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Activities Of Blackman's Development Center

B-164031 (2)

Department of Health, Education,
and Welfare

Department of Labor

District of Columbia Government

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

APRIL 28, 1972

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

B-164031(2)

BEST DOCUMENT AVAILABLE

Dear Mr. Giaimo:

In response to your request of June 17, 1971, and subsequent discussions with you, we have reviewed the Blackman's Development Center and the related activities of its director, Colonel Hassan Jeru-Ahmed, that have been subsidized by public funds. *p. 1762*

The results of our review are presented in detail in the report and are summarized in the digest of the report. The Department of Health, Education, and Welfare; the Department of Labor; the District of Columbia Government; and the Blackman's Development Center have not been given an opportunity to formally comment on the report.

C2+R2 In accordance with an agreement with your office, copies of this report are being sent today to Congressman Samuel L. Devine at his request. We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after 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

C1+R1 The Honorable Robert N. Giaimo
House of Representatives



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ABBREVIATIONS

BDC Blackman's Development Center
DCMA District of Columbia Manpower Administration
GAO General Accounting Office
HEW Department of Health, Education, and Welfare
NTA Narcotics Treatment Administration

COMPTROLLER GENERAL'S REPORT TO
THE HONORABLE ROBERT N. GIAIMO
HOUSE OF REPRESENTATIVES

ACTIVITIES OF BLACKMAN'S
1 DEVELOPMENT CENTER D. 1762
2 Department of Health, Education, 22
and Welfare
3 Department of Labor 9
4 District of Columbia Government C-52
B-164031(2)

D I G E S T

WHY THE REVIEW WAS MADE

At the request of Congressman Robert N. Giaimo, the General Accounting Office (GAO) reviewed the Blackman's Development Center and the related activities of its director, Colonel Hassan Jeru-Ahmed, that have been subsidized by public funds.

From June 1970 through October 1971, the Center received \$219,556--\$179,987 from the District of Columbia Government and \$39,569 from the Office of Education, Department of Health, Education, and Welfare (HEW).

The District, through its Narcotics Treatment Administration, provided funds to the Center for the treatment and rehabilitation of drug addicts and for a city-wide drug addiction education and prevention program. These funds were provided from grants to the District by the Law Enforcement Assistance Administration of the Department of Justice and by the Department of Housing and Urban Development.

The Office of Education provided funds to the Center for five job-training programs for persons involved with drugs and for a prevocational education program. In addition, the Department of Labor paid training stipends totaling \$51,899 to assist persons enrolled in the Center's training programs.

GAO reviewed policies and procedures related to the treatment, training, and rehabilitation of drug addicts that were established by the agencies which funded the Center and reviewed also the contracts and grants under which funds were provided.

In lieu of auditing the financial transactions and records of the Center, GAO relied on audits by District municipal auditors and HEW auditors because these agencies were making, or planned to make, the audits at the time GAO received the request.

HEW, the Department of Labor, the District Government and the Center have not been given an opportunity to formally comment on this report.

FINDINGS AND CONCLUSIONS

The Narcotics Treatment Administration of the Department of Human Resources, District of Columbia Government, awarded a fixed-price contract to the Center, although it had no meaningful basis for estimating the contract amount.

Further, the contract did not place any specific restrictions on how the funds could be used. (See pp. 8 to 12.)

The Center did not comply with the Narcotics Treatment Administration contract which required a 300-patient case load. Even when the Narcotics Treatment Administration was considering renegotiating the contract, its objective was to reduce the contract's specified case load to approximate the number of cases reported as being treated by the Center, rather than to reduce the contract amount. The Narcotics Treatment Administration believes that, as a result of the contract with the Center, useful service was provided to some heroin addicts and useful knowledge was obtained. (See pp. 13 and 14.)

HEW did not follow prescribed guidelines in selecting and approving training courses and instructors for the Center's training programs even though HEW was aware of the high risk of the training program as well as of the Center's possible financial insolvency. (See p. 19.)

The Department of Labor continued paying training stipends to Center enrollees after HEW suspended its training grant--stipend payments were made for approximately 10 weeks in two programs and approximately 5 weeks in three programs. (See p. 22.)

The Department of Labor may have paid training stipends to ineligible recipients. (See p. 23.)

District municipal auditors found that:

- The Center had not maintained a system of accounts adequate for segregating receipts and expenditures under District contracts from those of other activities of the Center. (See p. 16.)
- Check disbursements of \$66,277.86, or about 50 percent of total expenditures reviewed, were not supported by vendors' invoices or other documentation. (See p. 16.)

HEW auditors found that:

- The Center had not established or maintained effective accounting procedures and controls. Further, the Center had not established a separate bank account for HEW funds and had not deposited them intact. (See p. 25.)
- No expenditure made from the Center's checking account and cash on hand could be wholly charged against the HEW grant. Also the propriety of expenditures of \$12,315.72 was unresolved pending receipt of additional documentation from the Center. (See p. 25.)

Overall conclusions

GAO believes that it is not possible to establish, with any certainty, the purposes for which all Federal funds were used.

Both District and HEW auditors attributed the financial problems associated with the Center program to the lack of Federal and District Government administrative controls over Federal funds and property. GAO does not agree fully with this explanation. (See p. 27.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Law Enforcement Assistance Administration recommended to the District of Columbia that no additional Administration grant funds be given to the Center. Further, the Administration requested the District to investigate compliance with the conditions of the Administration's grant and the Center's contract. The Administration requested that, to the extent that compliance could not be substantiated, the District immediately return a pro rata share of the funds. The Administration's audit staff planned to audit all Administration funds awarded to the District of Columbia Government, including funds advanced to the Narcotics Treatment Administration.

HEW advised the Center that it would make a final determination with respect to the findings in the HEW auditor's report. In the absence of information rebutting the conclusions of the audit report, HEW will require the Center to repay the \$39,569 advanced under the HEW grant.

The Center provided additional information and comments regarding the HEW auditor's report. HEW told GAO that it would evaluate the information and that, if the facts related to the report were in dispute, a hearing would be held on the disputed matters.

The Department of Labor advised GAO that it was investigating matters related to the possibility of forged stipend checks and erroneous stipend payments for training.

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CHAPTER 1

INTRODUCTION

At the request of Congressman Robert N. Giaimo, the General Accounting Office reviewed the Blackman's Development Center (BDC) and the related activities of its Director, Colonel Hassan Jeru-Ahmed, that had been subsidized by public funds. In general our review covered the period June 1970 through February 1972.

We reviewed those policies and procedures, established by the agencies which funded BDC, related to the treatment, training, and rehabilitation of drug addicts and reviewed also the contracts and grants under which the funds had been provided. In lieu of auditing the financial transactions and records of BDC, we relied on the audits of the District of Columbia Government and the Department of Health, Education, and Welfare because these agencies were making, or planned to make, audits at the time we received the request. We reviewed the working papers and related reports on these audits and discussed the work with officials from both audit organizations.

We also interviewed officials of the agencies responsible for the management, administration, and operation of BDC projects. In addition, we observed the operation of the BDC training facility and interviewed some staff members of BDC. We did not evaluate the effectiveness of BDC's program for the treatment and rehabilitation of drug addicts.

During the period June 1970 through October 1971, BDC received \$179,987 under contracts from the District's Narcotics Treatment Administration (NTA) and \$39,569 under a training grant from HEW. In addition, the Department of Labor paid stipends totaling \$51,899 to assist persons enrolled in BDC training programs.

BLACKMAN'S DEVELOPMENT CENTER

BDC was incorporated August 15, 1969, as a nonprofit corporation under the laws of the District of Columbia. Its stated purposes are to stimulate an appreciation of development concepts among black people and to encourage

the capabilities of black people and black neighborhoods. BDC is a community-based organization which conducts a program of heroin detoxification through the use of methadone, together with allied activities in community outreach, drug counseling, remedial education, and third-party custody of addicts referred to BDC by the courts.

CHAPTER 2

FUNDS PROVIDED TO BDC

BY THE DISTRICT OF COLUMBIA GOVERNMENT

On June 2, 1970, the Department of Human Resources, District of Columbia Government, awarded BDC a 1-year contract for \$13,000 that provided for the reimbursement of expenses for utilities in connection with a program for testing drug addicts.

In May 1970 the Law Enforcement Assistance Administration of the Department of Justice awarded a grant to the Narcotics Treatment Administration of the Department of Human Resources. One of the primary objectives of this grant was to fund a variety of community based and operated narcotic addict treatment programs for the purpose of evaluating and comparing the effectiveness of various treatment methods used by community organizations.

BDC was one of five such community organizations in the District that were funded under the Law Enforcement Assistance Administration grant. On September 1, 1970, NTA, using Law Enforcement Assistance Administration funds, awarded a 1-year contract to BDC for treatment and rehabilitation services, including programs for detoxification; residential care; vocational guidance and counseling; individual, group, and family counseling; and urine surveillance. The contract provided for conducting a city-wide addiction education and prevention program. The amount of the contract was \$144,000, of which \$24,000 was for addiction education and prevention. The \$24,000 was payable on the date the contract was awarded, to compensate BDC for educational materials. The remaining \$120,000 of the contract amount was for a program of services for the treatment of 300 addicts during the 1-year period of the contract. The addicts were to be referred to BDC by the courts for third-party custody, by community referral sources, and by NTA.

In December 1970 NTA received Model Cities grant funds from the Department of Housing and Urban Development. On April 19, 1971, NTA awarded a contract in the amount of

\$22,987 to BDC for conducting an intensified drug abuse preventive education program over a 3-month period in the Model Cities area of the District.

Our review was concerned primarily with the NTA \$144,000 treatment and rehabilitation contract, because this contract constituted the bulk of the funds awarded to BDC by NTA.

NTA BASIS FOR SELECTING BDC AND
FOR DETERMINING CONTRACT AMOUNT

According to the Director of NTA, the \$144,000 contract was awarded to BDC because it offered one of the few existing community-based programs for a viable alternative to drug addiction in the District. The Director informed us that he was aware of Colonel Hassan's criminal background and that, as a result, he had asked the Department of Justice whether it had any recent information about Colonel Hassan that he should be made aware of prior to awarding a contract to BDC. According to the Director, the Justice Department informed him that it had no such information.

The Director informed us that he believed that Colonel Hassan had proven himself to be a rehabilitated person and had actively been operating BDC as a well-known, community-based narcotic treatment center for approximately 1-1/2 years prior to award of the contract by NTA. He said that he did not have any documentation to show that BDC had either a workable program for the treatment and rehabilitation of drug addicts or the ability to effectively carry out its responsibilities under the contract. He further stated that NTA had not determined whether BDC had the financial capability to meet its contractual obligations or whether its accounting procedures were adequate.

During our review we were able to obtain only general explanations as to the basis used in determining the amount of the NTA contract awarded to BDC. The Director initially informed us that he had determined the amount of the contract by estimating, on the basis of NTA's limited experience, the average cost of treating a drug addict at NTA to be \$1,400 and that he assumed that contracting in that amount with BDC would be reasonable.

The Director informed us also that most of the \$1,400 average cost per addict treated at NTA was made up of salary costs. The approved budget for the contract with BDC (see p. 10), however, did not provide for salary costs because the BDC staff was supposed to serve on a voluntary basis. Further, at the \$1,400 average cost per drug addict, BDC could treat only 90 patients, rather than the 300 stipulated in the contract. Therefore it appears that very little reliance can be placed on the average cost of \$1,400 used by NTA to estimate the amount of the BDC contract. The Director subsequently informed us that there was about \$550,000 in LEAA funds available for treatment of drug addicts and that he arbitrarily divided the funds among five contractors, of which one was BDC.

CONTRACT DID NOT PLACE RESTRICTIONS ON
PURPOSES FOR WHICH FUNDS COULD BE USED

The budgeted costs for the treatment and rehabilitation contract, as approved by the Law Enforcement Assistance Administration and NTA, are shown below.

<u>Item</u>	<u>Amount</u>
Utilities	\$ 6,024
Transportation and travel	9,000
Telephone and telegram	10,800
Insurance	1,380
Maintenance and repair	1,800
Food, material, and supplies	34,219
Medication and medical supplies	12,600
Clothing and office supplies	4,697
Instructional material and supplies	6,480
Major instructional equipment	15,000
Rental	<u>18,000</u>
Total project costs	120,000
Reimbursement for educational material previously purchased by BDC	<u>24,000</u>
Total contract price	<u>\$144,000</u>

A fixed-price contract was awarded in the above amount even though NTA did not have a meaningful basis for estimating the contract amount. The terms of the contract provided for reimbursement of project costs on the basis of 12 monthly payments of \$10,000 each; reimbursement for educational material was made at the time of contract award.

Under the contract BDC was required to submit monthly reports to NTA showing, by various budget classifications, both the cumulative and the monthly costs incurred under the contract. However, no further documentation to support reported expenditures was required by NTA or submitted by BDC. As of October 31, 1971, 2 months after the contract completion date, BDC reported incurring total expenditures of \$120,000, or 100 percent of the total approved project costs.

The contract did not place any specific restrictions on the purposes for which the funds could be used even though the grant received from the Law Enforcement Assistance Administration to fund the contract contained specific requirements and conditions which prohibited grant funds from being used for the purchase of real property and motor vehicles.

The District's municipal auditors attempted to audit BDC's expenditures of funds received from NTA for the period September 1, 1970, through May 31, 1971. The audit report noted that BDC had not maintained accounts which segregated expenditures under the NTA contracts from those of other activities of BDC. Thus the municipal auditors could not determine the specific purposes for which the NTA funds had been used.

The municipal auditors listed approximately \$133,000 in expenditures accounted for by BDC during the period September 1, 1970, through May 31, 1971. The auditors identified approximately \$82,000 in additional funds not accounted for by BDC during that period. (See p. 15.)

In reviewing the work performed by the municipal auditors, we identified several major classifications of expenditures which, we believe, account for most of the expenditures of \$133,000. In addition, we obtained documentation from NTA that showed expenditures reported by BDC during July and August 1971. Documentation on expenditures by BDC during June 1971 was not available. These expenditures are summarized below.

Purchase, repair, and maintenance
of motor vehicles

We identified expenditures of about \$17,500 for the purchase of motor vehicles for BDC staff members and for the repair and maintenance of motor vehicles. Of that amount, about \$4,300 was for the purchase of motor vehicles and about \$13,200 was for repair and maintenance of motor vehicles.

Mortgage and rental payments

As of July 1971 we identified about 15 properties for which BDC had made mortgage or rental payments. Two of the properties were owned by Colonel Hassan and his wife, two properties were owned by BDC, and 11 properties were owned by various private companies and individuals. Three of the four properties owned by either BDC or Colonel Hassan and his wife had been purchased after the NTA contract was awarded.

We identified also expenditures of about \$46,400 for either mortgage or rental payments for the 15 properties. Of that amount, about \$9,300 was for mortgage payments for the four properties owned by either BDC or Colonel Hassan and his wife. In addition, about \$15,000 was expended in connection with a lease-purchase agreement for property located at 1234 Upshur Street NW.

Family assistance to BDC officials, staff members, and patients

We identified payments of about \$19,000 by BDC for personal and family assistance for BDC officials, staff members, and their families, as well as for addicts enrolled in BDC's treatment and rehabilitation program. These payments included amounts for rent, medical expenses, and groceries. We identified also about \$600 in payments made to Colonel Hassan's mother.

REVIEW OF COMPLIANCE WITH
CONTRACTUAL REQUIREMENTS

We noted that BDC had not complied with the requirements of the \$144,000 contract concerning the treatment and rehabilitation of drug addicts.

The contract stated that BDC was to provide a program of treatment and rehabilitation services for 300 addicts during the period of the contract. On October 30, 1970, NTA notified BDC that it was required to reach and maintain the contracted case load by January 1, 1971. During the period September 1, 1970, through August 31, 1971, BDC reported a case load which ranged from 58 to 300 patients.

In a letter dated March 17, 1971, NTA notified Colonel Hassan that, although BDC had been at the contracted case load of 300 patients for one brief period in mid-December 1970, BDC was considerably below the specified contract case load of 300 patients. In this same letter NTA stated that it wished to renegotiate the contract to consider and resolve BDC's apparent inability to achieve the contract case load. NTA officials informed us that the objective of renegotiating the contract had been to reduce the specified case load to approximate the number of cases reported as being treated by BDC, rather than to reduce the contract price. We were informed further by NTA that Colonel Hassan had refused to renegotiate the contract.

The Director subsequently informed us that NTA research studies showed that, although the BDC program did not perform as well as the NTA-operated programs, the performance was acceptable. He informed us further that, as a result of the contract, useful service was provided to some heroin addicts seeking help and useful knowledge was obtained by NTA.

The municipal auditors noted in their report that BDC had not complied with the urine surveillance provisions of the NTA contract which required that each week, on an unscheduled basis, at least two urine specimens be taken from each patient in the program. In examining all of BDC patient records for two 7-day periods, the municipal auditors found that the minimum two urine specimens had been taken from only 68 percent of the patients during the first period and from only 20 percent of the patients during the second period.

The approved budget for the contract provided \$12,600 for medication and medical supplies. Several times during the contract period, BDC reported that, because of insufficient working capital, it was unable to maintain an adequate supply of methadone, a drug used for the treatment of drug addicts. For example, BDC reported to NTA that, except at one treatment center, it was out of medication during the first week of June 1971 and that it was completely out of medication from June 15 through June 23, 1971. During some of that time, patients had to be referred to NTA centers for treatment. BDC reported that this condition was a direct cause for the large number of dropouts from the BDC treatment and rehabilitation program during the month of June.

In a letter dated November 15, 1971, the Administrator of the Law Enforcement Assistance Administration informed the Commissioner of the District of Columbia that a review by the Administration of the results of the NTA contract with BDC clearly had shown a failure by BDC to substantiate full compliance with the terms of the contract.

The letter stated that NTA and the District had not held BDC to the terms of the contract and cited, as an example, the failure of BDC to handle a case load of 300 patients. In the letter the Commissioner was requested to conduct a further investigation to substantiate compliance by BDC and to investigate NTA's compliance with the conditions of the Law Enforcement Assistance Administration grant and the BDC contract. The Administration requested that, to the extent compliance could not be substantiated, the District immediately return a pro rata share of the funds. The Administration also recommended that no additional Administration grant funds be given to BDC.

On January 24, 1972, Administration officials advised us that they had been informed by the District that the matter was under investigation. Administration officials advised us also that they would audit all Administration funds awarded to the District, including funds advanced to NTA.

AUDIT PERFORMED BY DISTRICT MUNICIPAL AUDITORS

In May 1971 the Law Enforcement Assistance Administration requested the District to immediately audit BDC, because of reports obtained by the Administration that indicated irregularities in BDC's handling of Administration funds.

In June 1971 the District's municipal auditors began an audit of BDC's financial transactions and program operations under its contracts with NTA. Their review, which covered the period September 1, 1970, through May 31, 1971, was completed in August 1971. A report was issued to the Commissioner of the District of Columbia on September 10, 1971.

Because the municipal auditors covered the period September 1, 1970, through May 31, 1971, financial transactions associated with the last four payments (\$40,000) made to BDC under the treatment and rehabilitation contract and the remaining payments (\$11,470) made to BDC under the Model Cities contract were not audited. Also the municipal auditors did not review the 1-year contract for \$13,000 between the District and BDC that provided for the reimbursement of utility expenses.

The municipal auditors included in their report a schedule of the total funds provided to BDC and the expenditures identified by BDC as being related to such funds. A summary of that schedule follows.

<u>Total Funds Provided to BDC</u>	
District of Columbia:	
Funds provided under Law Enforcement Assistance Administration grant	\$104,000
Funds provided under Department of Housing and Urban Development grant	<u>11,517</u>
Total	115,517
Department of Health, Education, and Welfare	39,569
Private funds:	
Gifts, donations, community solicitations, private loans and grants, etc. (accuracy not verified)	<u>59,225</u>
Total	<u>\$214,311</u>
<u>Expenditures by BDC</u>	
Disbursements from checking accounts	\$ 69,156
Disbursements in cash	<u>63,575</u>
Total disbursements per available records	132,731
Funds not accounted for	<u>81,580</u>
Total	<u>\$214,311</u>

The \$81,580 not accounted for by BDC was determined by the municipal auditors on the basis of BDC's statement to the municipal auditors that the auditors had examined all available expenditure documents and that no cash remained on hand as of May 31, 1971.

The municipal auditors stated that only \$2,878.15 of the total disbursements by check were supported by vendors' invoices or other such documentation. According to the municipal auditors, the disbursements in cash were supported by either vendors' invoices or petty cash vouchers prepared by BDC officials at the time the disbursements were made. The municipal auditors, however, did not verify independently the accuracy or authenticity of the invoices and vouchers furnished by BDC.

In their audit report the municipal auditors noted, among other things, the inadequate accounting for program funds and the lack of property accountability and inventory control. A summary of these findings follows.

1. An adequate system of accounts was not maintained by BDC. Necessary verification and reconciliation of receipts and disbursements could not be accomplished on the basis of the financial information and supporting documentation furnished by BDC.
2. Grant funds received under two District contracts were commingled with funds received from other sources and were not deposited intact. Only \$55,517 of the \$115,517 paid to BDC under the two contracts was deposited in a checking account.
3. Ledger accounts were not maintained to segregate expenditures under District contracts from those of other activities of BDC. Consequently the municipal auditors were unable to determine how the funds paid to BDC under these contracts had been used.
4. Check disbursements totaling \$66,277.86 (about 50 percent of total expenditures reviewed) were not supported by vendors' invoices or other documentation.

5. Property records were not maintained by BDC for equipment purchased with funds received under the contract for treatment and rehabilitation services.

During the period when the District municipal auditors were auditing the NTA contract funds, NTA continued to make monthly payments to BDC. In addition, NTA continued to make payments to BDC after the municipal auditors reported their findings to NTA. A total of \$51,470 was paid to BDC from the start of the audit in June 1971 until October 1971 when the final payment was made.

The Director of NTA informed us that he had continued to make payments to BDC, even though he was aware of the findings uncovered by the municipal auditors, because he had been advised by officials of the District's Corporation Council's office that there were no grounds to stop payment.

The Director informed us also that, although it was unlikely that NTA would award a new contract to BDC, he did not preclude that possibility. The Director, in a letter to BDC on September 24, 1971, stated that "if BDC is interested in a new contract, I urge you to submit a proposal as soon as possible."

Comments on the municipal audit report were furnished to the Department of Human Resources by NTA in a memorandum dated October 29, 1971. The Director of NTA agreed with the criticisms in the audit report and proposed certain corrective actions, which included:

1. Developing a set of accounting guidelines and procedures for use by NTA and the Procurement and Supply Division (the contracting authority for the Department of Human Resources) in negotiating contracts.
2. Obtaining a list of accountable property from BDC and collaborating with the District of Columbia Government Procurement Office to ensure that, in

future contracts, accountable property would be accounted for properly and would be reported to, and, if necessary, returned to, the District.

3. Requesting the Procurement and Supply Division to include the contractor's budget proposals in future contracts.
4. Reviewing statistical reports generated from data supplied by the laboratory which performs urine tests, to relate the number of urine tests to the patient case load reported separately by the contractor.

CHAPTER 3

FUNDS PROVIDED BY THE DEPARTMENT OF LABOR AND BY THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

On March 15, 1971, the Office of Education, HEW, as part of a joint HEW-Department of Labor project authorized under provisions of the Manpower Development and Training Act of 1962, as amended (42 U.S.C. 2571), awarded BDC a 1-year grant of \$197,847 to train persons involved with drugs. Under the joint project, Labor authorized an additional \$325,800 for training stipends to the individual trainees.

The HEW grant provided for institutional training to be furnished by BDC in five occupational areas, consisting of (1) office skills, (2) drafting, (3) electronics, (4) construction, and (5) dental technology. In addition, BDC was to provide a program in prevocational education. A total of 200 trainees were to be trained for an average 26 weeks each at a total cost of \$197,847, exclusive of their stipend payments. BDC was advanced grant funds of \$39,569 and was provided with Federal excess property valued at about \$32,000. Also during the period from June 3 to September 6, 1971, training stipends totaling about \$52,000 were paid to assist trainees at BDC.

SELECTION OF TRAINING COURSES AND INSTRUCTORS

According to HEW records BDC insisted on designing its own training courses and on using its own instructors. HEW approved the use of BDC instructors without investigating their backgrounds or qualifications. Further, HEW approved of BDC's designing its own training courses. According to the District of Columbia Manpower Administration (DCMA), the local agency of the Department of Labor responsible for the administration of the training program, HEW's action was not in accordance with the Manpower Development and Training Act guidelines for institutional training programs which provided that the District of Columbia Public School System approve the selection of instructors and training courses.

In awarding the grant the Office of Education informed us that HEW had determined that DCMA was not proceeding rapidly enough in processing BDC's application for a training program. Therefore HEW, to expedite the funding of BDC, took over the direct responsibility of approving the BDC-prepared training program, curricula, and budget. An HEW official told us that the grant had been processed at HEW headquarters because of the high-risk nature of the BDC training program and because of the difficulty HEW would have in obtaining approval from the District of Columbia Public School System. Further, our review of HEW records showed that HEW wanted to expedite the funding of a training program at BDC because BDC needed immediate financial support to survive.

SELECTION OF PERSONS FOR TRAINING

In the District the selection and referral of participants for Manpower Development and Training Act programs are the responsibilities of the Department of Labor's United States Training and Employment Service. As part of the selection and referral procedure, the Service certifies all phases of an applicant's eligibility, including age, income level, and residency. Under the HEW grant all applicants for the BDC program were referred to the Service by BDC. The Service, however, did not verify the information supplied by the applicants to determine its accuracy. In only a few cases, where applicants had provided information indicating that they did not meet all the program criteria regarding age, income level, and residency, were potential trainees found ineligible.

An additional HEW requirement for the BDC training programs was that a majority of the applicants for training should have had some personal involvement with drugs. This would include the ex-drug addict and any person who was participating in a bona fide drug treatment program and/or had reached a level of emotional and physical stability that would permit his active participation in training. During our review we were informed by DCMA officials that no verification had been made to determine whether an applicant had any involvement with drugs.

TRAINING OF PERSONS

According to the grant agreement, BCD was to train 200 persons an average 26 weeks each for the period March 1, 1971, to February 28, 1972. Training did not begin until May 24, 1971, and, during the 15-week period in which training took place, an average 60 trainees a week were present, according to attendance reports submitted to DCMA by BDC.

The grant agreement provided that all training in the five occupational areas (see p. 19) and in prevocational education be conducted at 1234 Upshur Street NW. As a result of monitoring visits made by Labor and DCMA, as well as our own visit, two general observations were made.

The first was the lack of textbooks and training equipment at the training center. Most monitoring reports were prepared as the result of visits made to BDC at least 2 months after BDC reported the beginning of training. Therefore it appears that BDC had sufficient time to acquire textbooks and at least some training equipment, because the HEW grant had been made, in part, for this purpose. The second observation made in most of the monitoring reports was that trainee enrollment at BDC was considerably less than stipulated in the training grant. We noted that in many cases the attendance reports prepared by BDC showed a larger number of trainees present than were indicated in the monitoring reports.

As mentioned above the training-course curricula had been selected entirely by BDC. DCMA officials told us that the curricula selected by BDC were too advanced for trainees having limited educational backgrounds. According to DCMA officials BDC was supposed to test each applicant for the program to determine his aptitude for learning, but this was not done. DCMA officials informed us that the anticipated 26-week duration of the program was not sufficient and that the open-entry, open-exit concept whereby trainees could enter or leave a training course at any time during the 26 weeks was not realistic for the semitechnical training proposed by BDC.

Labor and DCMA officials, in their limited review of BDC training activities, concluded that BDC was providing

very little in the way of acceptable training. Of the training courses being offered by BDC, the course for dental assistants appeared to be the most questionable. For example, the HEW grant document clearly specified that the dental assistant training program be conducted by a private school. Colonel Hassan, however, initially delayed signing an agreement with the private school and at one point requested permission to set up an in-house dental assistant training program at BDC. HEW officials did not concur in the request and urged Colonel Hassan to conclude the agreement before June 7, 1971.

On June 7, 1971, HEW and Labor conducted an inter-agency project review at BDC and reported that trainees were receiving instruction at BDC using dental materials furnished by the private school and were to begin skill instruction at the school the following week.

A subsequent investigation in August 1971, by a Public Health Advisor from the National Institutes of Health revealed that Colonel Hassan, in fact, never had concluded the agreement with the private school and was conducting an unsatisfactory, makeshift training program at 1234 Upshur Street. In a report to HEW's Office of Education, the Public Health Advisor stated that the facilities for training dental assistants at BDC--including equipment, materials, teaching aids, and the general environment--were inadequate for meeting the objectives of the program. He stated further that no indication existed that any candidate for the dental assistant training program at BDC had been evaluated for potential-skill development. In addition, he stated that the potential employability of "graduates" of the dental assistant program at BDC was questionable.

On June 24, 1971, HEW suspended the grant and thereby precluded further payments to BDC. It was not until August 10, 1971, however, that Labor suspended the payment of training stipends. The payment of stipends was suspended because Labor officials were not satisfied that qualified instructors were teaching classes or that legitimate training activities were being conducted at 1234 Upshur Street, the only training site approved by Labor for BDC. The suspension of stipend payments was retroactive to August 1, 1971. According to an official of the Special Review Staff,

Office of the Assistant Secretary for Manpower, Department of Labor, the stipend payments were not suspended at the same time that HEW grant funds were suspended because of Labor's belief that such action would discourage the trainees at BDC even though Labor and DCMA monitoring visits showed that very limited training activities were being conducted at BDC.

On August 24, 1971, Labor restored stipend payments for the office skills and building trades programs, retroactive to August 1, 1971.¹

On September 9, 1971, at our request, Labor, DCMA, and our representatives visited the training site at 1234 Upshur Street. At the time of the visit no training classes were being conducted and no training materials were on hand at the training site. As a result of this monitoring visit, Labor, on September 13, 1971, indefinitely suspended all stipend payments, retroactive to September 6, 1971. Labor officials concluded that training performance at BDC was unsatisfactory and unacceptable.

In several of its monthly narrative reports submitted to NTA, BDC listed former drug addicts who had been successfully treated and who were working full time with BDC. During our review of these reports and a comparison with training-stipend payment data obtained from DCMA, we identified 16 persons who were receiving training stipends at the same time they reportedly were working for BDC. During the 15 weeks for which stipends were being paid for training at BDC, these 16 persons received a total of approximately \$9,400 in Labor training stipends while working full time with BDC. On January 27, 1972, we informed Labor officials of this matter and they advised us that an audit would be made to determine whether the stipend payments had been made erroneously.

In May 1971 Labor officials learned from some of the applicants for the BDC training program that BDC expected

¹Labor officials have subsequently informed us that the stipends were restored on the basis of an HEW statement that some on-the-job training was being performed at other, unauthorized locations.

trainees to turn over part of their weekly stipend to BDC. In addition, Labor officials obtained information concerning the possibility that some training stipend checks had been forged by officials at BDC. On November 19, 1971, we were informed that Labor investigators would review these matters. As of February 29, 1972, these matters were under investigation by Labor.

AUDIT PERFORMED BY HEW AUDITORS

On July 22, 1971, HEW auditors began an audit of expenditures related to the grant funds of \$39,569 advanced to BDC on March 25, 1971. The audit was requested by HEW's Office of Education after reports were made available to HEW and Labor in May 1971 that indicated the misuse of HEW grant funds by BDC. The reports stated that, of the initial advance of \$39,569 to BDC, only \$28,569 had been deposited in a bank account and commingled with nongrant funds and that checks drawn on this account after the deposit raised substantial questions as to whether grant funds were being used for nonallowable purposes.

The audit, which covered the period March 15 to June 30, 1971, was concerned with the same checking account and documentation covered in the District's municipal auditors' review. The HEW audit was completed in September 1971, after considerable difficulty had been encountered in obtaining documentation from BDC to support expenditures of grant funds. The HEW audit report was issued on January 6, 1972, after BDC had commented on a draft of the report.

In summary, the HEW audit report concluded that BDC had not established or maintained effective accounting procedures and controls to ensure the propriety of costs charged to the HEW grant. The report also stated that an analysis of expenditures made from BDC's checking account and cash on hand had disclosed that no expenditure could be wholly charged against the HEW grant. For example, the report stated also that \$18,419.49 had been expended on such items as wine, food, and car repairs, which are unallowable under terms of the grant. The report stated further that the propriety of expenditures of \$12,315.72 was unresolved pending receipt of additional documentation from BDC.

The report therefore recommended that the Office of Education initiate action to recover all funds from BDC which had not been properly utilized for grant purposes. The report stated that prompt recovery of \$27,253.28 should be sought and that the Office of Education should insist on immediately being either provided with sufficient documentary evidence supporting the additional expenditures of \$12,315.72 that were unresolved or reimbursed for those

expenditures. In addition, the report suggested that any consideration of further HEW grant support of BDC include a determination that an adequate accounting system had been installed with proper internal controls for ensuring the propriety of costs charged to HEW grants.

In a letter dated January 6, 1972, the Office of Education advised BDC that it would make a final determination with respect to the findings of the HEW audit report and that, in the absence of information rebutting the conclusions of the audit report, HEW would require repayment to the Government of the \$39,569 advanced to BDC under the HEW grant.

On February 14, 1972, BDC submitted additional information to HEW and stated that it specifically related to the findings in the HEW report. The information included sworn affidavits from 12 BDC staff members that they had earned a total of \$14,707 in salaries which had been paid from the \$39,569 in HEW grant funds.

On February 22, 1972, the Deputy Assistant Commissioner, Office of Education, informed us that the additional information provided by BDC would be evaluated by HEW to ascertain the extent to which it supported BDC's claim that it had spent the grant funds for approved purposes. If, on the basis of that information, the facts related to the report are in dispute, BDC will be afforded an opportunity for a hearing on the disputed matters.

CHAPTER 4

CONCLUSIONS

We believe that it is not possible to establish, with any certainty, the purposes for which all Federal funds were used by BDC.

Both District and HEW auditors attributed the financial problems associated with the BDC program to the lack of Federal Government and District Government administrative controls over Federal funds and property. We do not subscribe fully to this explanation because the facts suggest that the final outcome would have been little affected by the existence of such controls.

NTA provided funds for BDC's drug treatment program by entering into a contract providing for an initial payment of \$24,000 and 12 monthly payments of \$10,000 each. No meaningful cost basis existed for the contract amount agreed on by NTA. In the final analysis, NTA's contract amount represented what NTA considered to be an equitable amount in order to buy into BDC's drug treatment program. NTA continued to provide financial support to BDC after it was obvious that the case load stipulated in the contract was not being met. Even when NTA was considering renegotiating the contract, the objective of such renegotiation was to reduce the contract's specified case load to approximate the number of cases reported as being treated by BDC rather than to reduce the contract price.

HEW entered into the grant with BDC, fully aware of the high-risk nature of the training program and the possible financial insolvency of BDC. Further, even under these conditions, HEW did not follow Manpower Development and Training Act guidelines in selecting and approving training courses and instructors for the training courses to be conducted.

When HEW became aware that the initial payment of grant funds was being misused, prompt action was taken to suspend further payments to BDC. The Department of Labor, however, continued to make some stipend payments to assist enrollees in the training program until we, accompanied by Labor

officials, visited BDC and observed that training was not being conducted.

We believe that the above resume of decisions relating to the Federal funding of BDC does not justify a conclusion that the principal problem was the lack of administrative controls.

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COMMITTEE ON
APPROPRIATIONS

SUBCOMMITTEES:
HUD-SPACE-SCIENCE
DISTRICT OF COLUMBIA

JOINT COMMITTEE ON
CONGRESSIONAL OPERATIONS

June 17, 1971

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office Building
441 G Street N. W.
Washington, D. C. 20548

Dear Mr. Staats:

A particularly odious example of the potential for psychological oppression of Jews in this country recently came to my attention through the efforts of the Anti-Defamation League, and it involves actual Federal monetary support of an anti-Semitic manipulator in the District of Columbia, one Colonel Hassan Jeru-Ahmed.

Colonel Hassan, Director of the Blackman's Development Center in Washington, D.C., is the beneficiary of more than half a million dollars in grants from the Department of Health, Education, and Welfare and the Department of Labor, and another \$169,000 from the Narcotics Treatment Administration of the District of Columbia government, reportedly for the purpose of administering remedial education and occupational training programs for the disadvantaged.

Although I wholeheartedly endorse and will continue to support government-sponsored detoxification and rehabilitation programs, I strongly question the advisability of the Federal government supporting an anti-Semite and his para-military followers. It is dubious that Federal funds can be spent in the public interest by individuals blinded by hatred. For this reason, as a member of the House Appropriations Subcommittee on the District of Columbia, I request that the General Accounting Office perform a thorough audit of the Blackman's Development Center and the related activities of Colonel Hassen which are subsidized by public funds.

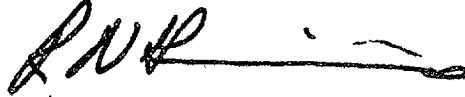
In the Soviet Union the atmosphere of anti-Semitism is thick, it is obvious, it comes across in many officially-sponsored ways. We cannot allow even the hint of such an atmosphere to grow in this country if our

attempts to apply moral pressure on the Soviet government to end their intolerable practices is to be effective and if Jews in the free world are to continue to regard the United States as a guardian of religious freedom.

I trust immediate attention will be given to my request, and I look forward to your usual cooperation and prompt reply.

With best wishes,

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'RNG', with a long horizontal flourish extending to the right.

ROBERT N. GIAIMO
Member of Congress

RNG:lv

BEST DOCUMENT AVAILABLE