities for the period June 1, 1972 - October 31, 1974, \$715 for Brewed Hot Coffee service will be classified as an ineligible cost of Operation Step-Up. This amount is independent of the amount cited in the Andrew Branch audit for the period from June 16, 1973, through June 30, 1974.

Therefore, the \$715 will be an adjustment to the final amount approved by Commissioner Jordan. This amount must be considered when the final determination of the amount owed to or owing from Operation Step-Up.

AJ:GM:rcc
08/06/75

cc: Commissioner Charles Jordan
Robert C. Scalia
Administration/Model Cities
Official Files/Model Cities

Attachment I

Ref # 8
J
July 28, 1975

Mr. Robert C. Scalia
Assistant Regional Administrator
Department of Housing and
Urban Development
Arcade Plaza Building, NS 317
1301 Second Avenue
Seattle, Washington 98101

Dear Mr. Scalia:

In the Department of Housing and Urban Development's audit of the Comprehensive City Demonstration Program of the City of Portland there was a finding dealing with possible duplicate educational aid (HUD Finding Number 8). Model Cities is of the opinion that because of the late date of 1972/73 and the small amount of money involved for the four students, an average of \$370 each, it would be unprofitable to attempt to collect any amount owing by the students. This situation means that the money would have to come from the projects, who were both acting within their contract with the City of Portland.

Collecting money from the projects would only serve to eliminate money available for future scholarships, thus depriving other needy applicants.

Model Cities Agency, therefore, with the concurrence of one of the projects involved, proposes an alternate method of recovery of the duplicate payments. The proposal would be that Martin Luther King Scholarship Fund would prepare a statement asserting that while they fulfilled the terms of their contract with the City of Portland, and therefore were not liable for the duplicate payments, they would provide from their general fund scholarship grants in an amount to cover the questioned costs.

Attachment J

Mr. Robert C. Scalia
Model Cities/Audit
07/28/75

Page -2-

The scholarships would be awarded to three Model Cities' residents during the academic year of 1975/76. The total cost of this grant would be approximately \$1,980. This statement would be included in the formal response to the HUD audit.

Sincerely,



Al Jamison, Director
Model Cities Agency

Attachment J-2

Martin Luther King, Jr. Scholarship Fund of Oregon

P.O. BOX 751
PORTLAND STATE UNIVERSITY
PORTLAND, OREGON 97207

August 22, 1975

W. Philip McLaurin
President

Dennis G. Payne
Executive Director

(503) 229-4475

Mr. Al Jamison, Director
Model Cities Program
5329 N. E. Union Avenue
Portland, Oregon 97211

Dear Mr. Jamison:

This letter is to inform you that our three previous Model Cities recipients funded by HUD through the Martin Luther King, Jr., Scholarship Fund of Oregon will be continued funded for the academic year 1975-76 out of our general funds. Following are the names of the three students along with their class status and addresses:

Gail Collins	Senior	5215 N.E. 16th Avenue Portland, Oregon 97211
Marjorie Jeannis	Freshman	4026 N.E. 9th Portland, Oregon 97212
Mary Walker	Junior	2302 N.E. 7th Avenue Portland, Oregon 97212

These individuals' tuition will be \$220 per quarter which amounts to \$1900 and exceeds the \$1400 in question in HUD audit finding #8. I hope this action will be accepted by you and HUD and put to rest audit finding #8.

Thank you for your patience and consideration concerning this matter.

Yours truly,


Charles F. Crews
Executive Director

CFC:ubt

cc: Mr. Phillip W. McLaurin
Gregg Muller

RECEIVED

AUG 22 1975



September 8, 1975

OFFICE OF
PUBLIC SAFETY

CHARLES JORDAN
COMMISSIONER

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503 248-4682


Mr. Robert C. Scalia
Assistant Regional Administrator
Department of Housing & Urban
Development
Arcade Plaza Building, MS 317
1321 Second Avenue
Seattle, Washington 98101

Dear Mr. Scalia:

Attached is the City's copy of the Model Cities supplemental response to HUD Audit ME-36-001 transmitted for your information and files.

Please let us know if we can be of further assistance to you in any way.

Sincerely,



CHARLES JORDAN
Commissioner of Public
Safety

CJ:ast

cc: Mayor Neil Goldschmidt
✓ Mr. Al Jamison

Enclosures: (2)



BUREAU OF
FINANCIAL AFFAIRS

ADMINISTRATIVE
ACCOUNTING
DIVISION

K.M. HAMMON
FINANCE OFFICER

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204

2774

August 29, 1975

TO: Dave Kish, Executive Assistant to
Commissioner of Public Safety

FROM: Ken Hammon *K.H.*
Finance Officer

SUBJECT: Model Cities Supplemental Response to HUD Audit

In accordance with the request of Model Cities, the Bureau of Financial Affairs has reviewed Model Cities' response to HUD's further instructions relative to ME-36-001-Report on Audit of Portland Model Cities for the Period of June 1, 1972--October 31, 1974.

It appears that Model Cities' response has adequately addressed the fiscal points in question raised by HUD in their letter (10D). Their recommendations and justifications would, of course, be subject to HUD's final determination and acceptance.

Thank you.

cc: Al Jamison
Marino Bual

KMM:tg





August 20, 1975

DEPARTMENT OF
PUBLIC SAFETY

CHARLES JORDAN
COMMISSIONER

MODEL CITIES
AGENCY

ALONZO JAMISON, JR.
DIRECTOR

5329 N.E. UNION AVE.
PORTLAND, OR. 97211
503/288-8261

Mr. Robert C. Scalia
Assistant Regional Administrator
Department of Housing & Urban
Development
Arcade Plaza Building, MS 317
1321 Second Avenue
Seattle, Washington 98101

Dear Mr. Scalia:

Model Cities has reviewed the supplemental instructions you have outlined in your letter dated July 16, 1975. The following is the action taken concerning the additional instructions:

Finding Number 1 - Inadequate program monitoring and evaluation of operating agencies.

No further action needed.

Finding Number 2 - Questioned charges for CDA - In-Kind Contributions -

The City's Bureau of Financial Affairs has "recomputed the charges for in-kind contributions excluding expenditures for citizens participation and operating agencies" as directed in your communication dated July 16, 1975. (See Schedule D of the City's Indirect Cost Plan pertaining to Model Cities. The Bureau of Financial Affairs for the City of Portland has, also, "adjusted the charges for program costs accordingly." These adjustments result in a net increase of the City's contribution to Program #ME-36-001 of \$12,268. We attach the required documentation as directed (Attachment A is Schedule D).

Finding Number 3 - Need to eliminate ethnic discriminatory provisions in operating agency contract.

No further action needed.

Robert C. Scalia
Department of Housing and
Urban Development

Page -2-

Finding Number 4 - Need to change the method of charging for outside book-keeping services.

No further action needed.

Finding Number 5 - Non-compliance by AYOS with certain HUD operating requirements.

Recommendations 1 and 2

No further action needed.

Recommendations 3

Attachment Set B is a copy of the rental agreement and a copy of the leasehold improvements amortization clause.

Recommendation 4

The City Attorney of Portland was requested to review all pertinent data to the relationship between the contracted janitorial service and the purchasing of janitorial supplies by Albina Youth Opportunity School. It is the attorney's opinion that entering into a third party contract does not preclude the furnishing of supplies used by that contractor (Attachment C). Therefore, Model Cities maintains the recommendation that the \$470 of janitorial supplies be included as an eligible cost.

Recommendation 5 and 6

Entertainment Costs - Of what the HUD auditor's considered ineligible entertainment cost, Model Cities considers only the Christmas party and food at Open House to justifiably fall into that category. These have been reversed from the Project's book by the Project's accountant according to the schedule attached (Attachment D).

Regarding the remaining costs in this category, a legal opinion was sought to determine if these remaining costs were within AYOS's contract. It is the City Attorney's opinion that these cost were within the contract and directly beneficial to the program (Attachment E). A statement by the Project's director outlining the direct benefits is also enclosed (Attachment F). Model Cities maintains the position that the remaining cost of \$462 be considered an eligible cost.

Fines and Penalties - The fines and penalties have been reversed out by the Project's accountant according to the schedule attached (Attachment D).

Page -3-

Student Clothing - Model Cities obtained a legal opinion regarding the cost for student clothing. It is the City Attorney's opinion that these costs were within the contract of AYOS. Further the City Attorney feels that there are adequate examples by other Federal programs setting up guidelines sufficiently broad to include this type of expenditures for implementing a project's goals (Attachment G).

Flowers - The costs for flowers has been reversed out by the Project's accountant according to the schedule attached (Attachment D).

Finding Number 6 - Need to improve the operating agency's procedures for determining recipient eligibility.

The \$1,281 cost for students not living in the Model Cities Area has been removed. The cost of five of the students has been reversed out according to the schedule attached (Attachment D).

As part of an audit finding by Andrew Branch & Company, CPA, the Project was requested to complete a reconciliation of students cost for the years 1970 through 1973. While the reconciliation did agree to the amount Martin Luther King invoiced to Model Cities, the reconciliation did not include the name of three of the students listed in the HUD audit with non-Model Cities' addresses. Model Cities concludes that the students were replaced with eligible students since the \$522 representing the ineligible students were not included in the amount billed to Model Cities.

The City Attorney has rendered an opinion that the contract with Martin Luther King did not require a one year residency in the Model Cities Area to be an eligible student applicant (Attachment H). The HUD auditors based this opinion on a letter by a prior director of Model Cities. The City Attorney has stated that that letter cannot constitute a contract change. Model Cities, therefore, maintains that this cost be included as an eligible expense.

Finding Number 7 - Questionable Expenditures Made by Operation Step-Up

A copy of the letter sent to the Finance Department of the City of Portland notifying them that the \$715 will be an adjustment to the final amount determined to be owing to, or from, Operation Step-Up (Attachment I).

Finding Number 8 - Dual Educational Aids

A copy of the previously proposed solution to this finding is attached (Attachment J). It is Model Cities' opinion that this solution represents the most equitable arrangement available.

Sincerely,


Al Jamison
Director

AL:GM:rcc
cc: ~~Commissioner~~ Charles Jordan

*Model Cities
Summary of Journal Entries
at July 31, 1975*

	<i>Reference Number</i>	<i>Account Number</i>	<i>Debit</i>	<i>Credit</i>
<i>Unearned Adm. Grant</i> <i>Cost Control - Admin.</i> <i>To reverse indirect cost</i> <i>entries for fiscal years</i> <i>72/73, 73/74, and 74/75 set</i> <i>up utilizing incorrect cost</i> <i>rate of 1.4% as per HUD</i> <i>audit instructions dated</i> <i>July 16, 1975, finding #2</i>	<i>JV-116</i>	<i>2254</i> <i>1470</i>	<i>10706521</i> 	 <i>10706521</i>
<i>Cost Control - Admin.</i> <i>Unearned Adm. Grant</i> <i>To record indirect costs</i> <i>applicable to fiscal years</i> <i>72/73, 73/74 and 74/75 util-</i> <i>izing corrected indirect</i> <i>cost rate of 8% as per</i> <i>HUD audit instructions</i> <i>dated July 16, 1975, find-</i> <i>ing #2.</i>	<i>JV-117</i>	<i>1470</i> <i>2254</i>	<i>119333 -</i> 	 <i>119333 -</i>

Attachment A

RESOLUTION OF CHAIR
Finding #2 per HUD instructions
dated July 16, 1975

	Indirect Costs Recorded	Admin. Costs	I & E Costs	Capital Acquisiti.
Fiscal 72/73 Totals	3925258	387804-	217484-	2462-
Fiscal 73/74 Totals	4035156	306412-	213265-	490-
Fiscal 74/75 Totals	2746113	243364-	126434-	121-
	10706527	937580-	557182-	3073-
3 Year overall check Totals	10706527	937580-	557182-	3072-

Corrected Computation

Admin. Costs	937580-
Info & Evaluation Costs	557182-
Sub-Total	1494762-
Less: Capital Acquisitions	(3072-)
Indirect Cost Base	1491660-
Revised Indirect Rate - 8%	
Revised Value of Indirect Cost	119333-

City of Portland
Indirect Cost Rate Proposal
Year Ended June 30, 1972

Schedule B

MODEL CITIES

Computation of Indirect Cost Rate

	<u>Not allowable</u>	<u>Indirect</u>	<u>All other</u>	<u>Total</u>
Bureau Totals (from Schedule D)	<u>2,829,864</u> <u>\$ -50,000</u>	<u>46,758</u> <u>\$ -05,343</u>	<u>586,712</u> <u>\$ -3,356,676</u>	<u>3,463,334</u> <u>\$ -3,511,919</u>

Computation of A-87 indirect cost rate:

$$\frac{\text{Indirect}}{\text{All other}} = \frac{\$ \overset{46,758}{\cancel{05,343}}}{\overset{586,712}{\cancel{3,356,676}}} = \text{A-87 indirect cost rate of } \overset{8\%}{\cancel{.4}} \% \text{ of total net direct allowable costs less capital expenditures.}$$

City of Portland
Indirect Cost Rate Proposal
Year Ended June 30, 1972

Schedule C

Attachment A-4

MODEL CITIES

Financial Statement

Personal services	\$ 539,230
Operation and maintenance	2,819,200
Capital expenditures	<u>59,900</u>
	<u>\$ 3,418,330</u>
Reconciliation:	
Divisions	\$ 3,418,330
Less revenue offsets	(<u>1,754</u>)
	3,416,576
Allocated bureau costs:	
Department administration	23,191
Nondepartmental allocations	5,675 2,815
Building use	88
Equipment use	-
Central service allocations	66,389 12,857
	<u>3,413,554</u>
Total Bureau Cost (from Schedule D)	<u>\$ 3,511,919</u>

City of Portland
Indirect Cost Rate Proposal
Year Ended June 30, 1972

Schedule D

MODEL CITIES

Bureau Cost Categories

<u>Divisions</u>	<u>Not allowable</u>	<u>Indirect</u>	<u>All other</u>	<u>Total</u>
Executive and Clerical (D) *	\$ 8,096	\$ -	\$ 395,536	\$ 403,632
Citizens Participation (D)	161,306 - 8,155	-	153,151	161,306
Information and Evaluation (D)	1,414	-	192,930	194,344
City-Wide Projects (D)	2,659,048 - 42,235	-	2,616,813	2,659,048
	<u>2,829,864</u>	-	<u>588,466</u>	
Less revenue offsets	59,900 -	-	3,358,430 (1,754)	3,418,320
	<u>2,829,864</u>	-	<u>586,712</u>	3,416,576
<u>Allocated bureau costs</u> (from Support Schedules)				
Department administration	-	23,191	-	23,191
Nondepartmental allocations	-	5,675 2,813	-	5,675 2,813
Building use	-	88	-	88
Equipment use	-	-	-	-
Central service (Sched. E, Pg.60)	-	66,389 43,857	-	66,389 43,857
	-	<u>46,758</u>	-	<u>46,758</u>
	\$ 59,900	\$ 95,348	\$ 3,356,676	\$ 3,511,919
	<u>2,829,864</u>		<u>586,712</u>	

*(D) Direct

City of Portland
Consolidated City-Wide Cost Allocation Plan
Year ending June 30, 1972

Summary - Central Service to Grantee Allocations

Grantee Receiving Service	Total Grantee Allocation	Central Services											Revenue and Treasury	Share
		Architectural Planning	Building Maintenance	Central Services	City Attorney	City Auditor	Civil Service Board	Communications and Electronics	Management Services	Personnel	Purchases and Stores	Revenue and Treasury		
City Engineer	\$ 542,117	\$ -	\$116,098	\$ 26,149	\$ 90,747	\$128,666	\$ 38,104	\$ 85,864	\$ 49,671	\$ 29,741	\$ 32,580	\$ 16,797	\$ -	
City Planning Commission	67,690	-	54,904	884	4,000	3,771	1,213	458	154	824	2,418	607	1	
Fire	433,195	-	-	25,943	65,779	68,915	99,225	100,660	12,142	21,341	19,244	11,000	97	
Manpower Planning - CAMPS	10,069	-	9,873	126	109	1,110	107	80	83	429	650	449		
Model Cities	48,889	-	1,863	2,670	2,540	11,357	3,697	1,877	1,187	2,175	10,577	1,777		
Parks	540,100	12,000	-	14,844	60,001	64,090	90,041	11,000	6,140	13,780	18,701	11,528	204	
Police	914,631	2,000	-	89,143	95,028	113,772	68,059	138,818	13,487	91,175	10,840	16,488	480	
Public Employment	41,984	-	6,924	-	5,450	21,589	187	60	1,989	120	4,687	2,471		
Traffic Engineering	42,777	-	34,250	1,894	3,000	10,766	2,910	1,646	615	1,777	5,608	1,850		
Water Works	230,247	6,222	-	16,637	43,949	58,484	24,282	8,506	20,654	15,168	21,845	6,483		
Other City	992,688	98,000	94,831	6,179	81,010	89,710	6,888	2,464	28,027	6,835	18,547	7,170		
Total	\$8,881,144	\$111,114	\$318,871	\$126,158	\$891,381	\$967,678	\$180,730	\$880,046	\$126,347	\$119,960	\$104,666	\$ 58,141	\$683	
Central Service Page		61	64	67	70	73	76	79	82	85	88	91		

CITY OF PORTLAND
CONSOLIDATED CITY-WIDE COST ALLOCATION PLAN
Year ended June 30, 1972

Schedule I

SUMMARY OF NON-DEPARTMENTAL ALLOCATIONS

<u>Department/Bureau</u>	<u>Total allocation</u>	<u>Sundry direct allocations</u>	<u>Data Processing Authority</u>	<u>Insurance</u>	<u>Travel</u>	<u>Motor Fuel</u>	<u>Fire and Police Disability and Retirement Fund</u>	<u>Sundry appropriations</u>	
Office of the Mayor	\$ 3,463 3,504	\$ 513	\$	\$ 908	\$ 1,845	\$	\$	\$ 305	13
Commissioner of Public Utilities	686 723			270	460			106	5
of Public Safety	920 814			438	292			100	2
of Public Affairs	408 350			317				100	3
of Public Works	1,703 1,616			743	712			636	16
<u>Central Services</u>									
Architectural Planning	1,158 1,048			367	604			133	7
Building Maintenance	1,191 915			744				443	17
Central Services	2,033 6,801	6,230		450				850	12
City Attorney	3,500 3,256			740	2,359			410	13
City Auditor	97,051 97,254		94,795	1,724	343			600	39
Civil Service Board	1,033 1,101			333	664			938	10
Communications and Electronics	4,101 1,618			606	891			604	12
Management Services	604 424			347				607	7
Personnel	944 282			238				100	4
Purchases and Stores	3,741 7,520	6,814		530	65			303	111
Revenue and Treasury	5,120 5,026		4,715	170	94			116	47
Shops	10,621 9,146			8,188	139			8,051	819
<u>Grantees</u>									
City Engineer	400,000 188,791	4,000	2,100	43,436	2,933	133,824		37,010	3,492
City Planning Commission	4,369 5,888		5,149	997	2,527			600	215
Fire	1,005,607 45,348		2,575	32,373	4,241		1,000,750	12,255	6,187
Manpower Planning - CAMPS	870 215			188				45	27
Model Cities	1,535 2,813			2,310				3,085	503
Parks	60,600 44,389		6,874	31,440	2,403			0,502	3,482
Police	4,006,043 173,062	1,870	106,828	50,048	6,429		1,850,750	0,113	1,887
Public Employment	4,240 1,810	1,103		95	595			919	17
Traffic Engineering	4,804 2,977			2,507				2,087	470
Water Works	45,092 28,157			24,042	278			19,372	5,501
Other City	280,500 713,983		244,040	11,408	5,340			10,613	1,195
	\$ 4,001,890	\$ 89,000	\$ 408,082	\$ 215,957	\$ 33,304	\$ 133,824	\$ 3,377,685	\$ 130,811	
	901,744	16,530						33,147	

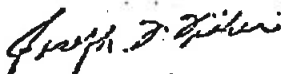
November 13, 1972

Rance Spruill, Executive Director
Albina Youth Opportunity School
3710 N. Mississippi Avenue
Portland, Oregon

Dear Mr. Spruill:

This letter is to confirm our conversation of this date regarding your making certain improvements to the property at 3710 North Mississippi Avenue. I agree to extending to the Albina Youth Opportunity School the option for two more one year lease periods after September, 1973. Or, at my option, I can pay the City of Portland the pro-rata share of renovations made after this date. In any event, the full value of the improvements shall be vested in the control and ownership of Joseph F. Fisher and Bessie D. Fisher after three years from this date.

Sincerely,



JOSEPH F. FISHER

cc: A. Raubeson, Acting Director
Portland Model Cities

Attachment B

ADDENDUM TO LEASE AGREEMENT

The Lease Agreement dated September 30, 1971 by and between JOSEPH F. FISHER and BESSIE D. FISHER, Lessor, and ALBINA YOUTH OPPORTUNITY SCHOOL, INC., Lessee, relating to the building, parking, and storage lots commonly known as 3710 North Mississippi Avenue, Portland, Oregon, is hereby amended and changed in the following respect:

The rental of \$5,700 for the twelve months beginning with the month of July, 1974, and concluding with the month of June, 1975, which would be paid for under the terms of the lease by payment of \$475 on the first day of each of those months will, instead, be paid in nine successive monthly payments of approximately \$635 per month beginning with the month of July, 1974 and concluding with the month of March, 1975.

DATED for reference this 1st day of July, 1974.

THIS INDENTURE OF LEASE, made and entered into this 30th day of November, 1971, by and between JOSEPH V. FISHER and DESSIE D. FISHER, husband and wife

hereinafter called the Lessor, and ALBINA YOUTH OPPORTUNITY SCHOOL, INC., an Oregon non-profit corporation

WITNESSETH: In consideration of the covenants, agreements and stipulations herein contained on the part of the lessee to be paid, kept and faithfully performed, the Lessor does hereby lease, demise and let unto the said lessee those certain premises, as is, situated in the City of Multnomah, County of Multnomah and State of Oregon, known and described as follows:

Lots 12, 14, 15 and 16, Block 25, MULTNOMAH, including the parking and storage lots thereon and the building commonly known as 3716 North Mississippi Avenue.

To Have and to Hold the said described premises unto the said lessee for a period of time commencing with the 1st day of November, 1971, and ending at midnight of the 31st day of October, 1976, at and for a rental of \$28,500.00 for the whole of the said term payable in lawful money of the United States at 5735 North Vancouver Avenue, City of Portland, State of Oregon, at the following times and in the following amounts, to-wit: Rent shall be payable on the first day of each month in advance, except that rent for the first and last months has been paid upon the execution of this lease and Lessor acknowledges receipt of this sum of \$950.00.

In consideration of the leasing of said premises and of the mutual agreements hereafter contained, each party hereto does hereby expressly covenant and agree to and with the other, as follows:

LESSOR'S
ACCEPTANCE
OF LEASE

(1) The lessee accepts said letting and agrees to pay to the order of the lessor the rentals above stated for the full term of this lease, in advance, at the times and in the manner aforesaid.

USE OF
PREMISES

(2a) The lessee shall use said demised premises during the term of this lease for the conduct of the following BUSINESS purposes: The operation of a school, including counseling, technical and vocational training, and other charitable and community related purposes and for no other purpose whatsoever without lessor's written consent.

(2b) The lessee will not make any unlawful, improper or offensive use of said premises; he will not suffer any strip or waste thereof; he will not permit any objectionable noise or odor to escape or to be emitted from said premises or do anything or permit anything to be done upon or about said premises in any way tending to create a nuisance; he will not sell or permit to be sold any spirituous, vinous or malt liquors on said premises, excepting such as lessee may be licensed by law to sell and as may be herein expressly permitted.

(2c) The lessee will not allow the leased premises at any time to fall into such a state of repair or disorder as to increase the fire hazard thereon; he shall not install any power machinery on said premises except under the supervision and with written consent of the lessor; he shall not store gasoline or other highly combustible materials on said premises at any time; he will not use said premises in such a way or for such a purpose that the fire insurance rate on the building in which said premises are located is thereby increased or that would prevent the lessor from taking advantage of any rulings of the Insurance Rating Bureau of the state in which said leased premises are situated or its successors, which would allow the lessor to obtain reduced premium rates for long term fire insurance policies.

(2d) Lessee shall comply at lessee's own expense with all laws and regulations of any municipal, county, state, federal or other public authority respecting the use of said leased premises.

UTILITIES

(3) The lessee shall pay for all heat, light, water, power and other services or utilities used in the above demised premises during the term of this lease.

REPAIRS AND
IMPROVEMENTS

(4a) The lessor shall not be required to make any repairs, alterations, additions or improvements to or upon said premises during the term of this lease, except only those hereinafter specifically provided for; the lessee hereby agrees to maintain and keep said leased premises, including heating system, interior wiring, plumbing and drain pipes to sewers or septic tank, in good order and repair during the entire term of this lease at lessee's own cost and expense, and to replace all glass which may be broken or cracked during the term hereof in the windows and doors of said premises with glass of as good or better quality as that now in use; lessee further agrees that he will make no alterations, additions or improvements to or upon said premises without the written consent of the lessor first being obtained.

(4b) The lessor agrees to maintain in good order and repair during the term of this lease the exterior walls, roof, gutters, downspouts and foundations of the building in which the demised premises are situated and the adjacent thereto.

It is understood and agreed that the lessor reserves and at any and all times shall have the right to alter, repair or improve the building of which said demised premises are a part, or to add thereto and for that purpose at any time may erect scaffolding and all

allow necessary structures about and upon the demised premises and lessor and lessor's representatives, contractors and workmen for that purpose may enter in or about the said demised premises with such materials as lessor may deem necessary therefor, and lessee waives any claim to damages, including loss of business resulting therefrom.

RIGHT OF ACCESS (5) It shall be lawful for the lessor, his agents and representatives, at any reasonable time to enter into or upon said demised premises for the purpose of examining into the condition thereof, or any other lawful purpose.

RIGHT OF ASSIGNMENT (6) The lessee will not assign, transfer, pledge, hypothecate, surrender or dispose of this lease, or any interest herein, or permit any other person or persons whomsoever to occupy the demised premises without the written consent of the lessor being first obtained in writing; this lease is personal to said lessee; lessee's interests, in whole or in part, cannot be sold, assigned, transferred, seized or taken by operation at law, or under or by virtue of any execution or legal process, attachment or proceedings instituted against the lessee, or under or by virtue of any bankruptcy or insolvency proceedings had in regard to the lessee, or in any other manner, except as above mentioned.

LIENS (7) The lessee will not permit any lien of any kind, type or description to be placed or imposed upon the building in which said leased premises are situated, or any part thereof, or the real estate on which it stands.

ICE, SNOW, RUBBISH (8) If the premises herein leased are located at street level, then at all times lessee shall keep the sidewalks in front of the demised premises free and clear of ice, snow, rubbish, debris and obstruction; and if the lessee occupies the entire building, he will not permit rubbish, debris, ice or snow to accumulate on the roof of said building so as to stop up or obstruct gutters or downspouts or cause damage to said roof, and will save harmless and protect the lessor against any injury whether to lessor or to lessor's property or to any other person or property caused by his failure in that regard.

OVERLOADING OF FLOORS (9) The lessee will not overload the floors of said premises in such a way as to cause any undue or serious stress or strain upon the building in which said demised premises are located, or any part thereof, and the lessor shall have the right, at any time, to call upon any competent engineer or architect whom the lessor may choose, to decide whether or not the floors of said premises, or any part thereof, are being overloaded so as to cause any undue or serious stress or strain on said building, or any part thereof, and the decision of said engineer or architect shall be final and binding upon the lessee; and in the event that the engineer or architect so called upon shall decide that in his opinion the stress or strain is such as to endanger or injure said building, or any part thereof, then and in that event the lessee agrees immediately to relieve said stress or strain either by reinforcing the building or by lightening the load which causes such stress or strain in a manner satisfactory to the lessor.

ADVERTISING SIGNS (10) The lessee will not use the outside walls of said premises, or allow signs or devices of any kind to be attached thereto or suspended therefrom, for advertising or displaying the name or business of the lessee or for any purpose whatsoever without the written consent of the lessor; however, the lessee may make use of the windows of said leased premises to display lessee's name and business when the workmanship of such signs shall be of good quality and permanent nature; provided further that the lessee may not suspend or place within said windows or paint thereon any banners, signs, sign-boards or other devices in violation of the intent and meaning of this section.

LIABILITY INSURANCE (11) The lessee further agrees at all times during the term hereof, at his own expense, to maintain, keep in effect, furnish and deliver to the lessor liability insurance policies in form and with an insurer satisfactory to the lessor, insuring both the lessor and the lessee against all liability for damages to person or property in or about said leased premises; the amount of said liability insurance shall not be less than \$100,000.00 for injury to one person, \$300,000.00 for injuries arising out of any one accident and not less than \$25,000.00 for property damage. Lessee agrees to and shall indemnify and hold lessor harmless against any and all claims and demands arising from the negligence of the lessee, his officers, agents, invitees and/or employees, as well as those arising from lessee's failure to comply with any covenant of this lease on his part to be performed, and shall at his own expense defend the lessor against any and all suits or actions arising out of such negligence, actual or alleged, and all appeals therefrom and shall satisfy and discharge any judgment which may be awarded against lessor in any such suit or action.

FIXTURES (12) All partitions, plumbing, electrical wiring, additions to or improvements upon said leased premises, whether installed by the lessor or lessee, shall be and become a part of the building as soon as installed and the property of the lessor unless otherwise herein provided.

LIGHT AND AIR (13) This lease does not grant any rights of access to light and air over the property.

DAMAGE BY CASUALTY, FIRE AND BURGLARY (14) In the event of the destruction of the building in which said leased premises are located by fire or other casualty, either party hereto may terminate this lease as of the date of said fire or casualty, provided, however, that in the event of damage to said building by fire or other casualty to the extent of 35% per cent or more of the sound value of said building, the lessor may or may not elect to repair said building; written notice of lessor's said election shall be given lessee within fifteen days after the occurrence of said damage; if said notice is not so given, lessor conclusively shall be deemed to have elected not to repair; in the event lessor elects not to repair said building, then and in that event this lease shall terminate with the date of said damage; but if the building in which said leased premises are located be but partially destroyed and the damage so occasioned shall not amount to the extent indicated above, or if greater than said extent and lessor elects to repair, as aforesaid, then the lessor shall repair said building with all convenient speed and shall have the right to take possession of and occupy, to the exclusion of the lessee, all or any part of said building in order to make the necessary repairs, and the lessee hereby agrees to vacate upon request, all or any part of said building which the lessor may require for the purpose of making necessary repairs, and for the period of time between the day of such damage and until such repairs have been substantially completed there shall be such an abatement of rent as the nature of the injury or damage and its interference

to use the premises

(21) Lessee's Use of Premises. Prior to November 1, 1971, Lessee shall have the right/prior to November 1, 1971, for the purpose of remodeling. Rent shall be pro-rated on a daily basis for the school operations prior to November 1, 1971, and the lease shall be deemed to have commenced on this date. School operations commence if it is prior to November 1, 1971.

(22) Conditions to Effectiveness of Lease. Notwithstanding any provision contained herein, Lessee's obligation to perform this lease may, if Lessee shall so elect, be excused in the event it is unable to obtain the right from the City of Portland and other applicable governing agencies and departments to operate a school on the premises in accordance with Lessee's plans, copy of which has been furnished to Lessor, or if the costs of remodeling in accordance with said plan exceed the sum of \$15,000.00, and if Lessee does so elect, all monies paid hereunder shall be refunded by Lessor to Lessee, provided, however, that Lessee's right to so elect shall terminate by December 1, 1971, if not previously exercised.

(23) Lessee's Termination Rights. Lessee shall have the right to terminate this lease and all of its obligations thereunder if the funding for its programs becomes insufficient, or if the program which it desires to undertake and which it can afford expands to a point that the premises are too small to accommodate it. Termination under this paragraph shall be effective ninety (90) days following notice thereof to Lessor.

(24) Attorney's Fees. The paragraph relating to attorney's fees and court costs shall apply to the benefit of Lessee, if Lessee is the prevailing party.

(25) Reasonableness Required. Wherever Lessor's consent or approval is required herein, Lessor shall grant such consent where to withhold it would be unreasonable under the circumstances.

(26) Increase in taxes: Lessee shall pay, during the term of this lease, any increase in real property taxes over those assessed for the 1971-1972 tax year. That assessment is \$1,362.94.

with the occupancy of said leased premises by said lessee shall warrant; however, if the premises be but slightly injured and the damage so occasioned shall not cause any material interference with the occupation of the premises by said lessee, then there shall be no abatement of rent and the lessor shall repair said damage with all convenient speed.

**WARRANTY OF
SUBROGATION
RIGHTS**

(15) Neither the lessor nor the lessee shall be liable to the other for loss arising out of damage to or destruction of the leased premises, or the building or improvement of which the leased premises are a part or with which they are connected, or the contents of any thereof, when such loss is caused by any of the perils which are or could be included within or insured against by a standard form of fire insurance with extended coverage, including sprinkler leakage insurance, if any. All such claims for any and all loss, however caused, hereby are waived. Said absence of liability shall exist whether or not the damage or destruction is caused by the negligence of either lessor or lessee or by any of their respective agents, servants or employees. It is the intention and agreement of the lessor and the lessee that the rentals reserved by this lease have been fixed in contemplation that each party shall fully provide his own insurance protection at his own expense, and that each party shall look to his respective insurance carriers for reimbursement of any such loss, and further, that the insurance carriers involved shall not be entitled to subrogation under any circumstances against any party to this lease. Neither the lessor nor the lessee shall have any interest or claim in the other's insurance policy or policies, or the proceeds thereof, unless specifically covered therein as a joint assured.

**EMINENT
DOMAIN**

(16) In case of the condemnation or appropriation of all or any substantial part of the said demised premises by any public or private corporation under the laws of eminent domain, this lease may be terminated at the option of either party hereto on twenty days written notice to the other and in that case the lessee shall not be liable for any rent after the date of lessee's removal from the premises.

**FOR SALE
AND
FOR RENT
SIGNS**

(17) During the period of -90- days prior to the date above fixed for the termination of said lease, the lessor herein may post on said premises or in the windows thereof signs of moderate size notifying the public that the premises are "for sale" or "for rent" or "for lease."

**DELIVERING
UP
PREMISES
ON
TERMINATION**

(18) At the expiration of said term or upon any sooner termination thereof, the lessee will quit and deliver up said leased premises and all future erections or additions to or upon the same, broom-clean, to the lessor or those having lessor's estate in the premises, peaceably, quietly, and in as good order and condition, reasonable use and wear thereof, damage by fire, unavoidable casualty and the elements alone excepted, as the same are now in or hereafter may be put in by the lessor.

**ADDITIONAL
COVENANTS
OR
EXCEPTIONS**

(19) Option to Purchase. At anytime prior to November 1, 1973, Lessee shall have the sole and exclusive right to purchase the property leased herein at a price of Seventy-Five Thousand Dollars (\$75,000.00), plus a sum equal to any sums expended by Lessor for taxes, improvements, repair expenses, insurance premiums, and interest on \$75,000.00 at the rate of eight percent (8%) per annum from November 1, 1971 to the date the option is exercised, and less a sum equal to rentals paid hereunder prior to the exercise of the said option.

(20) Remodelling. Lessee shall have the right to remodel the premises to suit its educational purposes, including the installation of partitions, wiring and plumbing, at Lessee's own expense. Lessee shall have the right to remove upon termination of the lease all trade fixtures installed by Lessee, including partitions. All remodeling, repairs and work done by Lessee shall meet the requirements of all city and other governmental agencies.

(21) Additional Covenants. Contained on Separate Page Attached Hereto.

**ASSIGNMENT
AND
SURRENDER**

PROVIDED, ALWAYS, and these presents are upon this condition, that if the lessee shall be in arrears in the payment of said rent for a period of ten days after the same becomes due, or if said lessee shall fail or neglect to do, keep, perform or observe any of the covenants and agreements contained herein on lessee's part to be done, kept, performed and observed and such default shall continue for ten days or more after written notice of such failure or neglect shall be given to lessee, or if said lessee shall be declared bankrupt or insolvent according to law, or if any assignment of lessee's property shall be made for the benefit of creditors, or if on the expiration of this lease lessee fails to surrender possession of said leased premises, then and in either of said cases or events, the lessor or those having lessor's estate in the premises, lawfully, at his or their option, immediately or at any time thereafter, without demand or notice, may enter into and upon said demised premises and every part thereof and repossess the same as of lessor's former estate, and expel said lessee and those claiming by, through and under lessee and remove lessee's effects at lessee's expense, forcibly if necessary and store the same, all without being deemed guilty of trespass and without prejudice to any remedy which otherwise might be used for arrears of rent or preceding breach of covenant.

In the event the lessee for any reason shall fail over after the expiration of this lease, such holding over shall not be deemed to operate as a renewal or extension of this lease, but shall only create a tenancy from month to month which may be terminated at will at any time by the lessor.

...shall be deemed to be a continuing waiver, and shall not operate to bar or prevent the lessor from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

Waiver Any waiver by the lessor of any breach of any covenant herein contained to be kept and performed by the lessee shall not be deemed or considered as a continuing waiver, and shall not operate to bar or prevent the lessor from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

Notice Any notice required by the terms of this lease to be given by one party hereto to the other or desired to be given, shall be sufficient if in writing contained in a sealed envelope, deposited in the U. S. Registered Mails with postage fully prepaid, and if intended for the lessor herein then it addressed to said lessor at No. 5135 North Vancouver Avenue, Seattle, Washington, Oregon, and if intended for the lessee, then it addressed to the lessee at No. 2110 North Mississippi Avenue, Portland, Oregon. Any such notice shall be deemed conclusively to have been delivered to the addressee thereof forty-eight hours after the deposit thereof in said U. S. Registered Mails.

Assignment All rights, remedies and liabilities herein given to or imposed upon either of the parties hereto shall extend to, inure to the benefit of and bind, as the circumstances may require, the heirs, executors, administrators, successors and, so far as this lease is assignable by the terms hereof, to the assigns of such parties.

In construing this lease, it is understood that the lessor or the lessee may be more than one person; that if the context so requires, the singular pronoun shall be taken to mean and include the plural, the masculine, the feminine and the neuter, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, the respective parties have executed this instrument in duplicate on this, the day and year first hereinabove written, any corporate signature being by authority of its Board of Directors.

ALBION YOUTH OPPORTUNITY SCHOOL, INC.

By: Edgar C. McNeill President

By: Frank M. Verner Secretary

By: Joseph F. Fisher

By: Bessie D. Fisher

LESSEE

LESSOR

10-204-5620

LEASE
BUSINESS PROPERTY

(Fill in No. 512)

TO

PRIMERS

Date 19.....

Expires 19.....

BY STEVENSON LAY CO., PORTLAND, ORE.



August 12, 1975

OFFICE OF
CITY ATTORNEY
JOHN W. OSSURN
CITY ATTORNEY

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503/243-4047

Mr. Al Jamison, Director
Model Cities Program
5329 N.E. Union Avenue
Portland, Oregon 97211

Re: AYOS Audit

Dear Mr. Jamison:

This letter is in response to audit material which you forwarded to this office for legal review. In that review, I have considered your files relative to the AYOS contract and the contractual arrangement between AYOS and Ms. Vidal. Two facts are essential to a clear understanding of this arrangement. The first is that, according to AYOS files, Ms. Vidal was hired as an independent contractor to perform janitorial service. The janitorial service was an eligible cost under the contract with the city. The janitorial contract, although this part is not clearly in writing, provided that AYOS would provide the janitorial supplies.

The audit has treated the janitorial supplies as ineligible items supplied to a third party contractor. I have not discovered the reason why, however, must assume that the auditor believed that the supplies would not have been used in the course of the contractor's performance of services for AYOS. A review of the HUD guidelines indicates no such prohibition. A review of those guidelines indicate that a subcontractor for the city could contract for services and as part of the consideration for those services agree to provide the supplies necessary to complete the work. The difficulty may arise because by purchasing the supplies and making them available to the contractor for performance of the work, the item does not fit into one of the audit categories available to the auditor. Disregarding the audit categories which are available, the intent was that janitorial services necessary to carry out the particular task are an eligible item and if the supplies were used in that regard, they are eligible under the contract.

Attachment C

RECEIVED

AUG 13 1975

DCJ:at

Very truly yours,


DONALD C. JEFFERY
Senior Deputy City Attorney

REQUIRED REVERSING ENTRIES
HUD Audit of 10/31/74

Description	Amount	Reversing Journal Entry Date	
<u>Finding Number Five</u>			
Fines & Penalties	185.00	JE 12-09	5AY
Flowers	63.00 (30.00)	JE 12-09	5AY
	(33.00)	JE 6-37	7/24/75
Christmas Party/ Open House	236.00	JE 6-38	7/24/75
<u>Finding Number Six</u>			
Sharon Bibb	175.00	JE 6-19	5AY
James Grant	172.00	Replaced by eligible student	
Derrick Dinsby	204.00	JE 3-18 E 6-19	5AY
Linda Dickens	175.00	Replaced by eligible student	
Freddy Miller	175.00	Replaced by eligible student	
Kathleen Gunnell	175.00	JE 3-48/Je 6-19	5AY
Thelma Spencer	30.00	JE 6-19	5AY
John Williams	175.00	JE 6-19	5AY

Attachment D



August 12, 1975

OFFICE OF
CITY ATTORNEY

JOHN W. OSBURN
CITY ATTORNEY

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503/248-4017

Mr. Al Jamison, Director
Model Cities Program
5329 N.E. Union Avenue
Portland, Oregon 97211

Re: AYOS Audit

Dear Mr. Jamison:

This refers to the portion of your contract files regarding the AYOS contract and the HUD pointing up that a portion of the funds were used to purchase out-of-classroom learning experience for students. Questions regarding these costs are raised under the title, "Entertainment," and references made to CDA 8, Part II, relative to Amusements, Social Activities and Incidental Costs. The HUD auditor raised these items, and properly, because of a discussion with the AYOS executive director in which the director indicated that "He felt they were valid expenditures necessary to achieve the goals of the project; to give the students some reason for attending the classes at AYOS; and in his opinion, any cost necessary to maintain a good relationship with students and parents was acceptable."

Although there may, from this conversation, be some indication that the executive director of AYOS believed that the activities involved were entertainment oriented, it is my opinion that his opinion is not controlling in this matter.

I have inquired of persons personally familiar with remedial education and find that the activities cited in the audit are accepted as essential learning experiences in such a program. I have also learned from your staff that these activities were approved by the city because they are essential learning experiences.

It is my opinion, as lawyer for the city, that the statement of the executive director regarding his motivation or belief

Attachment E

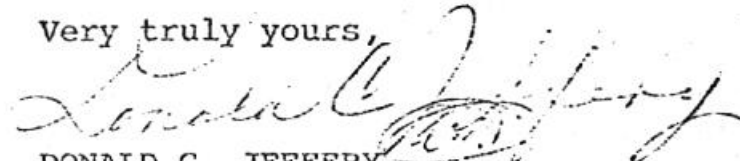
RECEIVED

AUG 13 1975

Mr. Al Jamison
August 12, 1975
Page 2

of the utility of these experiences is immaterial in determining their eligibility. I recommend therefore that in your response to HUD, you indicate that these learning experiences are an essential element in a remedial education program and for that reason are eligible under this program.

Very truly yours,



DONALD C. JEFFERY
Senior Deputy City Attorney

DCJ:at

Attachment E-2

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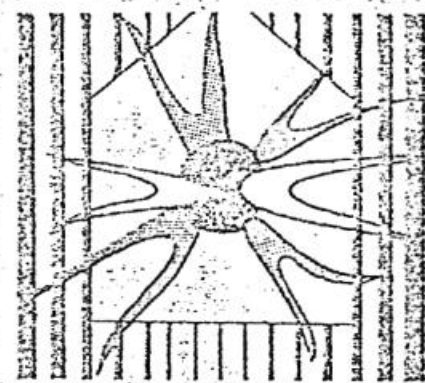
AUG 13 1975

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AUG 04 1975

ALBINA YOUTH OPPORTUNITY SCHOOLS INC.

3710 N. Mississippi
Portland, Oregon 97227
Telephone (503) 288-5813

Rance C. Spruill, Director
Charles Leech, Assistant Director



August 1, 1975

Greg Mueller
Model Cities Agency
5329 N.E. Union Avenue
Portland, Oregon 97211

Dear Mr. Mueller:

As per your request, I would like to respond to the H.U.D. determination of \$698 worth of ineligible costs for FY '73-'74, as follows:

Every one of these items was in accord with activities approved in our Model Cities contract, as necessary to carry out the function of our program. Specific explanations for each expenditure and referral to program functions and activities spelled out in the contract are given in the copy of my letter to your office dated October 8, 1974 and attached hereto.

There seems to be a confusion on the part of the auditors as to the nature of these expenses, arising, perhaps, from an uncertainty about how they relate to the purposes of our program.

First of all, activities such as bowling, ice skating and other field trips are absolutely similar to normal functions which the public schools undertake. Such activities are doubly vital to our students, who are so economically and culturally deprived that in the normal course of their daily lives they have neither the means nor expectations of being exposed to these things.

And if our students are never exposed to alternative modes of entertainment, modes far removed from pool halls, street-corner gambling and other dead-end activities to which they have become accustomed, we find it difficult to see how we as an alternative educational and cultural resource, are indeed offering any alternatives.

In addition to raising expectations and broadening horizons, these activities proved of immeasurable benefit to our students --- they returned to their math classes with freshened outlooks after seeing how math related to computing their bowling scores, for instance. In all the activities, they gained a sense of associating with a group in society and of acceptable behavior and expected behavior.

The Christmas party and the Open House for parents were held in accordance with contract activities, and did much to re-enforce the students' positive feelings about the educational process, and to draw parents, students and school closer together.

A REAL EDUCATIONAL ALTERNATIVE

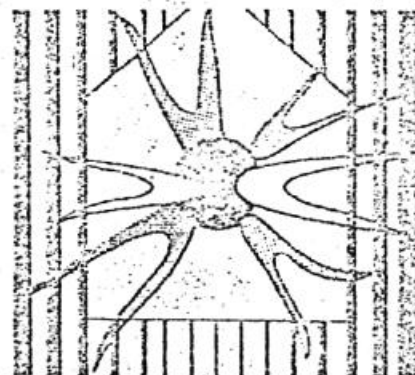
Attachment F

more

ALBINA YOUTH OPPORTUNITY SCHOOLS, INC.

3710 N. Mississippi
Portland, Oregon 97227
Telephone (503) 288-5813

Rance C. Spruill, Director
Charles Leach, Assistant Director



Greg Mueller, Model Cities - August 1, 1975

Page 2

Traditionally, Category 79 in our budget has been used to cover items such as student clothing, notebooks and supplies and other student fees and expenses. Certainly recreation is a normal and accepted expense of education and is recognized as such in the public school system, even to the point of giving credits for classes involving recreational activities such as bowling, for instance.

If the public school system recognizes recreational functions as necessary to the entire educational process, surely such functions should be acceptable in an alternative school setting where the students are in even greater need of this type of exposure.

If you desire any further information, please let me know.

Sincerely,

ALBINA YOUTH OPPORTUNITY SCHOOLS, INC.

Rance C. Spruill
Director

RCS:kp

enclosure - Oct. 8, 1974 letter, pp. 1-3

Attachment F-2

A REAL EDUCATIONAL ALTERNATIVE

RECEIVED

AUG 04 1975

3. Check No. 1429 3-1-74 Lloyd Corporation
Ice Skating Party \$13.00

This event was particularly educational to our students, because many had never attempted to ice skate. This activity was scheduled on the basis of lack of knowledge of the event, and most of our students needed the experience of learning to relate to other people without conflict or demonstrating unacceptable behavior.

refer to Model Cities proposal function 5 Activity 5.6

4. Check No. 1435 3-18-74 Wesley C. Austin
Bowling & Pool Fees \$35.00

This activity was prescheduled as a Friday activity at the Interstate Bowl and due to the non availability of funds, Wesley C. Austin paid all cost and was reimbursed from receipts presented to the Director. The main purpose of these activities were the staff discovered that none of the youth knew the process of score keeping. And it proved to be quite educational to most after the Math teacher explained the scoring process during the activities. The Bowling lanes were over crowded and some students preferred pool shooting. The reason for introducing our students to events like bowling are we find it difficult to get our youth involved in other types of functions besides dances and parties within their community.

refer to Model Cities proposal function 5 Activity 5.6

Fourth Action Year Objectives. No.7

Provide Increased recreational and cultural activities for enrollees.

5. Check No. 1467 4-18-74 Cinema 5 Theatre
Movie tickets \$58.00

This activity was requested by the Educational department. Students were as part of related studies in Black History were applying their theories as to ways black people relate to other blacks, in a competitive society especially by illegal means. One of the real problems facing our youth is the hero attitude, many youths give those that make their living, by illegal means, pimping, selling narcotics, etc. This film "The Mack" clearly demonstrates some of the going-on and hopefully with strong explanation reverse their negative thinking of other avenues that they can take, and survive without reverting to the street.

refer to Model Cities proposal function 5 Activity 5.5

Attachment F-4

RECEIVED

AUG 04 1975

6. Check No. 1471 4-22-74 Templeton Fund
Food \$146

It has always been extremely difficult to successfully get parents actively involved in the educational process addressing the needs of their youth. The food was used as a special motivational technique for the parents to come to the scheduled open-house. The open-house was a evening of special activities planned by the staff and students, included was students performing singing, dancing routines, poetry reading and most important were the conferences between staff and parents.

refer to Model Cities proposal Project Description No. 7 Citizen Participation

7. Check No. 1350 1-30-73 Rance Spruill (20 Adults)
Field Trip \$70.00 (20 Students)

This activity was initiated by the Director in a memo requesting from the Educational Department, the names of twenty students they felt demonstrated personal motivation and high standards of conduct in obtaining their educational goals. The activity was taken to the Oyster bar restaurant where students and staff had lunch. This program encourages high standards for its students and this activity was well deserving.

refer to Model Cities proposal function 5 Activity 5.5

8. Check No. 1570 6-25-74 Templeton Fund
Camping Trip \$234.00

This camping trip was prescheduled as part of the educational studies conducted by this program in science. Only a selected group of students participated because of cost and the limited number enrolled in the science class. The duration of the trip was (3) three days from Portland along the coast highway to the Oregon Coast. In trip, numerous stops were to be made for experimental purposes. The trip was more productive than anticipated due to the enthusiasm of the students involved. For some students it had been their (1) first experience of this nature. I cannot put enough emphasis on alternate ways of life.

refer to Model Cities proposal function 5 Activity 5.5

Attachment F-5

RECEIVED

AUG 01 1975



August 12, 1975

OFFICE OF
CITY ATTORNEY
JOHN W. OSBURN
CITY ATTORNEY

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503/248-4047

Mr. Al Jamison, Director
Model Cities Program
5329 N.E. Union Avenue
Portland, Oregon 97211

Re: AYOS Audit

Dear Mr. Jamison:

You have forwarded to this office for legal review your contract files relative to AYOS and payment by that organization for clothing to permit their students to return to the Portland public school program. I note from the budget that fees and expenses to allow students to return to a public school were included. Inasmuch as the Portland public school does not require tuition, I assume that "fees and expenses" contained in the budget were intended to provide payment for things not provided by the school district.

I am familiar with the various job training programs provided through CETA and previously through CEP and the OEO programs. In these programs, standard costs were to provide work clothing, dentistry, tools, glasses, and such other personal items, including cosmetics, as were required to permit the job enrollees to take regular employment. Considering the budget item, "fees and expenses," and our experience with the job training program, it is apparent that one would assume that clothing, school supplies, and other aids to allow a student to return to the public school system were contemplated by the budget.

It is understandable that HUD, having not had experience in job placement and training programs or education programs, does not have a history for its auditors to provide precedence for payment of such expenses. I am adequately convinced, however, that the examples given by other federal programs are adequate to document that the particular guide-

Attachment G

RECEIVED

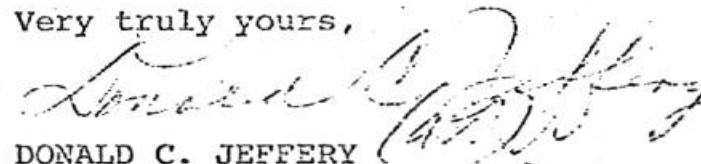
AUG 13 1975

Mr. Al Jamison
August 12, 1975
Page 2

lines are sufficiently broad to include this as an eligible category and believe that the contractor properly expended funds in this fashion.

Should you require additional information on this subject, please let me know.

Very truly yours,



DONALD C. JEFFERY
Senior Deputy City Attorney

DCJ:at

Attachment G-2

RECEIVED

AUG 13 1975



July 24, 1975

OFFICE OF
CITY ATTORNEY

JOHN W. OSBURN
CITY ATTORNEY

1220 S.W. FIFTH AVE.
PORTLAND, OR. 97204
503/248-4047

Mr. Al Jamieson, Director
Portland Model Cities
5329 N.E. Union Avenue
Portland, Oregon 97211

Re: Contract No. 13478/Martin Luther King
Scholarship Fund of Oregon, Inc.

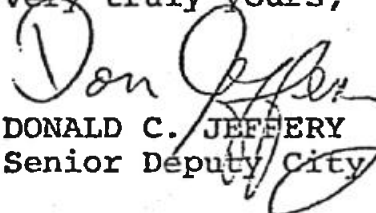
Dear Mr. Jamieson:

You have inquired of this office regarding whether or not the captioned contract requires that a person eligible for a scholarship under the contract live in the Model Cities area for one or more years prior to application. The contract at I, A(4) states:

"Applicant must be a resident of the
Model Neighborhood;"

I have reviewed the remainder of the contract and find no other requirement which the corporation was required to follow in selecting eligible students. For this reason, it is my opinion that any student applicant who was a resident of the Model Neighborhood at the time of application was eligible for the funds.

Very truly yours,


DONALD C. JEFFERY
Senior Deputy City Attorney

DCJ:at

Attachment H

RECEIVED

JUL 28 1975



DEPARTMENT OF
PUBLIC SAFETY

CHARLES JORDAN
COMMISSIONER

MODEL CITIES
AGENCY

ALONZO JAMISON, JR.
DIRECTOR

5329 N.E. UNION AVE.
PORTLAND, OR. 97211
503/238-8281

MEMORANDUM

TO: Marino Bual
Accounting Manager

FROM: Al Jamison, Director
Model Cities Agency

RE: Ineligible Cost - Operation Step-Up

In compliance with HUD's letter dated July 16, 1975, Subject ME-36-001 Report on Audit Portland Model Cities for the period June 1, 1972 - October 31, 1974, \$715 for Brewed Hot Coffee service will be classified as an ineligible cost of Operation Step-Up. This amount is independent of the amount cited in the Andrew Branch audit for the period from June 16, 1973, through June 30, 1974.

Therefore, the \$715 will be an adjustment to the final amount approved by Commissioner Jordan. This amount must be considered when the final determination of the amount owed to or owing from Operation Step-Up.

AJ:GM:rcc
08/06/75

cc: Commissioner Charles Jordan
Robert C. Scalia
Administration/Model Cities
Official Files/Model Cities

Attachment I

8
5
July 28, 1976

Mr. Robert C. Scalia
Assistant Regional Administrator
Department of Housing and
Urban Development
Arcade Plaza Building, MS 317
1321 Second Avenue
Seattle, Washington 98101

Dear Mr. Scalia:

In the Department of Housing and Urban Development's audit of the Comprehensive City Demonstration Program of the City of Portland there was a finding dealing with possible duplicate educational aid (HUD Finding Number 8). Model Cities is of the opinion that because of the late date of 1972/73 and the small amount of money involved for the four students, an average of \$370 each, it would be unprofitable to attempt to collect any amount owing by the students. This situation means that the money would have to come from the projects, who were both acting within their contract with the City of Portland.

Collecting money from the projects would only serve to eliminate money available for future scholarships, thus depriving other needy applicants.

Model Cities Agency, therefore, with the concurrence of one of the projects involved, proposes an alternate method of recovery of the duplicate payments. The proposal would be that Martin Luther King Scholarship Fund would prepare a statement asserting that while they fulfilled the terms of their contract with the City of Portland, and therefore were not liable for the duplicate payments, they would provide from their general fund scholarship grants in an amount to cover the questioned costs.

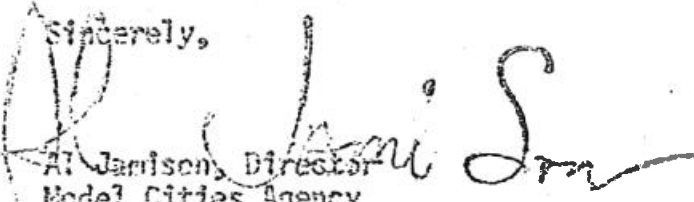
Attachment J

Mr. Robert C. Scalia
Model Cities/Audit
07/23/75

Page -2-

The scholarships would be awarded to three Model Cities' residents during the academic year of 1975/76. The total cost of this grant would be approximately \$1,980. This statement would be included in the formal response to the HUD audit.

Sincerely,


Al Jamison, Director
Model Cities Agency

Attachment J-2

Martin Luther King, Jr. Scholarship Fund of Oregon

P.O. BOX 751
PORTLAND STATE UNIVERSITY
PORTLAND, OREGON 97207

August 22, 1975

Mr. Al Jamison, Director
Model Cities Program
5329 N. E. Union Avenue
Portland, Oregon 97211

Dear Mr. Jamison:

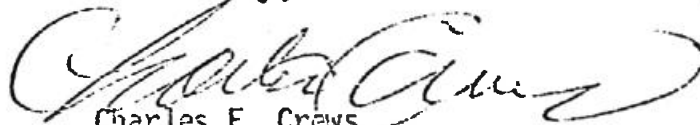
This letter is to inform you that our three previous Model Cities recipients funded by HUD through the Martin Luther King, Jr., Scholarship Fund of Oregon will be continued funded for the academic year 1975-76 out of our general funds. Following are the names of the three students along with their class status and addresses:

Gail Collins	Senior	5215 N.E. 16th Avenue Portland, Oregon 97211
Marjorie Jeannis	Freshman	4026 N.E. 9th Portland, Oregon 97212
Mary Walker	Junior	2302 N.E. 7th Avenue Portland, Oregon 97212

These individuals' tuition will be \$220 per quarter which amounts to \$1900 and exceeds the \$1400 in question in HUD audit finding #8. I hope this action will be accepted by you and HUD and put to rest audit finding #8.

Thank you for your patience and consideration concerning this matter.

Yours truly,


Charles F. Crews
Executive Director

CFC:ubt

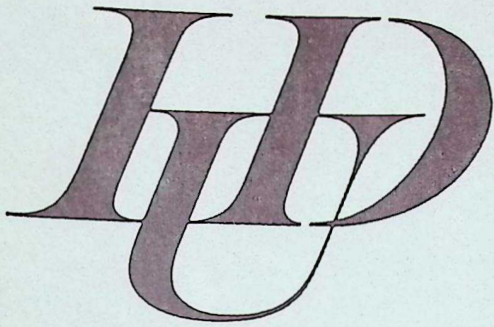
cc: Mr. Phillip W. McLaurin
Gregg Muller

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AUG 22 1975

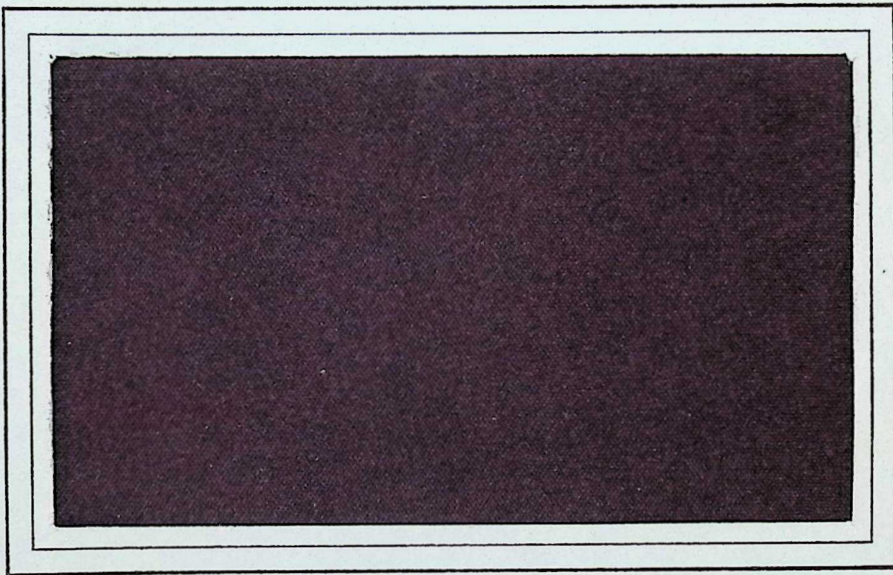
W. Philip McLaurin
President

Dennis G. Payna
Executive Director

(503) 229-4475



OFFICE OF INSPECTOR GENERAL



RECEIVED

JAN 13 1975



FOR OFFICIAL USE ONLY

OFFICE OF AUDIT REGION X
SEATTLE, WASH.

U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

REPORT ON AUDIT OF THE
COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
PORTLAND, OREGON
08-4-5002-4310
October 31, 1974

Governed by - City Council of the
City of Portland
Neil Goldschmidt, Mayor

Official Representative

Alonzo Jamison
CDA Director

Accounting Representative

K. M. Hammon
Finance Officer
City of Portland

Location of Records

City Hall
Portland, Oregon

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Issue Date
October 31, 1974
Audit Case Number
08-4-5002-4310

TO: James L. Young, Regional Administrator
Region X, Seattle

FROM: *Charles J. Hay*
Charles J. Hay, Regional Inspector General
for Audit, Region X, Seattle

SUBJECT: Project No. ME-36-001
Comprehensive City Demonstration Program
City of Portland
Portland, Oregon

INTRODUCTION

We have made an examination of the books and records of the City of Portland (hereinafter called CDA) pertaining to its Comprehensive City Demonstration Program for the period June 1, 1972 through May 31, 1974. Our examination included a determination of whether the CDA (1) has an adequate system for monitoring the projects and activities in the approved program; (2) has a system which properly accounts for receipt of supplemental funds and controls the flow of funds to the projects and activities; (3) has and is implementing a plan for the evaluation of projects and activities; (4) disburses funds in furtherance of authorized activities; (5) conducts its activities and makes expenditures in an effective, efficient and economical manner; and (6) has achieved the program results by the operating agencies in relation to the stated objectives.

The examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing pro-

cedures as we considered necessary in the circumstances. Moreover, an in-depth evaluation of program results for Metropolitan Economic Development Industrial Alliance, Inc. (MEDIA), Albina Youth Opportunity School (AYOS), Senior Adults Service Center (SASC), Teacher Training Program, and Multnomah Association for Retarded Children (MARC) was performed.

SUMMARY

Our report contains eight findings which disclosed that the CDA Evaluation Section had not adequately or independently monitored and evaluated operating agency programs; we questioned charges for CDA in-kind contributions in the total amount of \$74,852, expenditures by Operation Step-Up in the amount of \$3,138, and noncompliance by AYOS with certain HUD operating requirements. In addition there was a need to eliminate ethnic discriminatory provisions from operating agency contracts; to change the method of charging for outside book-keeping services; to improve the operating agency's procedures for determining recipient eligibility, and to delete dual educational aid from operating agency's costs.

In our opinion, the accompanying statements of program administration and supplemental costs present fairly the costs of the execution phase of the City's model cities program as recorded by the CDA at May 31, 1974, giving due consideration to the findings and comments contained in this report.

Within 30 days please furnish this office, for the findings and recommendations cited in the report, comments on: (1) the clearance action taken, (2) the proposed clearance action and the date to be completed, or (3) why action is not considered necessary. Follow-up reports must be submitted to this office

at the prescribed time intervals specified in Handbook 2000.5. Also, please furnish us with copies of any correspondence pertaining to this report.

Distribution

Regional Administrator

ARA for Community Planning and Development

Director, Accounting Division

Audit Liaison Officer (6)

Associate Director, USGAO, HUD Bldg.

Director, Financial Management Division, CCF (2)

Director, Relocation and Development Services Div., CCR

Deputy Under Secretary for Field Operations, UD

BACKGROUND

Under Contract No. MP-36-001, executed December 20, 1967, the CDA was awarded a Federal Grant of \$244,700 by HUD to develop a Comprehensive City Demonstration Program. The planning grant was completed on April 10, 1969, at a total cost of \$318,603.50, which represented \$244,700 (maximum grant in the contract) and \$73,903.50 in CDA contributions (which was \$12,728.50 in excess of the required CDA contribution amount of \$61,175 contained in the contract). On August 26, 1969, HUD and the City of Portland entered into a grant agreement to perform a Comprehensive City Demonstration Program.

The CDA is now in its Third Action Year, which began June 16, 1972 with the latest extension expiring June 30, 1974. Approved funding has been made for a total amount of \$14,020,000.

At May 31, 1974, Program Administration and Supplemental Costs totaled \$2,102,584 (Schedule 3) and \$9,991,776 (Schedule 2) respectively. Relocation costs totaled \$473,891.

At May 31, 1974, the CDA had 27 operating agencies (OA) in the Third Action Year.

INTERNAL CONTROL

We reviewed the accounting system and the system of internal control over receipts, disbursements, and procurement, and, in our opinion, they were satisfactory except as indicated in the Findings and Recommendations in this report.

FINDINGS AND RECOMMENDATIONS

Prior Audit

By letter dated November 5, 1973, our findings in the prior audit report (No. 08-4-3001-4310, dated November 20, 1972) were cleared by the Portland Area

Office based on corrective action taken by the CDA.

Current Audit

The following audit findings were discussed during the course of the audit and at a meeting held at the CDA's offices on October 15, 1974, attended by:

Alonzo Jamison, CDA Director
Phillip Eggert, CDA Budget Analyst
Robert Jones, City Grants Accountant
Richard Hugill, HUD Area Audit Supervisor
Donald Boates, HUD Auditor
Robert Lee, HUD Auditor

Finding No. 1 - Inadequate program monitoring and evaluation of operating agencies

The CDA Evaluation Section has not adequately or independently monitored and evaluated operating agency programs. Therefore, this Section has not effectively accomplished its purpose and evaluation reports issued by the CDA are highly questionable as to their value. Furthermore the CDA could not have established that the Model Cities funds were used efficiently and effectively.

Our prior audit report dated November 20, 1972, Finding No. 3 cited the non-implementation of established CDA Evaluation Policies and Procedures, which resulted in the operating agencies not being adequately monitored and evaluated.

Paragraph 3, Chapter 2, of MCGR G 3110.1, states that cities must be able to evaluate actual progress towards objectives and the type and amount of program inputs which made that progress possible. In addition, performance measures will help the cities and HUD in making more rational planning decisions and in monitoring the progress of local projects, in addition to providing an empirical base for the development of cost benefit analysis.

The Evaluation Section Head stated that she had not been aware of MCGR G 3110.1, and had not known anything about the evaluation process when she started with the CDA. It had been a learning process.

One CDA Evaluator stated that, except for the Community Care project, the CDA had accepted the Operating Agencies monthly evaluation reports at their face value.

Furthermore the CDA had questioned O/A monthly evaluation reports only where they had received information or through contact with individual model neighborhood residents that indicated discrepancies. The CDA evaluators had not gone out to the operating agencies and reviewed their documentation and records. The project monitoring function had more or less been in limbo since the reduction in staff about six months ago.

Therefore, because of this lack of performance we believe that the CDA should give strong consideration to the elimination of their Evaluation Section, and possibly contract with outside consultants for these Evaluation services.

We reviewed five (5) Evaluation Reports on O/As issued by the CDA.

Metropolitan Economic Development Industrial Alliance, Inc. (MEDIA)

Our comments on the CDA report dated June 30, 1974, will be included in a separate audit report to be issued by us on the MEDIA Trust Account.

Albina Youth Opportunity School (AYOS)

We reviewed the recently completed CDA evaluation report on AYOS (received from the Evaluation Section on 9/10/74) covering, supposedly, the Third Action Year

and Extension. This evaluation report was, essentially, a carbon copy of one issued by and received from AYOS. The only differences were that the CDA evaluation report contained information as to goals and objectives while the AYOS report contained some additional police statistics.

Though the report did not contain the inclusive dates of the period examined, we learned from the CDA evaluator that the period covered was July, 1973, through June, 1974, Third Action Year Extension. However, the information in the CDA report was of no value because it did not pertain to the Third Action Year Extension but cited statistics from 1971-2. She stated the source of the report statistics as being the monthly evaluation reports by AYOS and a report prepared for AYOS by Mr. Monroe (part-time teacher at Portland Community College). The CDA Evaluation Supervisor could not explain the use of 1971-2 statistics rather than current information, and referred us to the evaluator. The Supervisor acknowledged that the monthly reports were known to be wrong and were "padded". According to her, no attempt is being made to verify or improve the reporting situation because the CDA relies on its annual evaluation.

Due to the non-availability of the current statistics, we are unable to determine the effectiveness of the present operation.

We noted that Portland Public School District No. 1 issued an Evaluation Report dated May 2, 1972, on AYOS. A letter dated September 3, 1974, from Portland Public Schools to Commissioner Charles Jordan stated, in part:

"Financial assistance has been provided by this district at an increasing rate for the past seven years beginning in March 1967. By the 1974-75 school year this amount has grown to \$55,000 plus one full-time employee assigned to AYOS as the School District Coordinator. The

Board of Education has not yet entered into the budget process for the 1975-76 school year, making it impossible at this time to determine what the final action will be on this matter. However, let me assure you that at the appropriate time careful consideration will be given to the program and the needs of the students served by it."

In view of our belief that the CDA should consider the elimination of their Evaluation Section, because the School District has a definite interest in AYOS and possible future funding, the CDA could consider asking the School District to perform a current evaluation. The CDA should then consider defunding the program if the evaluation showed that the results achieved by AYOS indicate marginal accomplishment.

The CDA Director stated that after reviewing AYOS present status of accomplishment he did not consider this Project to be marginal. He stated that considering AYOS has 5 1/2 months before the termination of Model Cities funds and a strong possibility of School District No. 1 funding of the program, he felt that defunding them at this time would cause undue hardships for the Project, therefore, he will give no further consideration to defunding AYOS.

Senior Adults Service Center (SASC)

Two functions performed by this O/A are Outreach Worker Services and Telephone Reassurance. The CDA Evaluation Report states that the Outreach Service provides an Outreach worker who goes into the homes of senior citizen shut-ins for a friendly visit and assist the senior citizens in doing things they are unable to do for themselves. Telephone Reassurance makes daily telephone calls to senior citizens and shut-ins to ascertain if any special services are needed and to inquire about the senior citizens health.

The Third Action Year Report shows the following statistics:

NUMBER OF PERSONS RECEIVING SERVICES

	<u>Outreach Worker Services</u>	<u>Telephone Reassurance</u>
<u>1972</u>		
June	496	496
July	501	501
Aug.	509	509
Sept.	533	533
Oct.	540	540
Nov.	555	555
Dec.	557	557
<u>1973</u>		
Jan.	563	563
Feb.	565	565
Mar.	567	568

In view of the distinct difference between the two services performed, we question the statistics published which are identical except for March 1973, and in that case could be due to a typing error. The preface to the report states, in part, that files and records were examined. This comment is highly questionable as surely the CDA Evaluator must have seen that identical figures for each of the 10 months could hardly be attributed to coincidence.

Teacher Training Program

We reviewed the Third Action Year CDA Evaluation Report. Excerpts from the report were:

"Status

There are twenty-two (22) positions for teacher trainees that are currently funded by Model Cities. However, at this time, there are five vacancies.

Impact

The target group is not being met. The turnover in this project is much too high. Out of the original seventeen participants who were hired at the inception of this program, only seven are left. The seven left are trainees who had college credits before coming into the program. Out of the ten that dropped, only two entered other educational programs.

Conclusion

At this time, Evaluation feels that after three years, the seven of the original participants should be nearer to becoming certified teachers than they are. Evaluation feels that it is a waste of money for CDA to fund this program unless participants carry more than three to six credit hours per term.

It is impossible for the participants to become certified teachers within the phase out of City Demonstration Agency with the amount of hours they have been carrying. This is a marginal project if City Demonstration Agency is attempting to gain maximum use from its limited resources."

The CDA Director stated that the Teachers Training Project was terminated June 30, 1974.

Multnomah Association for Retarded Children (MARC)

Mrs. Mary Hein, Office Coordinator, of MARC stated that this project had never been evaluated by either the CDA or any other city department.

The CDA Evaluation Section Supervisor stated that no evaluation had been performed to date (August 12, 1974). An evaluation had been scheduled for July 31, 1974. She contended that the evaluation had been delayed at MARC's request because MARC had wanted to wait until they had more to show for their expenditures.

Action Being Taken by the CDA

The CDA Director agreed that the Evaluation Section had not been as effective as possible. He stated that it must be recognized that four of the five reports cited in the finding were written by a staff member who was no longer with the Agency, and whose ability was not at a level of competency as the other three staff members.

He added that in response to our recommendation he had initiated the following action. He had accepted the responsibility to insure that projects are evaluated. He will assign the remaining three staff members as he sees fit to specific "problem areas", such as funding, evaluation, to best utilize their talents. The Evaluation Section as such has been eliminated. The three staff members will continue performing evaluation but under his control and supervision.

Recommendation

We recommend that the Regional Administrator direct the CDA to determine the present status of accomplishment by AYOS by means of an evaluation by School District No. 1, and consider defunding if found to be marginal.

Reply

The CDA Executive Director stated that because of current and prospective funding by the School District No. 1, they (School District No. 1) feel that the AYOS is a beneficial project to the MN.

Finding No. 2 - Questioned charges for CDA In-Kind Contributions (Questioned costs \$74,852)

The CDA in-kind contributions of \$74,852 charged to Program Administration were computed by the CDA based upon an indirect cost rate of 1.4% on the total model cities program administration expenditures, information and evaluation, citizen participation and the various operating agencies. We question the inclusion of the expenditures for citizen participation and operating agencies because they are contractors for the CDA. Their inclusion distorts the amount of in-kind contributions earned by the CDA.

CDA Letter No. 6 (MC 3140.7) defines program administration costs as being "traditional housekeeping costs and coordinative management costs, e.g., personnel services and fringe benefits, consultant and contract services for program administration purposes, nonexpendable equipment rentals, office operating expenses, and staff travel." The City must, by the terms of the grant contract provide at least 20 percent of these costs, either in cash or cash-equivalent services.

CDA Letter No. 8, Part II (MCGR 3100.8), Chapter 7, paragraph 21b (2) (c), states:

"The City shall document all cash-equivalent contribution by showing as a minimum, if the contribution consists of services performed by employees of the City:

1. names and mailing addresses of individuals that performed the services
2. description of services performed
3. dates services were performed and number of hours each individual worked on each date
4. total number of hours each individual worked
5. rates of pay per hour per each individual
6. computation showing how the amount to be charged to program costs was determined."

Circular MC 3145.6 provides HUD guidelines for implementation of Bureau of the Budget Circular A-87, dated May 9, 1968, with regard to local governments. Circular MC 3145.6 is to be used in conjunction with HEW document "A Guide for Local Government Agencies" (Establishing Cost Allocation Plan and Indirect Cost Proposals for Grants and Contracts with the Federal Government), which implements BOB Circular A-87.

Circular A-87 provides for the reimbursement of indirect costs through the mechanism of one or more allocation procedures. These allocations may be reduced to an indirect cost rate. An indirect cost rate is simply a device for determining in a reasonable manner what proportion of general expenses each program should bear. It is the ratio between total indirect expenses and some direct cost base, commonly direct costs exclusive of any extraordinary or distorting expenditures such as capital expenditures and major subcontracts.

The CDA has substituted the indirect cost rate in lieu of the documentation required by CDA Letter No. 8, Part II, Chapter 7, paragraph 21b (2) (c). The rate had been approved by the Law Enforcement Assistance Administration of the U. S. Department of Justice, based on the City-Wide Cost Allocation Plan dated January 18, 1973 for the City of Portland and amendments thereto dated April 27, 1973 and February 21, 1974.

As stated previously, the citizen participation and various operating agencies are contractors for the CDA. Circular A-87 excludes expenditures of these contractors. Therefore any computation for in-kind contributions should also exclude expenditures for citizen participation and operating agencies.

Recommendation

We recommend that the Regional Administrator direct the City to recompute the charges for in-kind contributions by the exclusion of expenditures for citizen participation and operating agencies, and adjust the charges for program administration costs accordingly.

Reply

The CDA stated that after investigation of their in-kind contributions they had found that the City-Wide Cost Allocation Plan had been approved by LEAA and was effective until December 31, 1974. They saw no reason to make any adjustments at this time. The Executive Director feels that HUD should pursue the matter with LEAA and report the findings to the CDA.

Auditor's Comment

The reply does not address the problem of exclusion of expenditures for citizen participation and various operating agencies in the computation for in-kind contributions.

Finding No. 3 - Need to eliminate ethnic discriminatory provisions in operating agency contract

Two CDA contracts with operating agencies (O/A) reviewed by us provided that preference be given to minority applicants from the model neighborhood. This preference is in violation of Section 107 of the supplementary agreement between the CDA and the O/As. In addition, it is contrary to Title VI of the Civil Rights Act of 1964.

According to the Demonstration Cities and Metropolitan Act of 1966, Title I, the additional financial and technical assistance provided under the Model

Cities program is to improve the living conditions for the people who live in the area.

The Third Year Action Plan cites the 1970 census composition of the Model Neighborhood as:

<u>Residents</u>	<u>Population</u>	<u>Percent</u>
White	18,838	51.8
Black	16,794	46.2
Other	<u>731</u>	<u>2.0</u>
	<u>36,363</u>	<u>100.0</u>

Section 107, supplementary general conditions for contracts with Operating Agencies and Contractors, provides, in part:

Section 107 Discrimination Prohibited

"(B) No person in the United States shall, on the ground of race, color, religion, or national origin, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity made possible by or resulting from this Contract. The Agency and each employer will comply with all requirements imposed by or pursuant to the regulations of HUD effectuating Title VI of the Civil Rights Act of 1964."

This section is construed as implying that all potential recipients are to be considered equally without regard to ethnic background.

Our review of the two O/A contracts disclosed the following example of ethnic preference.

Martin Luther King Scholarship Fund or Oregon, Inc.

In our prior audit we commented on the fact that all the recipients were blacks,

and not ethnically representative of the MN population, which was less than 50% blacks. Our review of the current contract disclosed the inclusion of a discriminatory clause that helps to explain the racial imbalance of recipients.

The contract states in part:

"The selection committee shall evaluate all applicants based on the following criteria:

1. Applicant must be a resident of the model neighborhood;
2. Preference will be given to minority applicants."

Teacher Training Project

This project trains MN residents to become public school teachers. The contract stipulates:

"Quantitative goals on beneficiaries will be as follows:
Provide on-the-job training and college level courses for 22 model neighborhood residents each year of operation, leading to teacher certification for the participants, which will increase the number of minority teachers in the model neighborhood schools."

"The applicants are chosen as follows:

1. Minority Vietnam Veterans.
2. Other minority veterans.
3. High risk minority applicants (applicants with less than high school education).
4. Minority males with college credits.
5. Minority females with college credits.
6. Other model neighborhood area residents meeting criteria."

The preference for minority applicants from the Model Neighborhood is contrary to the purposes of the Demonstration Cities and Metropolitan Act of 1966, Title I, and Title VI of the Civil Rights Act of 1964, and needs to be eliminated from the O/A contracts.

Action Being Taken by the CDA

The CDA stated that all contracts effective July 1, 1974 reflect elimination of those clauses which provide for any applicant preferences. In addition, incorporated in all contracts is HUD Form 7050 - Supplementary General Conditions.

Finding No. 4 - Need to change the method of charging for outside bookkeeping services

A bookkeeping firm, Bowens, Duncan and Company, charged some clients (O/As) a fee for services based upon a percentage of their expenditures, rather than a fixed fee, which is the normal business practice.

Although the percentage method used by Bowens, Duncan and Company was in accordance with the agencies' budgets, there is no assurance of the reasonableness of the charges.

In our opinion the fees charged should be predicated upon the time needed to perform the work, depending upon the degree of difficulty. The operating agencies should invite proposals showing the work to be performed, with itemized time and rate of pay estimates. In this manner a considered judgment can be made as to the reasonableness of the charges for bookkeeping services. Under the present method of charging a percentage of expenditures an operating agency with few transactions but high expenditures can result in too high a fee for services, and vice versa.

During the period July '73 through May '74 we determined that the following fees were assessed by Bowens, Duncan and Company based upon a percentage of the cost incurred.

<u>Operating Agency</u>	<u>Percentage</u>	<u>Amount</u>
Albina Health Care, Inc.	5.0	\$ 6,102
Media, Inc. Regular Account	5.5	7,625
Community Care	5.5	5,934
Pilot Education	3.5	651
Youth Affairs	5.5	2,313
Albina Youth Opportunity School	5.5	<u>7,155</u>
		\$29,780

The above percentages range from 3.5 to 5.5 percent. We were unable to determine the amount of time involved in relation to the fees, and propriety of costs. Therefore there is a need to change the method of charging for outside book-keeping services.

Action Being Taken by the CDA

The CDA stated that effective July 1, 1974, all accounting fees for operating agencies are based on a per-hour rate, as recommended by the National Society of Public Accountants (of which the accounting firm in question is a member). No Operating Agencies under contract have accounting fees based on a percentage of program cost.

Finding No. 5 - Noncompliance by AYOS with certain HUD operating requirements (Questioned costs: \$6,482)

The Albina Youth Opportunity School (AYOS) has not complied with certain operating requirements. The effect has been that AYOS has (1) not prepared written policies governing administrative practices, (2) been unable to produce written contracts for consultant services, (3) incurred ineligible expenditures for entertainment, flowers, fines and penalties, (4) incurred questionable costs for student clothing, (5) not initiated corrective action to include

the leasehold improvements amortization clause in the space rental agreement, (6) did not award a contract for janitorial services to the low bidder, and (7) incurred excess telephone costs. We are questioning costs of \$6,482 charged to the project.

CDA Letter No. 8, Part II, Chapter 4, paragraph 11, states that all costs incurred must be reasonable and of a nature which clearly relates to the specific purposes and end product of the contract under which the services are being performed. Expenditures must conform to these general standards and the various criteria for eligibility of costs outlined in Chapter 4, paragraph 12. Paragraph 10 states that these criteria apply both to Program Administration and to the cost of projects and activities or program categories.

Operating Policies and Procedures

AYOS has not complied with Chapter 4, paragraph 12j, which states that costs must:

"Comply with administrative practices, including policies with respect to employment, salary and wage rates, working hours and holidays, fringe benefits (health and hospitalization, retirement, etc.), vacation and sick leave privileges, and travel. The policies shall be in writing and shall be approved by the City."

The AYOS Executive Director stated that regarding personnel policies they had attempted to conform to the School District rather than the City of Portland. For instance, AYOS has established a policy that each employee will receive one month's vacation. The CDA's vacation policy is graduated in that the amount of vacation is in accordance with the length of service. CDA Letter No. 8, Part II,

Chapter 4, paragraph 12d, states that the O/A policies, procedures and practices should be no more liberal than the CDA's activities. Furthermore, they had never received any guidance from the City on procurement policies. The Executive Director stated that he was not aware of HUD requirements, Chapter 4, paragraph 12j.

Consultant Services (Exhibit A - \$5,040)

a. Dr. E. C. Ogbuobiri - \$2,700

The documentation submitted showed:

1. Invoice dated 9-8-73:

Fact Finding on Internal Controls	\$ 200
Conduct of Board Workshop - August 6 and 8)	
Conduct of Staff Workshop - August 13 and 14)	<u>600</u>
	\$ 800

2. Invoice April 30, 1974:

Consultant Services - Staff Development and Management Counseling	<u>1,900</u>
	<u>\$2,700</u>

AYOS Executive Director stated that there was no contract for the payments against the two invoices. Therefore AYOS failed to comply with MCGR 3100.2A, Chapter 7, paragraph 42. Regarding the invoice dated September 8, 1973, the Executive Director stated there was only a letter from the AYOS Board of Directors to Dr. Ogbuobiri requesting his services. We were unable to determine the number and rate per hour paid for the services. The invoice dated

April 30, 1974, for \$1,900 was a payment in advance for services to be performed. There was no contract, and the need for the services was based on Dr. Ogbuobiri's own recommendation in his first report (\$800). Dr. Ogbuobiri's estimated time for the second consultant services was 30 hours, or \$63 per hour. We question his high rate of pay. Dr. Ogbuobiri is an electrical engineer/systems consultant, and this background does not seem to be compatible with the need for those qualifications of an educational administrator or consultant. The Executive Director stated that Dr. Ogbuobiri was assisted by his wife, who had a PhD in education.

b. Robert Jarvill

During our review, we examined six payments to Mr. Jarvill in the total amount of \$1,590.

Our review disclosed that Mr. Jarvill's services were categorized as "curriculum planning", as he had worked with the State of Oregon McLaren School for Boys. The AYOS Director stated that Mr. Jarvill's main function was that of public relations soliciting outside funds for AYOS. We question whether the payments to him were a proper application of CDA funds.

c. Phyllis Benton

A single payment of \$750 was made in June 1974 for "consultant services."

The Executive Director stated Ms. Benton was hired to follow up on former students to see what they were doing.

In each of the above cases, we were unable to learn the extent of consultant

services to be rendered or the basis upon which they were to be compensated and, therefore, we question the propriety of the expenditures incurred.

✓ Entertainment (Exhibit A - \$698)

CDA Letter No. 8, Part II, Chapter 4, paragraph 14f, states that costs of amusements, social activities and incidental costs, such as meals, beverages, lodgings and gratuities, relating to entertainment, are specifically ineligible. Total entertainment expenditures of \$698 charged to the project and reviewed by us are ineligible.

The AYOS Executive Director commented that he was not aware that these charges were not eligible costs. He felt they were valid expenditures necessary to achieve the goals of the project; to give the student some reason for attending the classes at AYOS; and in his opinion any cost necessary to maintain a good relationship with students and parents was acceptable.

Fines and Penalties (Exhibit A - \$185)

CDA Letter No. 8, Part II, Chapter 4, paragraph 14h, states that costs resulting from violations of, or failure to comply with, Federal, State and local laws and regulations are specifically ineligible. Total expenditures of \$185 charged to the project and reviewed by us are ineligible.

The AYOS Executive Director commented that they had not been reimbursed in time for previous month's expenditures to have funds available for taxes. He wasn't sure, but he thought it was possibly a combination of (1) the request for reimbursement was delayed at the CDA, and (2) the actual reimbursement was delayed by the City.

Flowers (Exhibit A - \$63)

During our review, we noted expenditures for flowers in the total amount of \$63.

CDA Letter No. 8, Part II, Chapter 4, paragraph 12a, states that costs must be necessary, and we cannot relate these expenditures as being necessary for the program. The AYOS Executive Director commented that he was not aware that the charges were not eligible costs.

✓ Student Clothing (Exhibit A - \$496)

Documentation submitted in support of expenditures for student clothing in the amount of \$496 was inadequate. They were simply store cash register slips with incomplete descriptions of garments and no indication as to the recipient. Furthermore, the AYOS budget did not show student clothing as a budget item. The AYOS Executive Director stated that student clothing was included under school fees and expenses. The purpose was to supply the student with proper clothing on return to the public school system. We question the eligibility of these costs.

Leasehold Improvements

Certain leasehold expenditures have been made to the building housing the O/A. Our review disclosed that the required three-year amortization clause had not been incorporated into the rental agreement. The provision allows the landlord to own the improvements after three years, but protects the City if the lease is not renewed for that time. The pertinent parts of the rental agreement stipulate:

"(4b) The lessor agrees to maintain in good order and repair during the term of this lease the exterior walls, roof, gutters, downspouts and foundations of the building in which the demised premises are situated . . ."

"(20) Remodeling. Lessee shall have the right to remodel the premises to suit its educational purposes, including the installation of partitions, wiring and plumbing, at Lessee's own expense. Lessee shall have the right to remove upon termination of the lease all trade fixtures installed by Lessee, including partitions. All remodeling, repairs and work done by Lessee shall meet the requirements of all city and other governmental agencies.

Our review disclosed the following expenditures for remodeling:

<u>Check No.</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>
1379	2/6/74	Urban Development Corp.	\$2,113
1426	3/11/74	Casebeer Constr., Inc.	191
1576	6/28/74	Architectural Products, Inc.	523
1577	6/28/74	Walt Brooks Gen'l Contr.	<u>120</u>
			<u>\$2,947</u>

On October 22, 1972, the CDA advised the AYOS that the City had instituted a policy which required that the lease contain the provision for amortizing leasehold improvements over a three-year period. Should the lease be terminated prior to the end of the three years, the lessor reimburses the lessee on a pro-rata basis.

Janitorial Services

AYOS entered into a one-year "Contract of Employment" with Shirley M. Vidal as custodian. The budget does not include a custodian position, but did provide for janitorial services at \$500 per month, the amount paid for Ms. Vidal. The

contract was one of employment rather than for third-party personal services.

The contract states:

"Employee is employed as a Custodian and shall perform all of the duties generally associated with said job and shall follow the job direction of the Director and Department Head and shall abide by the general procedure, rules and conditions of employment appearing in the School Handbook."

Mr. Allan Bowens, the AYOS accountant, stated there never was any intent for this to be anything other than a third-party contract. The AYOS Director, Mr. Spruill, stated there had been lower bids submitted, but Ms. Vidal received the award on the basis of personal preference (friendship), and that it was a black firm based in the MN.

The O/A purchased janitor-household supplies from Paulsen & Rowles Laboratories as follows:

<u>Check No.</u>	<u>Date</u>	<u>Amount</u>
1226	11-1-73	\$ 64
1519	5-15-74	<u>406</u>
		<u>\$470</u>

These items are proper expense items if purchased for employee use. However, if purchased for consumption by a third-party contractor, the cost is ineligible because the normal business practice is for the fee to cover both labor and material. Ms. Vidal was treated as a third-party contractor. We were unable to determine clearly whether she was or not. If she is an employee, the various back taxes and payroll deductions should be reclaimed from her and paid to the appropriate governmental agencies. If she is a third-party contractor, the supplies purchased on her behalf should be removed from project cost.

Excess Telephone Costs

We also noted that AYOS had three telephone lines, and each professional and para-professional employee had an instrument on his desk (a status symbol per the Executive Director). The students had free access to them, and made long distance calls anonymously. We noted total monthly telephone charges in excess of \$100. Better control and a reduction of telephone lines and instruments could result in a savings in cost.

Recommendations

We recommend that the Regional Administrator direct the CDA to:

1. Take the necessary corrective action to establish the required written policies and procedures.
2. Establish criteria for third-party contracting, including format, limitations, and competitive bidding procedures.
3. Take the necessary corrective action to have the required leasehold improvements amortization clause added to the rental agreement.
4. Clarify the status of Shirley Vidal and initiate the appropriate corrective action relating to back payrolls or the removal of the janitorial supply cost from project cost.
5. Remove ineligible expenditures from cost.
6. Make a determination as to the eligibility of the questioned costs.
7. Submit for review the data compiled and determine that corrective action has been taken.

Action Being Taken by the CDA

The CDA stated that they have determined that Shirley Vidal was not an employee of AYOS. All costs for janitorial supplies will be removed from project costs.

Reply

1. The AYOS Employee's Handbook is currently being reviewed for discrepancies on vacation and other City policies. Necessary adjustments will be made to meet the requirements.
2. The CDA has informed AYOS that all third party contracting as outlined by the City of Portland Code will be accomplished after the results are known of the vote on the City Charter amendment included in the City's November election. CDA will make it a requirement that all Operating Agencies comply with the City Code for third party contracting.
3. & 4. The CDA is in the process of determining the eligibility of questioned costs and will remove those found to be ineligible.
5. A letter is on file in the CDA Office from the landlord where he agrees to the terms of the amortization clause.

Auditor's Comment

We reviewed the letter from the landlord to AYOS. In addition we reviewed the Board minutes recorded for a meeting held on December 12, 1972 which approved the amortization agreement. However, the approval was made at a meeting where no quorum was present. The AYOS should regularize their action.

Finding No. 6 - Need to improve the operating agency's procedures for determining recipient eligibility. (Questioned costs \$3,451)

Martin Luther King Scholarship Fund (MLK) made payments to 8 students who were not MN residents. Payments were also made to 7 students who did not appear to meet the criteria for MN residency. As a result we are questioning costs of \$3,451 charged to the project.

MLK has been funded annually since 1971. The program purpose " . . . is to provide scholarships and books and in some cases, work study jobs, to financially disadvantaged Model Neighborhood residents who would otherwise not be able to attend college."

Our prior audit report dated November 20, 1972, finding No. 5, referred to the fact that an application did not require that the applicant state the length of residency in the MN.

On December 27, 1972, the CDA Acting Director advised the President of MLK, that as long as the students' parents are residents of the neighborhood at the time of application and remain residents, then it does not matter where the student lives. In the case of a student whose parents do not live in the Model Neighborhood, that student must have been a resident of the Neighborhood for a continuous period of one year prior to application and must maintain a legal residence in the Neighborhood while receiving benefits.

We reviewed 45 student files at the MLK office. Thirty-two of these students had applied for aid at the Portland State University Financial Aids Office and those files were also examined. We noted 8 instances where aid was granted to

applicants who did not live in the MN nor did they claim any MN background. In addition another 7 were found to reside in the MN but their files contained insufficient evidence for us to make a determination as to the length of residency. Refer to Exhibit B to this report for student information.

Recommendations

We recommend that the Regional Administrator direct the CDA to:

1. Determine the propriety of the payments to the questionable recipients.
2. Require applicants provide adequate documentation to substantiate their claim to MN residency.
3. Remove from project cost the payments to ineligible recipients.
4. Submit for review the data compiled in taking corrective action.

Reply

The CDA stated that because of the research time involved, we are still in the process of determining the entire recipient eligibility matter. However, all recipients cited in Exhibit B who resided outside the Model Cities Neighborhood have been determined ineligible for tuition expenses under the Martin Luther King Project.

Finding No. 7 - Questionable expenditures made by operation step-up (Questioned - \$3,138)

We question expenditures in the total amount of \$3,138 as not being necessary to carry out project Operation Step-Up (OSU). The expenditures included questionable in-service business training for staff employees in the amount

of \$2,249; and items of a nature not clearly related to the specific purpose of the contract, in the amount of \$889.

CDA Letter No. 8, Part II, Chapter 4, paragraph 11, states that all costs incurred must be reasonable and of a nature which clearly relates to the specific purposes and end product of the contract under which the services are being performed. Chapter 4, paragraph 12a, states that costs must be necessary and reasonable for proper and efficient execution of the contractual requirements and in accordance with an approved budget.

The purpose of OSU within the Third Action Year was to provide upward mobility to: (a) unemployed MN residents who did not qualify for Concentrated Employment Program Assistance; (b) underemployed MN residents which covered persons occupying positions below their abilities, persons demonstrating skill levels and abilities to learn and possessing the motivation necessary to employment upgrading.

The primary target group was the MN residents with employment problems, including MN residents who were serving sentences in correctional institutions, but who qualified for work release. The most direct beneficiaries would be those unemployed and underemployed area residents to whom OSU was able to identify and provide employment or upgraded positions of employment.

The OSU budget provided for in-service business training for staff employees, estimated at \$500 per employee for 10 persons, in the total amount of \$5,000.

Freddye J. Petett, OSU Director (\$1,016)

Freddye J. Petett received an annual salary of \$15,000. Our review of OSU files disclosed that on March 31, 1972, David Nero, President-Owner of Nero Industries, Inc. approved a six (6) term college education program for Ms. Petett. She enrolled as a student at Portland State University (PSU) where the number of credit hours completed per term ranged from 9 to 20. OSU paid for Ms. Petett's tuition and books in the amount of \$1,016. In reviewing her courses taken, we noted such items as Social Area Analysis, Women in American Economy, Law Enforcement Research, and Black Literature.

Rochelle Henniger, Chief Counselor (\$1,233)

Rochelle Henniger, received an annual salary of \$13,000. Ms. Henniger had graduated from PSU in 1971 with a B.S. degree in Political Science. She attended PSU as a graduate student taking from 6 to 11 credit hours. She was working towards a Doctorate in administration. Ms. Henniger attended courses in Community Development I and II, Urbanism and Urbanization, Omsbudsman Theory and Practice, and Environmental Policies. OSU expenditures for Ms. Henniger were \$1,233.

We cannot relate the expenditures by OSU for Ms. Petett and Ms. Henniger in the total amount of \$2,249 to in-service business training or job related courses; or to the basic purpose of OSU which was concerned with unemployed and underemployed MN residents.

Miscellaneous Expenses: The following expenditures were made by OSU:

Brewed Hot Coffee	\$715
Christmas Party	100
Flowers	<u>74</u>
	\$889

In our opinion these expenditures were not clearly related to the specific purpose of the OSU contract with the CDA, and thereby ineligible.

Action Being Taken by the CDA

The CDA stated that the costs for the Christmas Party (\$100) and Flowers (\$74) have already been deducted from eligible project costs.

Recommendations

We recommend that the Regional Administrator:

1. Direct the CDA to remove from cost the amount (\$2,249) expended for tuition and books for the Director and Chief Counselor.
2. Direct the CDA to remove from cost the \$715 expended for ineligible costs paid for Brewed Hot Coffee.

Reply

The CDA stated that,

1. They were in the process of compiling the necessary information to respond to this recommendation. It was their opinion that to make a determination without additional information from Operation Step-Up would be a premature response.

2. A determination on Brewed Hot Coffee (\$715) will be made upon receipt of the Operation Step-Up response.

Finding No. 8 - Need to delete dual educational aid from operating agency's costs

Four university students received dual aid (tuition and books) concurrently from two Operating Agencies (O/A) funded by model cities. These O/As have different educational purposes and objectives. Because a student can only qualify for one of these educational projects at a time, the dual aid resulted in excess aid allowed and charged to supplemental costs.

This condition was initially cited in our prior audit report dated November 20, 1972, finding No. 6. During the 1971-72 academic year our review disclosed that dual payments were made concurrently by Martin Luther King Scholarship Fund (MLK) and Operation Step-Up (OSU) to the four students.

	<u>Fall Term</u>		<u>Winter Term</u>		<u>Spring Term</u>		<u>Total</u>	
<u>Name</u>	<u>MLK</u>	<u>OSU</u>	<u>MLK</u>	<u>OSU</u>	<u>MLK</u>	<u>OSU</u>	<u>MLK</u>	<u>OSU</u>
John Randolph	\$229	\$218					\$229	\$218
Floyd Bryant	229	169	\$218	\$169	\$181	\$169	628	507
Sylvia Battles	229	206					229	206
James Warren	—	—	<u>226</u>	<u>167</u>	<u>229</u>	<u>169</u>	<u>455</u>	<u>336</u>
	\$687	\$593	\$444	\$336	\$410	\$338	\$1541	\$1267

The purpose of the MLK project was to assist financially disadvantaged Model Neighborhood residents who would otherwise not be able to attend college. The project was to cover full-time students.

OSU project was to aid the residents of the MN to use their skills to move up to better paying positions and/or to gain whatever education that has kept them

from working up to their potential. To receive aid from OSU, the individual must be employed and require short term (up to 1 year) aid to achieve the academic goal necessary for career improvement.

We could not determine whether these participants were disadvantaged students seeking a college education, or were fully employed people seeking short term aid to gain the necessary skills to enhance career development. However it is only possible to qualify for one project at a time.

Proposed Action by the CDA

The CDA stated that it is presently making a determination on which Operating Agency properly aided the students in question, and will remove excess aid costs from appropriate Operating Agency.

GENERAL COMMENTS

Energy Conservation

The City of Portland has issued instructions to all departments to conserve heat and lights. Conservation posters have been posted in all offices.

SCHEDULE 1

COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
Portland, Oregon

Schedule of Program Costs
For the Period June 1, 1972 to May 31, 1974

Planning Phase: December 20, 1967 to August 25, 1969
Execution Phase: August 26, 1969 to May 31, 1974

Cost Categories

Planning	\$ 318,604
Supplemental (Schedule 2)	9,991,776
Program Administration (Schedule 3)	2,102,584
Relocation	<u>473,891</u>
Total Program Costs	<u>\$12,886,855</u>

COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
Portland, Oregon

Schedule of Supplemental Costs
For the Period June 1, 1972 to May 31, 1974

<u>Program, Project and (Operating Agency)</u>	<u>Third AY 6/1/72 to 5/31/74 1/</u>	<u>Cumulative 1/15/69 to 5/31/74</u>
<u>Education</u>		
Teachers Training (Education Aides)	\$ 136,944	\$ 314,672
Pre-School Expansion	82,265	175,558
M. L. King Scholarship	107,678	147,416
Youth Opportunity School	264,378	427,132
Cascade College	-6,108	821,742
Reading Tree	4,096	4,097
	\$ <u>589,253</u>	\$ <u>1,890,617</u>
<u>Health</u>		
Health Design	-0-	6,288
Health Plan	21,250	36,346
Mental Retardation	56,401	105,484
Freedom House	17,085	17,085
Transportation	10,146	10,147
Albina Health Care	135,329	135,329
	\$ <u>240,211</u>	\$ <u>310,679</u>
<u>Social Services</u>		
Senior Adult Center	373,288	531,760
Aging Planning	2,522	13,998
Comprehensive Child Care	439,006	752,297
Consumer Protection	93,793	220,525
Multi-Service Center	197,143	442,961
Community Care	231,248	406,058
Juvenile Care	108,623	239,907
Foster Homes	30,622	56,420
Emergency Supp. Welfare	39,941	39,941
Bureau of Human Resources	34,860	34,860
Summer '73	4,300	4,300
	\$ <u>1,555,346</u>	\$ <u>2,743,027</u>

COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
Portland, Oregon

Schedule of Supplemental Costs
For the Period June 1, 1972 to May 31, 1974

<u>Program, Project and (Operating Agency)</u>	<u>Third AY 6/1/72 to 5/31/74 1/</u>	<u>Cumulative 1/15/69 to 5/31/74</u>
<u>Recreation and Culture</u>		
Youth Activities	\$ -0-	\$ 31,728
Youth Recreation	161,388	207,652
Albina Art Center	6,931	6,931
	\$ <u>168,319</u>	\$ <u>246,311</u>
<u>Crime & Delinquency</u>		
Police Community Relations	\$ <u>155,723</u>	\$ <u>354,568</u>
<u>Manpower & Job Development</u>		
Operation Step-Up	296,530	560,762
CDA # 11 Project	12,686	12,686
Summer '73 Employment	18,208	18,208
	\$ <u>327,424</u>	\$ <u>591,656</u>
<u>Economic & Business Development</u>		
MEDIA (Comm. Development)		
a. Administration	282,885	484,168
b. Trust	263,100	514,165
Contractors Management	66,554	127,906
	\$ <u>612,539</u>	\$ <u>1,126,239</u>
<u>Housing</u>		
R.D.P. Design	-0-	40,808
Residential Development	5,268	5,268
Emergency Housing Repair	378,749	616,396
	\$ <u>384,017</u>	\$ <u>662,472</u>
<u>Transportation</u>		\$ <u>15,187</u>

COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
Portland, Oregon

Schedule of Supplemental Costs
For the Period June 1, 1972 to May 31, 1974

Program, Project and (Operating Agency)	Third AY 6/1/72 to 5/31/74 <u>1/</u>	Cumulative 1/15/69 to 5/31/74
<u>Protection & Environmental Dev.</u>		
Pre-NDP # 1 - P.D.C.	\$ -0-	\$ 172,410
Pre-NDP # 2 - P.D.C.	32,064	333,058
City Comprehensive Plan	59,286	59,286
Boise-Humbolt Beauty	24,950	24,950
Neighborhood Facility	153,228	153,228
Union Avenue Plan	5,236	5,236
	\$ <u>274,764</u>	\$ <u>748,168</u>
<u>Citizen Participation</u>	\$ <u>288,305</u>	\$ <u>595,044</u>
<u>Evaluation and Information</u>	\$ <u>434,323</u>	\$ <u>707,808</u>
 Total Supplemental Costs	 \$ <u>5,030,224</u>	 \$ <u>9,991,776</u>

1/ Third Action Year began June 16, 1972. CDA records did not break out the costs for the period June 1 to June 15, 1972.

SCHEDULE 3

COMPREHENSIVE CITY DEMONSTRATION PROGRAM OF THE CITY OF PORTLAND Portland, Oregon

Schedule of Program Administration Costs For the Period June 1, 1972 to May 31, 1974

	Third AY 6/1/72 to 5/31/74 <u>1/</u>	Cumulative 1/15/69 to 5/31/74
Salaries and Wages	\$750,243	\$1,719,750
Consultants	11,381	49,071
Travel	6,791	24,453
Office Space	30,052	95,220
Consumable Supplies	24,345	100,884
Equipment/Telephone	1,588	77,866
Other	<u>25,060</u>	<u>35,340</u>
Total Program Administration Costs	\$849,460	\$2,102,584

1/ Third Action Year began June 16, 1972. CDA records did not break out the costs for the period June 1 to June 15, 1972.

COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
Portland, Oregon
QUESTIONABLE EXPENDITURES MADE BY
ALBINA YOUTH OPPORTUNITY SCHOOL

EXHIBIT A
Page 1 of 2

Ineligible Costs

Check No.	Date	Payee	ENTERTAINMENT Purpose	Amount
1299	12-17-73	Grand Central Bowl	103 lines of bowling	\$ 52
✓1300	12-18-73	Rance Spruill	Christmas party	90
1429	3- 1-74	Lloyd Corp.	Ice skating party	13
1435	3-18-74	Wesley C. Austin	Bowling & pool fees	35
1467	4-18-74	Cinema 5 Theater	Movie tickets	58
✓1471	4-22-74	Templeton Fund	Food	146
1350	1-30-73	Rance Spruill	Field trip (20 adults & 20 students)	70
1570	6-25-74	Templeton Fund	Camping trip	234
				<u>\$ 698</u>

Fines and Penalties

1462	4- 4-74	IRS	Late payment fee	\$ 60
1525	5-21-74	IRS	Late payment fee	113
1236/1316/22		District Court	Parking tickets	12
				<u>\$ 185</u>

Flowers

1320	1- 7-74	Clarence Walker	Flowers	\$ 13
1363	2- 5-74	Tommy Luke	Flowers ✓	30
1506	5- 9-74	Tommy Luke	Flowers	20
				<u>\$ 63</u>

Total Ineligible Costs				<u>\$ 946</u>
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Questioned Costs

Student Clothing

1315				187.61
1408	2-25-74	Templeton Fund	Student clothing	\$ 35
✓1520	5-20-74	Templeton Fund	Student clothing	200
✓1526	5-21-74	Templeton Fund	Student clothing	47
✓1567	6-25-74	Templeton Fund	Student clothing	214
				<u>\$ 496</u>

COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
Portland, Oregon

Questionable Expenditures Made By
Albina Youth Opportunity School

Questioned Costs (Continued)

Consultant Fees

<u>Check No.</u>	<u>Date</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
1185	9-26-73	E. C. Ogbuobiri	Workshops	\$ 800
1540	6-10-74	E. C. Ogbuobiri	Advance payment	1,900
1385	2-11-74	Robert Jarvill	Cirriculum planning	114
1403	2-22-74	Robert Jarvill	Cirriculum planning	144
1433	3-13-74	Robert Jarvill	Cirriculum planning	144
1475	4-22-74	Robert Jarvill	Cirriculum planning	144
1490	4-29-74	Robert Jarvill	Cirriculum planning	144
1542	6-10-74	Robert Jarvill	Cirriculum planning	900
1541	6-10-74	Phyllis Benton	Consultant services	750
				<u>\$5,040</u>
		Total Questioned Costs		<u>\$5,536</u>
		Grand Total		<u>\$6,482</u>

COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
Portland, Oregon

MARTIN LUTHER KING SCHOLARSHIP FUND
Schedule of Ineligible and Questionable Recipients

<u>Name and Address</u>	<u>Address in MN</u>	<u>Length of Residency</u>	<u>Parents Reside in MN</u>	<u>Term Aid is Paid</u>	<u>Amount</u>
<u>Ineligible Recipients</u>					
Sharon E. Bibb 6033 N.E. 23rd	No	Not Applicable	No	Fall '71	\$ 175
James E. Grant Pacific Univ., Box 20	"	"	"	May '72	172
Derrick L. Dansby 10301 S.E. Market Dr.	"	"	"	Fall '72	204
Linda K. Dickens Reed College, Box 241	"	"	"	Fall '72	175
Freddy C. Miller Pacific U., Box 355	"	"	Not Stated	Fall '72	175
Kathleen D. Gunnell 149 S.E. 80th	"	"	"	Fall '71	175
Thelma A. Spencer 805 S.W. Vista	"	"	"	Summer '72	30
John W. Williams 3364 S.W. 20th	"	"	No	Winter '72	175
Total Ineligible Payments					<u>\$1,281</u>

Questionable Recipients

Marc E. Anderson 625 N.E. Church	Yes	Indeterminate	No	Fall '73	\$ 276
Sandra K. Bell 1722 N.E. Summer	"	"	"	Fall '72 Winter '73	198 226

COMPREHENSIVE CITY DEMONSTRATION PROGRAM
OF THE CITY OF PORTLAND
Portland, Oregon

MARTIN LUTHER KING SCHOLARSHIP FUND
Schedule of Ineligible and Questionable Recipients

<u>Name and Address</u>	<u>Address in MN</u>	<u>Length of Residency</u>	<u>Parents Reside in MN</u>	<u>Term Aid is Paid</u>	<u>Amount</u>
<u>Questionable Recipients</u>					
<u>Continued</u>					
✓ Donna R. Collins 606 N.E. Sacramento	Yes	Indeterminate	No	Fall '72 Winter '72	\$ 207 218
✓ Richard Halliburton 5115 N.E. Mallory	"	"	"	Winter '73	226
✓ Glenn H. Harper 5015 NE. 15th, #2 315 N Albion	"	Less than 1 yr.	"	Spring '73	201
✓ Linda S. Reinoehl 2926 N.E. Rodney	"	Indeterminate	"	Winter '73	202
✓ Christine J. Brown 3213 NE. 11th	"	"	"	Fall '72 Winter '73	199 217
Total Questionable Payments					<u>\$2,170</u>
Grand Total					<u>\$3,451</u>