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

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C. Dear Senator Brock:

In response to your request of March 22, 1972, and agreements reached with you, we reviewed the Emergency School Assistance Program (ESAP) community grants awarded to the Nashville Urban League by the Office of Education (OE), Department of Health, Education, and Welfare (HEW).

ESAP was established in August 1970 under six existing legislative authorities; it provides grants to school districts and to public and private nonprofit organizations (community groups) to defray the cost of meeting special problems arising from the desegregation of elementary and secondary schools. OE reserves 10 percent of the available funds for grants to community groups.

According to OE, funds are provided for community groups because (1) these organizations can play an important role in achieving successful school integration; (2) to be fully effective, school integration requires community support and participation, and (3) it is recognized that, in some communities, organizations other than the school district may be in a better position to carry out some types of activities essential to school integration.

The Nashville Urban League was awarded two grants totaling \$111,818 to finance activities designed to aid in the desegregation of the metropolitan public schools in Nashville, Tennessee. The grants covered the periods June 23, 1971, to June 22, 1972, and November 15, 1971, to November 14, 1972. As of April 30, 1972, about \$61,600 of the grant funds had been expended by the grantee.

Our review was directed at determining (1) whether the project activities had been implemented in accordance with the approved applications and (2) whether the grant funds had been expended in a manner consistent with the approved activities. We did not evaluate the effectiveness of the projects in accomplishing the objectives of the program.

We believe that the activities under the first grant were implemented as approved; however, the activities under the second grant either were not implemented or were not carried out as approved. Under both grants, internal controls were not adequate to insure that grant funds were used in accordance with the grant terms and conditions.

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IMPLEMENTATION OF PROJECT ACTIVITIES  
UNDER THE FIRST GRANT

The first grant of \$35,158 provided for activities designed to:

- Deal with rumors of racial incidents in the community and in the schools.
- Inform the community about the school desegregation process in Nashville.
- Deal with problems faced by black students going to newly integrated schools.
- Enable the Urban League to investigate problem areas in the schools and make appropriate recommendations to school officials.

The Nashville Urban League prepared monthly reports which summarized the accomplishments under each of the above activities during the month. These reports indicated that the activities had been implemented in accordance with the approved application and showed that the Urban League had:

- Established a rumor control center which afforded many citizens in the Nashville community with an opportunity to learn the truth about any hearsay concerning the school system and what was occurring at the local school level.
- Kept the community informed about the school desegregation process by radio and television programs, press coverage, community meetings, and news releases.
- Met on numerous occasions with parents, teachers, and students to discuss and find solutions to problems faced by students as a result of integration of the schools.
- Visited a number of schools to assess desegregation problems and to discuss possible solutions with school officials.

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IMPLEMENTATION OF PROJECT ACTIVITIES  
UNDER THE SECOND GRANT

The second grant of \$76,660 provided for activities designed to:

- Introduce a black studies-race relations lecture series in the Nashville high schools.
- Publish a newsletter for distribution in the high schools to fill a communications need among students involved in the desegregation process.
- Provide a forum program which would bring together organized groups with different views and allow them to express their views in an orderly manner.

During the development of its grant application, the Urban League did not consult with the Nashville school district as to the propriety and acceptability of the proposed activities. The Nashville school district did not allow the Urban League to implement the black studies and newsletter activities in the schools as contemplated in the approved application, and the Urban League was unable to bring together organizations needed to implement the forum activity.

Procedures followed in approval of grant

The information handbook that OE provided to applicants for ESAP community grants emphasizes the need for close cooperation and a two-way flow of information between school districts and community groups. It states that an applicant should consult with the school district when developing its application so that the proposed activities will be designed to increase the effectiveness of the district's integration plan. HEW regulations require that copies of applications for community group grants be furnished to State and local educational agency officials for their review and comment before approval. HEW regional offices are responsible for soliciting these comments when they receive each community group application.

Nashville school district officials told us that it was not until the HEW Atlanta regional office requested comments on the application that they became aware that a second grant application had been developed by the Urban League. Both State and local officials commented that the activities

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proposed by the Urban League could better be carried out by the school district, and they suggested that the Urban League direct its efforts toward community problems.

We asked the executive director of the Nashville Urban League why school district officials had not been consulted during development of the grant application, and we were told that the Urban League's former ESAP project director believed that he could persuade the school district to accept the activities after the project was approved.

The HEW regional senior program officer said that, when a community group proposes activities which are related to school matters, it should reach a mutual understanding with the school district as to the content of the activities and the manner in which they are to be implemented before the grant application is approved by OE.

The Nashville Urban League's application was reviewed and rated in the HEW Atlanta regional office by a three-member panel of non-Federal employees. After this review the entire file was sent to OE's Washington headquarters for funding consideration. However, we could not determine from the project file or from discussions with regional officials whether the comments submitted on the application by the State and local educational agencies were received in the region in time to be considered by the rating panel.

OE headquarters officials told us that the Urban League's application was ranked against other applications from Tennessee and that OE decided to fund the application on the basis of the high ranking it received and the availability of program funds for Tennessee.

#### Black studies-race relations activity

One of the approved activities under the Urban League's second grant was a black studies-race relations lecture series which was to be presented to sociology and American history classes in the Nashville high schools. The activity was proposed, according to the executive director of the Urban League, on an assumption that an activity of this type was needed.

The director of schools for the Nashville school district told us that, when he became aware of the Urban League's second grant application which contained the provision for the race relations activity, he appointed an

advisory committee to work with the Urban League staff to (1) identify the specific needs for the activity, (2) develop a suitable activity, and (3) agree on a course of action for implementing the activity. He said that his advisory committee and the Urban League met only once, after which the Urban League staff submitted an outline to school district officials which detailed the type of lectures, identified the schools at which the lectures would be presented, and identified the Urban League personnel who would conduct the lectures.

The director told us that his committee was reluctant to approve the outline because it had not participated in determining the type of lectures and the schools at which they would be presented. The committee was also opposed to having persons who were not teachers presenting the lectures. The director said that, as a result of this disagreement between his advisory committee and the Urban League staff, nothing further had been done to implement the black studies-race relations activity in the schools.

Because officials of the Urban League and the school district were unable to agree on how to implement the lecture series in the schools, a weekly lecture series on black history was conducted at the Urban League's office beginning April 11, 1972. Records were not kept on attendance at these lectures, but Urban League officials told us that 10 or 15 students attended each week. In May 1972 we attended these lectures on two occasions. Seven students attended one lecture, and 10 students attended the other.

#### Newsletter activity

The Urban League's second grant included funds to publish a semimonthly newsletter. The purpose of the newsletter, as described in the approved application, was

\*\*\*\* to fill a communication need among those students involved in the desegregation process in Nashville and act as a valuable aid to changing modes of discriminatory thought."

The newsletter, which was to be distributed to high school students in the schools, was to contain information about the concept of a unitary school system at work and parables, essays, and histories relevant to race relations in the United States.

The director of schools for the Nashville school district told us that he had appointed a committee to work with the Urban League to establish an editorial policy and to develop guidelines for distributing the newsletter in the schools. He said that his committee and the Urban League had verbally agreed that copies of each issue of the newsletter would be submitted to the committee 1 week before distribution. However, after the second issue was distributed, the director withdrew permission for the newsletter to be distributed in the schools.

The director said that he had stopped distribution because he believed certain articles in the second newsletter pertaining to reported racial incidents at one of the high schools were inflammatory. He also said that the Urban League did not submit copies of the second issue of the newsletter to the committee before it was distributed in the schools.

The executive director of the Nashville Urban League told us that he did not believe the articles in the newsletter were inflammatory; he thought that distribution of the newsletter in the schools had been stopped because local pressure was exerted on the Nashville director of schools.

The Urban League continued to publish the newsletter and distributed copies through the mail and through local businesses in the Nashville area where high school students were known to gather. At the time we completed our fieldwork, four subsequent issues of the newsletter had been distributed in this manner. The editor of the newsletter told us that distribution in the schools was about 11,000 copies and that distribution for the subsequent issues ranged from 7,000 to 9,000 copies with the number of copies increasing with each issue.

HEW regional program officers told us that, in their opinion, some of the articles in the newsletter were inflammatory and were not consistent with the types of articles described in the approved application. It was their opinion also that a newsletter financed with Federal funds should contain factual articles rather than editorials and should concentrate on student activities which cut across racial lines. HEW had not, however, published guidelines on editorial policies to be followed by ESAP grantees.

Forum activity

The Urban League's second grant also included funds for a forum activity intended to permit groups with differing viewpoints on desegregation to meet and discuss their opinions. It was proposed that both high school students and community groups would participate in the forums.

At the time we completed our fieldwork, no forums had been conducted. An Urban League official told us that the League was unable to bring together the organized groups. He also said that this activity was given the lowest priority of the three activities to be financed by the grant.

GRANT EXPENDITURES

At April 30, 1972, about \$61,600 of grant funds had been expended under the two grants. Our review showed that the Urban League's internal controls were not adequate to insure that grant funds were used in a manner consistent with the approved grant applications or that the expenditures were related to activities described in the applications. We noted that:

- Grant funds of about \$2,150 had been used to finance other than approved project activities.
- Grant funds of \$1,000 had been paid to the Urban League for services in excess of the approved budget amounts.
- Grant expenditures of \$11,700 were not supported by receipts, purchase orders, invoices, or other documents.
- An advance of \$2,400 from HEW had been deposited to the wrong grant account.
- Three employees had been paid salaries in excess of the maximum permitted by the grant terms and conditions.

The ESAP grant terms and conditions require that each grant application be accompanied by a certification executed by a certified public accountant or duly licensed independent accountant that the grantee's accounting system has internal controls adequate to (1) safeguard its assets, (2) check the

accuracy and reliability of its accounting data, (3) promote operating efficiency, and (4) encourage compliance with prescribed management policies and fiscal requirements.

The certification of the adequacy of the Nashville Urban League's accounting system under both grants was executed by the treasurer of the Urban League rather than by a certified public accountant or licensed independent accountant as required. The executive director of the Urban League told us that when the Urban League applied for the second grant in September 1971 it did not have an adequate accounting system but that the certification was signed by the treasurer at that time with the understanding of the Urban League Board of Trustees that an accounting firm would be hired to design an accounting system. He said that a system was designed in December 1971 and was implemented in January 1972. However, we believe that the accounting system in effect at the time of our review did not provide the required controls.

Of the \$61,600 of grant funds that had been expended as of April 30, 1972, about \$2,150 was expended for activities of the Urban League which did not appear to be related to the approved project activities. For example, about \$1,400 was used to pay for travel expenses of Urban League and Nashville city officials to attend a Street Academy workshop in New York City. The Street Academy is a program designed to train school dropouts to acquire job skills.

The approved budget for the second grant provided for the Urban League to be reimbursed for certain costs incurred to accomplish project activities, such as salaries, use of office machines owned or rented by the Urban League, janitorial services, and a part of the cost of utilities. We noted that \$1,000 of grant funds had been paid to the Urban League for these services in excess of the approved budget amounts.

We discussed these expenditures with the executive director of the Urban League who agreed to reimburse the grant accounts for the amount of the expenditures we questioned except those expenditures incurred for the Street Academy workshop which he believed were related to approved project activities. HEW regional officials told us that on two separate occasions they had told the executive director that expenses related to the Street Academy workshop should not be paid with grant funds because they were not related to the approved project activities. They said that the grantee would be required to repay the grant funds expended for the Street Academy workshop.



Expenditures totaling about \$11,700 were not supported by documents which would permit an analysis of the expenditures. For example, three checks totaling about \$5,400, including the \$1,000 paid in excess of the approved budget amounts previously discussed, were drawn on the second grant account to reimburse the Nashville Urban League for certain costs of services and facilities used for project activities, but there were no supporting documents showing the services or facilities furnished or the time periods covered by the payments.

Other examples of undocumented expenditures follow:

- 13 checks totaling \$360 were drawn for cash with no explanation of how the funds were used.
- 36 checks totaling \$710 were drawn for local travel with no information to show the reasons for travel, places visited, or dates.
- 16 checks totaling \$366 were drawn for office supplies which were not accompanied by a billing from the vendor or a receipt to show that the supplies had been received.

In addition, because time and attendance records were not maintained for employees paid from grant funds, we could not verify the propriety of the salaries paid.

We discussed the lack of support for expenditures with the executive director who told us that the Urban League has never had a bookkeeper who knew the procedures needed to account properly for expenditures or who realized the importance of retaining supporting documents. HEW regional officials told us that they would follow up on this matter and that any expenditures not supported by proper documentation would have to be repaid by the grantee.

We compared advances made by HEW to deposits recorded in the bank accounts for both grants and found that an advance of \$2,400 intended for the first grant had been deposited by the Urban League in the account for the second grant. We found also that another advance of \$2,400 had been deposited by the Urban League in one account but was never credited by the bank to either of the Urban League's grant accounts. We brought these two errors to the attention of both Urban League and HEW officials and were told that they would follow up to insure that corrective action was taken.


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The ESAP grant terms and conditions provide that, unless approved by an HEW grants officer, the rate of compensation of any person being paid at a rate in excess of \$6,000 a year shall not exceed by more than 20 percent that person's rate of compensation in his immediately preceding employment. The rate of compensation paid to three employees exceeded this limit, which resulted in these employees receiving salaries about \$4,400 in excess of the limitation as of April 30, 1972. The executive director of the Urban League told us that he was not aware of the salary limitation. HEW officials told us that the amount of the salaries paid in excess of the limitation would have to be repaid by the grantee.

After we completed our fieldwork, HEW regional program officials visited the Urban League and corroborated our findings. As a result of that visit, the HEW Atlanta regional office on June 22, 1972, requested the HEW Audit Agency to audit the Nashville Urban League's two ESAP grants. HEW also suspended payments to the Urban League and requested it to show cause why its second grant should not be terminated. The Urban League requested, and was granted, an extension of time until mid-August to show such cause. However, on August 16, 1972, a meeting was held between Urban League and HEW regional officials at which time the Urban League orally requested that its grant be terminated. HEW regional officials asked that the termination request be made in writing. By letter dated August 23, 1972, the Urban League informed HEW that, if HEW wished the grant to be terminated, it would have to initiate such action. As of September 11, 1972, HEW had not taken the action.

Nashville Urban League and HEW officials have not been given an opportunity to formally comment on the matters discussed in this report. We plan to make no further distribution of the report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

  
Comptroller General  
of the United States

The Honorable William E. Brock  
United States Senate