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The financial and control aspects of a community social welfare program have much in common with business, yet accountants are just beginning to take a key role in such programs. Here are some guides—

MANAGEMENT INFORMATION FOR COMMUNITY ACTION PROGRAMS

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PROBLEMS OF PLANNING and control in publicly sponsored social programs are receiving increasing attention from program managers, government officers, and taxpayers. Social problems such as those stemming from urban and rural poverty weigh heavily on the public conscience. However, the resources available for pursuing solutions to national problems and fulfilling international commitments are limited and must be allocated carefully. Better management techniques are needed at every level of the public resource allocation process.

Accountants can and should play a major role in the development of

these techniques. One pioneering effort in this field, the development of a computerized information system for planning and evaluation of results in Detroit's war on poverty, was conducted by a CPA firm. (See insert on pp. 18-19.)*

This article deals with techniques that have been found to be appropriate for one endeavor of the Office of Economic Opportunity, the Community Action Program, based on experience with Seattle's Community Action Programs. Our focus is at the agency level.

*See also "Management Approach to Social Improvement," *Journal of Accountancy*, March, 1969.

The broad, overriding goals of a Community Action Program are established by the legislation that created it—to alleviate the conditions and causes of poverty. However, the determination of specific operational goals requires specific information about the geographic location, population variables (age, sex, etc.), educational levels, regional economic status, cultural background, and so forth of the people to be helped. Only with this kind of information can the policy-making management of a CAP set the scope and direction of agency operations. CAPs were meant to be innovative and aggressive; to be successfully so, their

management generalist. *Realistic Action Magazine*, Social Statistics of poverty, Vol. 6 (1969), No. 4, Art. 2

understanding of the poverty environment in which they work.

Poverty "market" needs

The poverty in a CAP's geographic area defines the "market" the CAP will serve; the services to be offered depend upon the market needs. The similarity to a business's market for goods and services is clear. The profit success of a business is decided by market acceptance of products at a price in excess of cost. A prime input to business success, then, is market information. Exactly the same is true for CAPs. Success in achieving goals demands thorough understanding of the "market."

Good information about conditions may make it possible to predict both client and nonclient response to programs, side effects, and ramifications, including congressional reaction. The success of a project or program may depend upon ability to predict outcomes, and prediction for a CAP, just as for a business, depends on proper understanding of the market to be served.

One source of "market" information is, of course, the CAP policy and advisory boards. Congress has required that the poor participate in CAP decision making "to the extent practicable"—at least partly, one speculates, to ensure that their feelings, observations, and poverty "expertise" will be a source of information.

A second source is the collected statistics of poverty. Data such as crime rates, school dropout rates, incidence of disease, housing conditions and occupancy levels, unemployment and underemployment, birth rates, racial relations, etc., are indicators of the problems and pinpointers of the location of poverty. To know something about these conditions is to know something about the affluence and/or poverty of a community, and it is, of course, just such information that CAP management planners must have.

usually collected by other public agencies. Medical, employment, and educational data are often available in a form that suits the needs of CAP planners, or they can be modified to satisfy those needs. The Bureau of Economic Research of Rutgers University prepared a document entitled *The Dimensions and Location of Poverty in Burlington County, New Jersey*¹ by working primarily from existing census information. In Detroit a well developed system was designed to transform data from many agencies into information useful for planning and managing antipov-erty activities.

The individual techniques of information gathering and processing that can be used depend very much on the size of the agency, the nature of the poverty area, and the sources of data available (such as police records, school statistics, etc.). But in all cases a formal document setting forth the known "market" information to be considered (similar to the New Jersey document prepared by Rutgers) should be prepared for the policy and advisory boards and other interested parties. This document becomes the basis for planning programs.

CAP capacity for service

In addition to an appraisal of the "poverty market," CAP planners must have an understanding of the internal capabilities and limitations of the operating agency. Appraising the capability of the CAP organization is a two-part job. First, the objectives of the organization as expressed in tentative projects or programs must be translated into organizational demands. That is, quite simply, the CAP planners must decide what type of organiza-

¹ *The Dimensions and Location of Poverty in Burlington County, New Jersey*, a report prepared at the request of the Rural Community Action Program, New Jersey State Office of Economic Opportunity (Rutgers University, New Brunswick, N. J., 1965).

tion is needed to carry out a project. The second step is to measure the existing organization against these requirements. If the organization is inadequate, either it must be strengthened or the program must be re-evaluated. If the organization is more than adequate, then perhaps additional opportunities for service should be sought, subject, of course, to other constraints.

The elements of organizational strength that must be catalogued are several; they include personnel members and qualifications, physical facilities, professional expertise, leadership availability, morale, ability to attract additional talent, political climate, etc. It is clear that each of these factors presents problems of quantification and objectivity; however, planners for CAPs must in some fashion evaluate the characteristics of their organizations if they are to direct activities realistically and successfully.

Each tentative project should be considered in light of factors in addition to organizational demands, of course. The physical and financial resources required for the project need to be considered in several ways. The resources needed must be compared to those available; it is useless to begin a project for which funds will never be allocated. Often, more than financial resources must be considered; for example, the necessary physical space to carry out some project may be essential information if space is limited. All resource requirements, availabilities, and shortages are important information for planning.

It is hard to be specific about the sources of and procedures for collecting information. *The Community Action Program Guide*,² published by the Office of Economic Opportunity, explains some of the expectations of and limi-

² United States Office of Economic Opportunity, *Community Action Program Guide*, 2 vols. (Government Printing Office, Washington, 1965).

tations on an agency. Experience of managers and discussions with other CAP managements, regional OEO administrators, etc. can add to this information. Information regarding the community's willingness and ability to participate can be collected from people experienced in the community with a knowledge of the political tenor of the area. The organization's capabilities may be the most difficult information to obtain; since people very close to the organization will be doing the appraisal, they may be excessively optimistic (or pessimistic) about the organization's potential or may overlook the real problems because they are focusing on desired ends.

The early stages of planning should lead to an understanding of the restrictions and limitations that are present in the situation of the CAP. A document should then be prepared that states specifically the goals of the agency and the best judgments on each factor critical for success so that they are clear to all persons involved and can be referred to again when reviews of progress are undertaken. However, planning is not complete when goals are selected; it becomes more detailed and specific as it seeks to establish means for achieving them. We call this process operational planning and scheduling.

Planning and scheduling

Operational planning and scheduling are concerned with the major requirements and expectations for each step of a project; they deal with flows of funds, material, and personnel; with dependence on other projects; and with the dependence of other projects on the planned project. Information needed for operational planning and scheduling relates to the transformation of resource inputs into results. Therefore, the kinds of information needed include transformation functions, the factors which affect them (for example, regional economic conditions affect the

transformation of unemployed people through a job training program), the inputs required, and the results demanded by policy management and the funding entities. The significant variables that appear to be least predictable and the effect of that unpredictability on desired results are of particular interest; information about them provides the basis for judgments about project risks.

Typically, there are many sources of useful information. The policy board of the CAP supplies the objectives—the expected results—and very probably some broad outline of the desired timetable of results. The experience of the CAP in past projects and the related experience of other agencies are often helpful. Some other kinds of information commonly relevant to the operational planning and scheduling process in CAPs include:

1. *Personnel requirements*: numbers, skills, experience, whether organization employees or community volunteers are needed
2. *The exact "market" to be served*: a certain segment of the juvenile population, school children, etc., or a certain neighborhood, for example
3. *Time constraints and goals*: a project that must be completed before another can be undertaken, for instance
4. *Other programs*: programs that must be integrated and meshed
5. *Physical requirements*: school space, hospital space, etc.
6. *Other resources required*: supplies, materials, training equipment, etc.
7. *Budget requirements*: how much money must be spent to procure the resources needed and the timing
8. *Community receptiveness*: Will the client population participate? Will the project conflict with any religious or cultural values? How difficult will it be to attract (communicate with) participants?
9. *Participation*: What is the "maximum feasible participation" of the poor? How will their participation affect the outcome? How

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The Detroit Story—

The attempt to apply much of the precision of accounting control methods and the latest in statistical sampling techniques to the problems of Detroit's social welfare agencies' war on poverty was developed by the office of Touche, Ross, Bailey & Smart in that city. Basically, the program was designed to establish a central file record for each welfare client, which is updated as the client gets more services from any of the city's agencies. From this central file, statistical sampling techniques would be used to determine what are the most pressing human needs and what are the most effective

means used to combat each of them.

According to the design, at first interview each client's file would be opened with his name, an identification number, and his history by the social worker. That file is then added to the central computer record used as a basis both for individual client histories and also as a source for the sampling techniques used for general long-range conclusions as to the efficiency of various programs and the funding needs of such programs. The individual file is known as the base line data file and is the building brick on which all the rest of the program is constructed.

The base line data file, updated monthly, would attempt to rate each client against a norm in numerical terms. Thus, if the client's health record were 4 and the norm were 7, he might be referred to remedial medical centers. All of this is recorded in his file and the subsequent improvement in his health is also filed at monthly intervals afterwards. The goal of the program design is to make each client as well equipped as anyone else in the community to become self-supporting on a reasonable living scale.

Subsequent interviews would not trouble the client for information.

will it affect planned progress? What extra resources/efforts will it require? How can the project derive maximum benefit from the "expertise" of the participants and give them maximum benefit in return?

10. *Results*: What is the frequency distribution of probable outcomes? That is, what is the range of possible outcomes and side problems? What is the "risk"?

11. *Scheduling*: How much time must be allowed as "slack" to absorb the results of one stage of the program before the next stage can begin?

12. *Public reaction*: What cooperation/objections will the members of the nonparticipant population offer? What is the best way to communicate with them to exchange views of the project?

Usually a formal plan is only as good as the assumptions and intelligence that went into making it; therefore, a statement of those assumptions and that intelligence on relevant variables will be important to many readers of the plan. This

entire flow of information from external source to ultimate statement of the plan is a vital part of each CAP management information system.

The planning process—ideally well informed with such information as mentioned—culminates, informed or not, in some statement of actions to be taken, resources to be committed, and results expected. This statement, especially its financial aspect, is often referred to as a budget. A discussion such as this can hardly end without taking up the place of budgeting in the information system of a CAP.

Budgeting

A budget is the middle ground between a plan and a review of performance. It is both the tool by which the plan is communicated to operating personnel and the standard against which performance is evaluated. Therefore, the essence of budgets and budgeting might be summed up as follows: (1) A budget serves both as con-

trol and plan, according to the user, and (2) a budget is largely financial in nature.

The isolation of variables in a budget can be extremely useful; in a profit-motivated organization those variables that affect revenue and cost are of vital importance to the manager and should be included in the budget. One problem in budgeting for a Community Action Program is that the goals of any Community Action Program are financial only in the long run. In the short run, measures of CAP performance are mostly nonfinancial and only partly quantitative. In considering the performance of a CAP for immunization, for example, a manager is interested in how many people can be immunized, how many will be missed, what the costs per immunization are, what kindred effects there may be (such as stimulating parent concern with child health problems), and how the project fits into the overall program. In considering these criteria it seems evident that financial and nonfinancial, quantifi-

An on-line identification center for the entire system is to be maintained, accessible by telephone from every service agency. These centers would be authorized to communicate the client's identification data and the location of his base line data file in the original service center.

Files restricted

The files are not to be open to the clerical personnel, so confidentiality is maintained. There should be a monthly updating of all files and production of reports. These files result in information for two

types of reports: those required for statistical reports and funding and those for improving management of service centers.

The second part of the social accounting system was designed to quantify human needs. It calls for aid recipients to be divided into eleven different categories, depending on age and sex. Each client is rated according to characteristics social scientists feel tend to eliminate poverty. Then each characteristic is weighted to reflect its importance to the appropriate population group. The client's total score is then compared with the set target level, the point at which

the client is able to stand on his own feet and not require aid.

This point system would provide a client profile which spotlights his needs and also shows the efficacy of the services he should utilize.

Adapting social problems to computer techniques enables optimal program alternatives to be used. If less than hoped for funds are available, the computer can project the effect the shortage will have on the total program. The computer has virtually unlimited ability to formulate program by program comparisons, analyze different alternatives, combinations of programs, and varieties of client mixes.

able and nonquantifiable information are all important. It is not clear which is most important; and such is the problem of budgeting for CAPs: *Although the financial cost can be fairly well planned and stated the nonfinancial results often cannot be.*

Control of a Community Action Program—like control of any organization—is a process of measurement. Drucker says, "The basic question is not 'How do we control?' but 'What do we measure in our control system?'"³ And this is precisely the question that every agency manager must ask himself as he exercises control over the activities of a CAP. What variables must be considered in order to evaluate the progress of the whole organization, individual project, or subpart?

³ Peter F. Drucker, "Controls, Control and Management," *Management Controls: New Directions in Basic Research*, Charles P. Bonini, editor (McGraw-Hill Book Company, New York, 1964), p. 289.

The importance of considering all types of relevant information—demographic, socio-economic, political—without neglecting the importance of the financial budgeting process was stressed earlier. In this discussion of control it should again be emphasized that measurements of all types are indicators of CAP performance but not to the exclusion of, or with sole reliance on, financial cost data. Cost data most often are used as a measure of *efforts*; other information must supply the measure of *effects*.

"Effort" measurement

The Office of Economic Opportunity has published a *Community Action Program Guide, Financial Instructions* that defines in general terms the type of accounting system expected of a CAP. Such an accounting system is but part of the record system, which includes detailed records such as client contacts, personnel records, correspondence, purchase contracts, etc. The OEO *Instructions* state: "OEO rec-

ognizes that the accounting system utilized in grantee organizations will vary from a pure cash receipt and expenditure system to a very extensive accrual system. OEO will not dictate the type and for-



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mat of the system to be used, since the interest of the Federal Government is satisfied if a system is established which is adequate to account for program funds, which provides accurate and current information relating to program progress, and which may be audited without undue difficulty.”⁴

Cost accounting

In designing, operating, or renewing a CAP cost collection system, the same considerations involved in any managerial accounting system should be taken into account. Such considerations include the materiality of an expense, whether it is variable or fixed, whether it can be assigned to a responsibility center or not, precisely what kind of an expense it is, whether a valid allocation can be made, what goes into any transfer prices, and so forth. Because an accounting system is part of the information system, it should yield relevant and useful information. In this regard, it is well to remember that much information of an accounting nature is meant for users outside the organization—the OEO, the public, Congress, etc.—and as such might not be in useful form for managerial use. Thus, in the design of a cost collection system for a CAP, both the need to report externally and the needs of management must be considered.

The exhibit on page 21 shows two account systems; one is designed only to furnish the reporting minimum, and the other is designed to provide management with significant data in excess of the minimum.

The depth and detail of the cost accounts depend on the need for management information. Obviously, if \$250 a year is spent on rent and the total grant runs to six figures, there is little justification for collecting any more than mini-

mal data. However, in a situation where labor is the principal expenditure, a relatively complete classification and analysis might be warranted.

In general, the criteria for judging the appropriateness of a CAP cost system are these:

1. The requirements of external reporting
2. The requirements of management for planning, controlling, and operating
3. The essentials for safeguarding assets and ensuring efficient allocations of resources
4. The cost of collection, summarizing, and reporting.

Incorporated in the budgeting system, at least in complex CAPs, there should be potential for review by exception. The system illustrated in the exhibit has such a potential. In addition to the cost information already discussed, data on receipts, contributions, progress toward fulfilling the community's responsibility to contribute X per cent, etc. must be collected, processed, and reported. Such information is an important part of the system, but it is probably not as voluminous as the cost information in most cases. The accounting system to handle this task should reflect the same considerations as the cost collection system, namely, external reporting requirements, internal management requirements, basic efficiency and protection requirements, and the cost of the system itself. The reporting for this portion of the financial information, like cost reporting, should be on an exception basis.

Measurement of “effect”

The following passage illustrates the problem of measuring the effects of Community Action Programs: “How does the data required differ from that necessary to measure the performance of an industrial concern or a commercial enterprise? Of course, the War on Poverty does not have a profit motive in the business sense; but in all other respects the similarity

is striking! Businesses as well as any of the programs of the Office of Economic Opportunity have goals they attempt to reach through a plan. . . . They can compare the results obtained after a given period of time to the results which were expected from the plan and then take the necessary corrective action. By reporting against the plan they can measure both performance and can also update the plan, review the allocation of resources procedure, identify the areas which deserve more attention to meet objectives on schedule, and, finally, provide the information necessary for internal management as well as the data which will satisfy public demand.”⁵

The ultimate success of every poverty program would be elimination of the causes and effects of those social conditions defined as poverty. In movement toward this ultimate goal, many subgoals will be set that should build toward final accomplishment, and one subgoal certainly will be basic CAP management efficiency, including a system for recording, retrieving, and using financial data.

But a CAP that does not ultimately contribute to elimination of poverty is not successful, regardless of how sophisticated its cost accounting system may be. Similarly, any CAP that alleviates poverty in its assigned geographic area is successful; the lack of an adequate accounting system might decrease its efficiency but does not take away from its ultimate success. The essential task in CAP performance measurement, then, is to evaluate its success in affecting the indicators of poverty considered representative of community ills.

There is no definitive list of indicators for measuring this success, nor are there definitive methods of collecting data. Because the problems are unique and diverse, the

⁴ United States Office of Economic Opportunity, *op cit.*, Vol. II: *Financial Instructions*, p. 15.

⁵ Jean-Paul A. Ruff, “Poverty Programs—A Business Management Approach,” *Touche, Ross, Bailey and Smart Quarterly* (June, 1966), pp. 24-25.

A Minimum Cost Account System and a More Inclusive One

Minimum: For a Period

Cost	Program	Components	(Grants)	Total
Personnel				
Consultants				
Travel				
...				
Total				

More Inclusive: For a Period

Cost	Responsibility Centers and Components (Grants)					
	Component I					
	Center A			Center B		
	Budget	Actual	Variance	Budget	Actual	Variance
Overhead G & A						
Personnel						
Consultants						
Travel						
...						
O/H Allocation						
Total						
Total	Total—Component I					

Overhead G & A	Component II								
	Center A			Center B			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Personnel									
Consultants									
Travel									
...									
O/H Allocation									
Total									
Total	Total—Component II								

statistics and procedures must also be diverse. But some indicators may be common to many CAPS. The Detroit system has designed into it a selection of indicators, covering a broad range of variables and sources of data, that might be generally applicable to many other CAPs.⁶ They include the following:

- Police Department offense complaints
- Police Department arrests
- Police Department Youth Bureau contacts
- Police Women's Division law enforcement
- City Welfare relief openings
- City Welfare food stamp openings
- City Welfare food stamp closings
- Registration Bureau service inquiries
- Visiting Nurses service requests
- Social Hygiene Clinic VD cases
- Tuberculosis Clinic TB cases
- Sanitary Engineering complaints and violations
- Health Department births
- Health Department deaths
- Health Department stillbirths
- State Welfare Aid to Dependent Children openings
- State Welfare Aid to Dependent Children closings
- State Unemployment openings
- State Unemployment closings
- State Welfare Old Age Assistance Aid to the Disabled or Blind openings
- State Welfare Old Age Assistance Aid to the Disabled or Blind closings
- Legal Aid Bureau requests for aid
- Board of Education truancy
- Board of Education dropouts

This list suggests the type of analysis that is required to evaluate the success of a CAP. In very large programs a sophisticated

⁶ See *The Detroit Social Data Bank*, a report on its design, implementation, and operation prepared for the Mayor's Committee for Community Renewal (Touche, Ross, Bailey and Smart, Detroit, 1965).

computerized system might be necessary. In smaller programs a manual system with many fewer indicators might be adequate. For example, actual canvasses of the poverty population and area or use of a sampling technique might be possible, depending on the size and diversity of the problem area.

The CAP's primary tasks are to identify the problem of poverty, its causes, and its effects and to plan to alleviate those factors. The variables that indicate the existence of poverty to the planner ought to be, of course, among the variables used to measure program success. For example, it is obvious that for any program meant to improve school dropout rates the change in dropout rate should be an indicator of success.

The essence of CAP control is to seek out those measurements and measurement techniques that indicate progress toward meeting established goals. Necessary for such measurement are a stated set of goals and a plan of action against which to compare the results of efforts.

The list of social indicators offered earlier could be extended, of course. Some indicators may very well be inexact, perhaps even misleading, but this should not detract from the search for variables to test progress. If CAP managers are to allocate efforts effectively, they must have indicators of success; if the taxpaying public—through its legislators—is to continue to support programs, measures of overall performance must be made available.

Our examination leads us to the following conclusions about management information for community action programs:

1. The task of managing a CAP is quite complex and is different in important respects from the task of managing a profit-oriented business. A management information system provides a means of linking objectives to management processes, processes to efforts, and efforts to achievement. The nature of the CAP requires careful atten-

tion to the design of the management information system to provide information for goal formulation, project selection, operational planning and budgeting, and control and appraisal of progress and performance.

2. In most cases the management information for a CAP will have to be created by program managers for each program. Differences between programs prohibit creation of a standard system for all CAPs. A system to provide needed information should be installed at the inception of a program, nurtured to develop needed information if it is not originally available, and evaluated periodically to eliminate useless data or unnecessary detail.

3. Planning processes in a CAP depend upon management information just as they do in a business. Planning forms a basis for operational statements such as budgets which direct activity and provide a basis for performance review and control. The management information system is the communication link among each of these processes.

4. Control of a CAP depends upon the measurement of *effect* as well as *effort*. Control of efforts is required by the public nature of support for the CAP; evaluation of effects is required for sound allocation of resources and for evaluation of the alternative courses of action open to a program.

5. When the management information system is operating, planning and control processes operate simultaneously, each providing data and information for the other. Haphazard phasing of these processes is eliminated, and the likelihood of effective use of resources is increased. Data on efforts and effects provided for control lead to information for goal formulation, organization analysis, and project selection. Goals and plans lead to statements of expected results to which actual performance can be compared. Management information becomes the basis for systematic management.