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

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The Honorable Lester L. Wolff  
House of Representatives

Dear Mr. Wolff:

Your letter of June 19, 1972, requested that we look into ~~claims of anti-Semitic activities engaged in by the African-American Teachers Association~~ which operates the Bedford-Stuyvesant Talent Search project with Federal funds. In our July 20, 1972, meeting with you, we agreed that we would confine our work to determining whether Federal funds were used for other than approved project purposes.

We made our review at the project offices in Brooklyn, New York, and at the New York and Washington offices of the Office of Education (OE), Department of Health, Education, and Welfare (HEW). We reviewed contractual and program documents and the project's fiscal year 1972 accounting records, including disbursement vouchers, canceled checks, and invoices or other documents supporting the expenditures. We also interviewed OE and project officials.

The accounting system and controls were generally adequate to account for project costs. Of the \$88,000 expended on the project in fiscal year 1972, we did find erroneous charges totaling about \$1,800, which project officials agreed to refund to OE. Because of the nature of the contract, the types of services to be performed, and the sharing of certain facilities, we could not determine whether other Association activities benefited indirectly from funds made available for approved project purposes.

BACKGROUND

The Association is an incorporated, nonprofit teachers organization financed by dues from its approximately 500 members. Its goal is to provide quality education for black and Puerto Rican students in New York City and equality of opportunity for black teachers. In addition to operating the Bedford-Stuyvesant Talent Search project, the Association operates a teacher recruitment program and publishes a quarterly

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journal called Forum. The New York Urban Coalition has been funding the teacher recruitment program at an average amount of \$50,000 a year to recruit, train, and place prospective teachers from minority groups.

During fiscal year 1972 the Association had three offices--one for its teacher recruitment program, another for the Talent Search project, and the third for Talent Search and other Association purposes. The Association's only paid personnel were those involved in the teacher recruitment program or the Talent Search project. The president of the Association is also the director of the Talent Search project.

#### BEDFORD-STUYVESANT PROJECT OPERATIONS

The Association has operated the Talent Search project with OE funds since the beginning of fiscal year 1969. Initially, the project was funded through a cost-reimbursement contract between OE and the Bedford-Stuyvesant Restoration Corporation; the Corporation acted as the prime contractor and the Association acted as a subcontractor. The Association had the same type of contract in fiscal years 1970, 1971, and 1972, with the Bethany Baptist Church acting as the prime contractor. The fiscal year 1973 activities are being funded through a direct grant from OE to the Association. The following amounts have been funded since the project's initiation.

<u>Fiscal</u> <u>year</u>	<u>Amount</u>
1969	\$ 66,000
1970	85,000
1971	89,000
1972	88,000
1973	<u>66,000</u>
Total	<u>\$394,000</u>

The project's primary objectives are to identify disadvantaged students from low-income families and to counsel them and help them enroll in college. To attract students project officials maintain liaison with various youth service groups, lecture in local high schools, and hold annual orientation meetings. The project services are made

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known through school guidance counselors, Association teachers, and local parent-teachers associations. Students applying for assistance are counseled concerning their interests, potential major areas of study, and available colleges. The project then helps the students obtain transcripts of grades, financial aid, applications for entrance examinations, and, if possible, waivers of application fees.

Project statistics showed that, from the inception of the project in June 1968 through fiscal year 1972, about 600 of the students who had been provided assistance had enrolled in colleges. These statistics were based on notices which the students sent to the project after they entered college. Project officials believed, however, that the number of students placed in colleges was actually greater than recorded because students did not always return the notices which the project provided. The project does not follow up on students placed in college to determine how much of their education has been completed.

#### FISCAL YEAR 1972 EXPENDITURES

The Association maintains a separate checking account and separate accounting records for the Talent Search project. Under the accounting system, disbursement vouchers are prepared when expenditures are made. The project retains supporting invoices or other documents with the disbursement vouchers. A copy of each voucher is sent to an accounting firm, which prepares a monthly summary of the project's expenditures by major expense category. The project uses the summary to prepare the monthly billings to OE. The accounting firm also computes the biweekly payroll and prepares the tax returns for payroll taxes.

During fiscal year 1972 OE reimbursed the project for the following expenses.

Personnel costs	\$73,559
Space rental, equipment, and supplies	6,966
Communications and utilities	2,452
Travel	1,105
Services	<u>3,917</u>
Total	<u>\$87,999</u>

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Most of the costs incurred was for the salaries of five full-time and seven part-time employees. The part-time employees counseled students in the evenings, and the full-time employees counseled students and performed clerical and other duties during office hours. The biweekly payroll is prepared from a single timesheet showing the hours worked by each of the five full-time employees and the seven part-time employees. Individual employees do not prepare timecards showing the dates and hours worked. Project officials said that, because the organization is small they are aware of the hours and days worked by each employee.

The project director said that, as president of the Association, he may occasionally handle Association business, including work on the Forum during office hours but that, by including the evening hours that he worked, he spent at least 40 hours a week on Talent Search project business. Although a receptionist on the Talent Search payroll did some Association work, such as answering the Association's telephone, the project director considered this effort minimal and not measurable. He said that other Talent Search personnel did not do Association work.

#### Erroneous charges

Our analysis of all fiscal year 1972 costs showed that erroneous charges of about \$1,800 were made to the project, as discussed below.

The project made monthly payments for employees' health and life insurance premiums on policies covering six employees, two of whom worked on the Association's teacher recruitment program. The annual premium paid for these two employees was \$853 and should not have been charged to the Talent Search contract.

The invoices supporting the project's disbursements showed five instances in which bills totaling \$649 were paid twice. Two other disbursements resulted in improper billings of \$260 to OE. In one case, a \$200 repayment of an advance from the Association was erroneously recorded as a reimbursable expense. In the other case, a clerical error resulted in billing OE for \$60 more than was disbursed. Also five petty cash disbursements totaling \$38 should have been paid from the Association's petty cash fund.

We discussed each of the erroneous charges with project officials and suggested that appropriate adjustments be made.

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They agreed that these were improper charges and that they would refund \$1,800 to OE. The OE contracting officer indicated that he would take action to effect this collection.

#### Shared facilities

According to the project director, the shared office space is used by Talent Search employees during the day and by other Association employees several nights a week. The Association pays the telephone bill and a monthly rental of \$180 for this space. Each month, the project reimburses the Association for \$100 of the rent and for two thirds of the telephone costs. During fiscal year 1972 the project paid \$1,300 and \$1,192, respectively, for these services. The project director said that, when the first contract was negotiated between OE and the Bedford-Stuyvesant Restoration Corporation, the allocation of these expenses was left to his judgment.

The shared office space contains copying and duplicating machines. During fiscal year 1972 the Talent Search project paid the entire rental cost of these machines (\$1,472) and the cost for printing supplies (\$192). The project director said that both the project and the Association used this equipment for printing flyers and notices. He could not estimate how much of the cost was applicable to the Association, and there were no usage records from which we could make an allocation. The Association's journal, the Forum, was printed by a commercial firm, and OE funds were not used in its publication.

We suggested that OE's New York office review the reasonableness of the sharing arrangements in future grant negotiations for the project. OE looked into the matter and, on November 20, 1972, modified the fiscal year 1973 grant to provide for a 50-50 sharing of the office rent. OE also restricted the use of equipment, supplies, telephones, and postage to the specific needs of the Talent Search project.

#### AUDITS

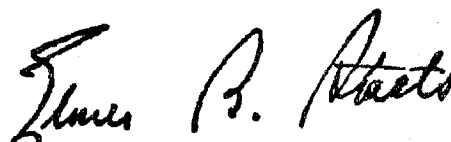
HEW said that it had not audited any project expenditures. Also the fiscal year 1972 contract did not require the Association to obtain an independent audit. The OE contracting officer has requested the Association to obtain an independent audit of its fiscal year 1973 project expenditures.

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Because of the actions taken or planned by project officials and officials of OE's New York office, we are not making any recommendations to OE or HEW. Although we did not obtain formal comments from HEW concerning these matters, we discussed the results of our review with OE and HEW headquarters officials. We do not plan to distribute the report further unless you agree or publicly announce its contents.

Sincerely yours,



Comptroller General  
of the United States