



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

DEC 11 1979

B-148513

The Honorable Harrison A. Williams
Chairman, Committee on Labor and
Human Resources
United States Senate

S. 7100

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Dear Mr. Chairman:

This letter provides our [comments on S. 1840] 96th Congress, a bill cited as the "Education Amendments of 1979," and S. 1841, 96th Congress, a bill cited as the "Education Amendments of 1980." We are concerned with the provisions contained in section 432(b)(2) and section 451(e)(2), of S. 1840, which would require us to make annual audits of financial accounts maintained by the proposed Government Student Loan Association. Also, our views concerning the definition of a developing institution, as contained in section 301(b) of S. 1840 and in section 301(b)(1) of S. 1841, are provided.

The Government Corporation Control Act (31 U.S.C. 850) provides that "each wholly owned Government corporation shall be audited at least once in every 3 years" by the Comptroller General. We believe that this provision gives us the flexibility to meet our audit responsibilities consistent with the most effective use of our resources. If we find that accounting controls are weak and ineffective, we could decide that an annual audit is warranted. On the other hand, if we find that accounting controls are effective and there is adequate coverage by internal audits, it would not be an effective use of our resources to routinely make audits more often than our judgment dictates. Moreover, as you are probably aware, we are required by the Legislative Reorganization Act of 1970 (31 U.S.C. 1154) to make reviews and evaluations of Government programs and activities when required by either House of Congress or its committees.

We therefore recommend that the requirement for an annual audit by the General Accounting Office be deleted and that section 432(b)(2) on page 112 of S. 1840 be revised to read as follows:

"(2) maintain with respect to insurance under this part an integral set of accounts, which shall be audited at least once in every 3 years by the General Accounting

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Office in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act except that the transactions of the Association, including the settlement of insurance claims and the claims for payment pursuant to section 428, and transactions related thereto and vouchers approved by the Association in connection with such transactions, shall be final and conclusive upon all accounting and other offices of the Government."

Also, we recommend that section 451(e)(2) on page 149 of S. 1840 be revised to read as follows:

"(2) maintain with respect to loans made under this part an integral set of accounts which the General Accounting Office shall audit at least once in every 3 years in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act, except that the transactions of the Secretary are final and conclusive upon all accounting and other officers of the Government."

The proposed bills also present criteria for determining whether a higher education institution should be considered a developing institution under title III of the Higher Education Act of 1965, as amended (20 U.S.C. 1051 et seq.). The bills provide that a developing institution is an institution of higher education

"(1) the enrollment of which includes a substantial percentage of students from low-income families, and

"(2) the average expenditures of which are low, per full-time equivalent student, in comparison with the average expenditures of institutions that offer similar instruction."

In a February 1979 report to the Congress, 1/ we pointed out that the operating problems and the most basic problem

1/"The Federal Program to Strengthen Developing Institutions of Higher Education Lacks Direction," HRD-78-170, Feb. 13, 1979.

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of adequately defining a "developing institution" were so fundamental and pervasive that we believed the program as presently structured was largely unworkable. Therefore, we recommended that the Congress first determine whether or not the title III program should be continued. If it determines that the program should be continued, the Congress should clarify the purpose of the Strengthening Developing Institutions of Higher Education Program by providing specific additional guidance to the Department of Health, Education, and Welfare concerning the types of institutions that the program should serve and the ultimate goals that should be achieved by these institutions. 22

We believe that the definition of a developing institution as contained in the proposed legislation will likely result in those institutions that are most in need of and which can benefit from the types of services provided by the title III program being identified as eligible for the program. However, we believe a further distinction needs to be made in the funding process.

2 The Congress should provide specific guidance which is now lacking on how the Office of Education should decide which of those eligible institutions are most in need and could benefit most from funding. 55

We will be happy to discuss these matters with you.

Sincerely yours,

R.F.KELLER

Deputy Comptroller General
of the United States

bc: Mr. Ahart, HRD ✓
Mr. Lauve, HRD ✓
Mr. Jojokian, HRD ✓