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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

HEH-DE

JUN 22 1971

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RELEASED

Dear Mr. White

This report is in reply to your request dated November 13, 1970, which transmitted a letter and information sent to you by Mr. Thomas R Howell, Sr., president of Howell Electronics, Incorporated. In his letter to you, Mr. Howell indicated that, because of the serious extent of mismanagement within the United States National Student Association, he was concerned with what may be happening to Federal grant funds awarded to the Association.

We contacted 17 Federal departments and agencies which, we believed, might have awarded contracts or grants to the Association, to obtain information on the amount of Federal funds involved and to identify those contracts and grants that were active during the period July 1, 1968, through December 31, 1970. Our comments relative to the contracts and grants that were active during that period follow.

AGENCIES WHICH AWARDED CONTRACTS AND GRANTS TO THE ASSOCIATION

The Office of Education, Department of Health, Education, and Welfare, the Department of State, and the Office of Economic Opportunity were the only departments and agency of those contacted that had active contracts or grants with the Association during the period July 1, 1968, through December 31, 1970. Officials of these departments and agency (hereinafter referred to as agencies) informed us that they had not awarded any additional grants or contracts to the Association as of June 1, 1971. The Department of State also had awarded a grant to the United States National Student Travel Association, Inc , a separate organization which, however, had Association officers serving on its board of directors. The most recent of these contracts and grants was awarded in June 1968

Our review of the files and other information made available to us by the three Federal agencies showed that the contracts and grants awarded totaled \$483,840. Details of the contracts and grants are as follows.

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Department of State
Grants

Number	SCC-40903 (United States National Student Association)
Period	September 1, 1967, to August 31, 1968
Amount	\$14,578
Purpose	To assist the Association in administering a continuing educational project for five Algerian students studying in the United States
Number	SCC-40985 (United States National Student Association-Education Travel, Inc. ¹)
Period	March 15 to December 31, 1968
Amount	\$100,205
Purpose	To enable the Association to carry out a project providing for eight groups of selected African youths and student leaders to observe recent developments in contemporary American activities

¹Name subsequently changed to United States National Student Travel Association, Inc

Department of State records showed that the Department intended to use the results obtained under these grants to assist it in carrying out the U S. cultural exchange program.

Office of Economic
Opportunity
Contract

Number	B89-4248
Period	September 5, 1967, to September 5, 1968
Amount	\$63,196
Purpose	Demonstration program for selection and training of a pilot group of Volunteers in Service to America organizers.

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Grants

Number	CG-8138
Period	April 15, 1968, to April 15, 1969 (Suspended on February 13, 1969)
Amount	\$150,996
Purpose	To seek new ways of expanding the efforts of Pennsylvania college students in the war on poverty
Number	CG-8289
Period	June 15, 1968, to June 14, 1969
Amount	\$67,355
Purpose	Technical assistance grant to provide tutorial and community education assistance to community action agencies.

Office of Economic Opportunity records showed that the results obtained under these grants and contract were to be used, in general, by the Office of Economic Opportunity to enhance the effectiveness of certain antipoverty programs for which it was responsible

Office of Education

Contract

Number	OEC-2-7-062955-2839
Period	February 1, 1967, to February 1, 1969
Amount	\$87,510
Purpose	Provide for the development of reliable methods for the evaluation of undergraduate curriculum and instruction.

We were informed by Office of Education officials that the results obtained under this contract were to be used to demonstrate to officials of institutions of higher education the effectiveness and potential value of student research into the administration of such institutions

OPERATIONS UNDER THE GRANTS AND CONTRACTS

Although the Office of Economic Opportunity had suspended one of the grants it had made to the Association because the

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project was not being carried out as intended, officials of the three agencies stated that they were satisfied, in general, with the performance of both the Association and the United States National Student Travel Association, Inc. The agencies, however, experienced difficulty in obtaining required financial information and in effecting recoveries of funds arising from audit exceptions taken by Federal auditors.

The grants and contracts that we reviewed provided, in general, for reporting by the grantees or contractors of amounts expended and progress made toward the accomplishment of grant or contract objectives. In addition, the contracts provided that the Federal Government have access to, and the right to examine, documents of the contractor or any of its subcontractors pertinent to the contract.

DEPARTMENT OF STATE

A Department of State official told us that the performance of both the Association and the United States National Student Travel Association, Inc., had been satisfactory and that the program work carried out under the grants had been done very well by both organizations. The official said, however, that some financial reporting problems had arisen with respect to three of the grants--SCC-40725,¹ SCC-40903, and SCC-40985. According to the official, grant SCC-40985 (see p. 2) was the last grant made by the Department to either of the organizations.

An audit covering five grants to the Association was performed by Department of State auditors during June 1968, and a report was issued in February 1969. The auditors reported that a charge of \$319.50 under grant SCC-40903 had not been

¹Although this grant was not active at the time of our review, we are discussing it herein because of the Department's problems in obtaining refunds.

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allowable and that \$2,496 (representing unexpended funds and an audit exception to certain expenditures) should have been refunded to the Government under grant SCC-40725 which had been completed at the time of the audit. The audit report stated that, except for these items, the Association's records had been reliable and that compliance with the financial provisions of the grants had been satisfactory.

Correspondence in the grant file showed that the Department had advised the Association's comptroller on numerous occasions that the Association was to refund the amounts cited in the audit report and to submit the final financial report which was due in October 1968. In correspondence in September 1969, the Association's executive vice president informed the Department that the Association's comptroller had resigned in September on 1 hour's notice and that the Association had been unaware of the Department's earlier requests. The executive vice president stated that the comptroller had not kept the Association's financial accounts up to date, and he requested a month to put the accounts in order and to assess the situation referred to by the Department. This request was granted.

In December 1969 the Association's attorneys, in responding to a departmental follow-up letter, stated that it had become apparent that the Association had extensive financial obligations, of which its officials had been unaware, and that the situation had created a serious financial crisis which had to be handled on a priority basis.

Correspondence from the attorneys during the period December 1969 through July 1970 recounted the Association's financial difficulties and its efforts to liquidate debts of more than half a million dollars by paying off its creditors on a pro rata basis. The attorneys requested that the Association be given the opportunity to make one payment in settlement of the Department's claim and expressed a willingness to discuss the matter in detail.

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A meeting was held between officials of the Department and an attorney for the Association in September 1970. Additional contacts were made with the attorney in October 1970 and January 1971. At the completion of our work in May 1971, no agreement had been reached regarding the settlement of these grants.

Information in the Department's files indicated that it was notified in December 1969 that the United States National Student Travel Association, Inc., had filed a voluntary bankruptcy petition with the District Court of the United States for the Southern District of New York. A Department audit report stated that a representative of the Department's audit staff had attempted to audit 10 grants which had been entered into with the United States National Student Travel Association, Inc., between 1965 and 1968, but, because of the unavailability of records and documents, the auditor had been unable to complete the audit. The report stated further that the United States National Student Travel Association, Inc., had filed all required reports and had refunded the unexpended funds on all of these grants except SCC-40985.

Information in the grant file showed that the Department had decided not to pursue its contingent claim, estimated at \$4,172, for the unexpended balance under grant SCC-40985 because its auditors could not locate records to establish a claim and because the performance of the United States National Travel Association, Inc., had been satisfactory.

OFFICE OF ECONOMIC OPPORTUNITY

An Office of Economic Opportunity official informed us that the Association's performance under grant CG-8138 had been determined to be unsatisfactory and that the grant was suspended in February 1969 and about \$42,000 of expended funds were recovered. The official said that the Office of Economic Opportunity also reviewed grant CG-8289 to determine whether there were any major problems with the Association's performance under that grant but that no problems had been found.

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With respect to our inquiry as to the Association's performance under the contract B89-4248, an Office of Economic Opportunity official said that he could not recall the contract nor locate anyone still with the agency who was familiar with the contract. Our review of the contract files revealed no information relating to the Association's performance under the contract

An Office of Economic Opportunity internal audit report issued in February 1969 on a limited audit of grants CG-8138 and CG-8289 and a report issued in March 1969 on a supplemental audit of these two grants stated that the auditors had not considered the Association's control over Federal funds to be adequate and that the Association had expended funds applicable to various programs without regard to the regulations on the restrictive use of the funds. The reports questioned expenditures of about \$6,000 under these grants. The Defense Contract Audit Agency, in its report dated August 1, 1969, on the final audit of CG-8138, requested by the Office of Economic Opportunity, questioned expenditures of about \$39,000, including an expenditure of about \$1,100 previously questioned by Office of Economic Opportunity auditors.

We were informed by an Office of Economic Opportunity internal auditor that, of the total amount of about \$44,000 questioned by the Defense Contract Audit Agency and Office of Economic Opportunity auditors, all but about \$14,000 had been either recovered or otherwise resolved. An Office of Economic Opportunity internal audit agency official informed us also that his office would follow up on the Office of Economic Opportunity's actions to recover the remaining amounts questioned.

According to an Office of Economic Opportunity internal auditor, a final audit of grant CG-8289 had not been requested, but an audit of contract B89-4248 by the Defense Contract Audit Agency had been requested. He added that the latest information in the files indicated that the Defense Contract Audit Agency had been waiting for the Association to submit the final voucher for payment before beginning the audit

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OFFICE OF EDUCATION

Office of Education officials informed us that the Association's performance under the contract was considered satisfactory and that its final report was accepted by the Office of Education in September 1970. Officials informed us also that the Association had not submitted its final voucher for payment and that a final audit, if one were made, would not be initiated until the Association submitted the voucher.

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The three agencies and other parties mentioned in this report have not been given an opportunity to formally examine and comment on this report.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Peato".

Comptroller General
of the United States

The Honorable Richard C. White
House of Representatives