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Problems In Financial And  
Property Administration At  
The District Of Columbia  
Teachers College B-167006

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

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MAY 16, 1972



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

B-167006

Dear Mr. Scherle:

In accordance with your request, we have reviewed selected areas of financial and property administration at the District of Columbia Teachers College. The results of our review are set forth in this report.

We did not obtain written comments from the District of Columbia Government on the contents of the report. The contents were discussed, however, with Teachers College officials.

As agreed with your office, copies of this report are being sent to the Chairmen of the House and Senate Committees on Appropriations; Chairmen of the House and Senate Committees and Subcommittees on the District of Columbia; the Director, Office of Management and Budget; the Commissioner, District of Columbia; the Chairman of the Board of Higher Education; and the President, District of Columbia Teachers College.

Sincerely yours,

Comptroller General  
of the United States

The Honorable William J. Scherle  
House of Representatives

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COMPTROLLER GENERAL'S REPORT TO  
THE HONORABLE WILLIAM J. SCHERLE  
HOUSE OF REPRESENTATIVES

PROBLEMS IN FINANCIAL AND  
PROPERTY ADMINISTRATION AT  
THE DISTRICT OF COLUMBIA  
TEACHERS COLLEGE  
B-167006

D I G E S T

WHY THE REVIEW WAS MADE

Congressman William J. Scherle requested the General Accounting Office (GAO) to make a review at the (1) Federal City College, (2) the District of Columbia Teachers College, and (3) the Washington Technical Institute of the

--authority for the receipt and deposit of all funds,

--procedures for control over the obligation and expenditure of appropriated funds,

--accountability for supplies and equipment, and

--procedures for the collection of tuition and fees owed by students.

This report concerns the District of Columbia Teachers College. GAO did not obtain written comments from the District of Columbia Government on the contents of this report. The contents were, however, discussed with Teachers College officials.

GAO transmitted its report on the Federal City College to Congressman Scherle on October 27, 1971. GAO's report on the Washington Technical Institute will be issued shortly.

FINDINGS AND CONCLUSIONS

GAO's review at Teachers College disclosed management weaknesses which require the attention of the Board of Higher Education; District Government accounting, budgeting, and legal specialists; and Teachers College officials.

1. Deposit of funds

During fiscal year 1971 Teachers College revenues consisted of student co-operative fees of about \$290,000--of which, we believe, about \$245,000 should be considered tuition unless the college can clearly establish that the Congress has acquiesced to the long standing practice of the college regarding the use of these fees; grants of about \$275,000; reimbursements of about \$440,000 for services provided to other District agencies; and miscellaneous income of about \$45,000.

These funds were deposited in a commercial bank account rather than in the U.S. Treasury as required by applicable laws and accounting procedures.

formally advertise for bids when the cost exceeds \$2,500. GAO found that Teachers College had not complied with these requirements and as a result, might have incurred excessive procurement costs.

2 GAO believes that, although the president of Teachers College recently directed its employees to adhere to applicable procurement requirements, the District's Office of Municipal Audits should periodically review Teachers College procurement practices to determine whether the president's directive is being followed. (See pp. 23 to 25.) 2-284

## CHAPTER 1

### INTRODUCTION

In accordance with a request by Congressman William J. Scherle, the General Accounting Office made a review at the District of Columbia Teachers College of (1) the authority for the receipt and deposit of funds, (2) the procedures for control over the obligation and expenditure of appropriated funds, (3) the accountability for supplies and equipment, and (4) the procedures for the collection of tuition and fees owed by students. (See app. I.)

The District of Columbia Teachers College, as it presently exists, was formed on July 1, 1955, by merging Miner and Wilson Teachers Colleges. Its primary purpose is to prepare students for teaching in preschools, early-childhood education centers, and elementary and secondary schools.

The Teachers College apportionment of the District's education appropriation for fiscal year 1971 was \$2,967,000. It received \$1 million additional in the form of fees, grants, reimbursements from other District agencies, and miscellaneous income. As of September 1971 the college had 132 full-time faculty, 1,636 day students, 803 evening students, and 38 administrative and clerical staff members.

### BOARD OF HIGHER EDUCATION

Title I of the District of Columbia Public Education Act, approved November 7, 1966 (31 D.C. Code 1601-1606), established, among other things, the Board of Higher Education. Section 103 of the act described the powers and duties vested in the Board and provided for it to assume control of Teachers College from the Board of Education when agreed upon by both Boards and approved by the Commissioner of the District of Columbia. The effective date of transfer for policy and supervisory purposes was January 1, 1969, and for all other purposes, including administrative and fiscal, was July 1, 1969.

## INTERNAL AUDITS

The District of Columbia Office of Municipal Audits is responsible for reviewing the operations of District agencies, including Teachers College. At the request of the president of Teachers College, the Office of Municipal Audits made a review of Teachers College obligations for fiscal year 1971. We were advised by an Office of Municipal Audits official that the last review at Teachers College had been made over 5 years ago and had been limited to examining nonresident tuition rates.

## CHAPTER 2

### MONIES ERRONEOUSLY DEPOSITED

#### IN A COMMERCIAL BANK

District agencies are required to deposit receipts in the U.S. Treasury--tuition and miscellaneous receipts to the credit of the District of Columbia general fund, grant receipts to the credit of District trust accounts, and reimbursements for services provided to other District agencies to the credit of the applicable appropriation.

During fiscal year 1971 Teachers College's revenues consisted of student cooperative fees of about \$290,000--of which, we believe, about \$245,000 should be considered tuition unless the college can clearly establish that the Congress has acquiesced to the long standing practice of the college regarding the use of these fees; grants of about \$275,000; reimbursements of about \$440,000 for services provided to other District agencies; and miscellaneous income of about \$45,000. These funds were deposited in a commercial bank account rather than in the U.S. Treasury as required by laws and accounting procedures pertaining to the deposit of the funds. Our review of disbursements from this account revealed that the administrative control over the deposited funds was inadequate and that the funds had been used, in certain instances, for questionable purposes.

#### STUDENT COOPERATIVE FEES

Teachers College charges each day student a cooperative fee of \$35 a semester, and each evening and summer student a cooperative fee of \$10 a credit hour. These fees are in addition to fees charged for expenses directly related to individual courses, laboratory fees, and fees for such miscellaneous items as locker rental, transcripts, and library fines. The revenues from the cooperative fees are allocated for use as follows:



<u>Type of student</u>	<u>Purpose</u>			
	<u>Cooper- ative fee</u>	<u>Student activi- ties</u>	<u>Student Government Association</u>	<u>Budget administr- ation (note a)</u>
Day	\$35	\$6	\$9.67	\$19.33
Evening and summer	10	-	-	10.00

<sup>a</sup>Used by the college to pay operating expenses not covered by its appropriation.

In fiscal year 1971 the cooperative fees totaled about \$290,000. These fees were deposited in a commercial bank account. Of this \$290,000, about \$45,000 was used for student activities and the Student Government Association and about \$245,000 was used to pay Teachers College operating expenses. According to a college official, this type of fee has been in effect for more than 30 years and has not been treated as tuition during that period.

Teachers College is authorized (31 D.C. Code 311) to change its students tuition whether or not they are District residents. The term "tuition" is defined as a fee charged a student at a college or university for (1) the privilege of attendance at the institution (Ballentine Law Dictionary) and (2) the price of, or payment for, instruction (Webster's Seventh New Collegiate Dictionary). In the absence of express congressional intent to the contrary, words used in a statute are intended to be given their common meaning. It is our view, therefore, that the portion of the student cooperative fees allocated to budget administration (that is, paying operating expenses not covered by the college's appropriation) should have been considered as tuition payments.

Inasmuch as Teachers College has not considered any portion of the cooperative fees to be tuition for over 30 years, we are not questioning the past use of these funds to pay operating expenses without the express prior approval of the Congress. We believe, however, that in the future the part of the cooperative fees allocated to budget administration should be considered as tuition payments unless the college can clearly establish that the Congress has acquiesced

to the long standing practice of the college regarding the use of these fees. Further, as required by existing statutes (31 D.C. Code 307 when construed with 31 D.C. Code 311 as well as with 47 D.C. Code 126 and 301), tuition collected from students attending Teachers College should be deposited in the U.S. Treasury to the credit of the District of Columbia.

#### GRANTS

The District of Columbia Accounting Manual directs that each District agency disclose in its budget submissions the estimated amount of grants to be received and requires that the grant funds be deposited in the U.S. Treasury to the credit of District trust accounts and that all grant expenditures be charged against the accounts.

Teachers College disclosed the estimated amount of grants in its budget submission for fiscal year 1971 but did not deposit the grant funds in the U.S. Treasury to the credit of District trust accounts. Grant funds of about \$275,000 received in fiscal year 1971 were deposited in the college's commercial bank account. About \$250,000 was disbursed from the account during the year and charged against the grants.

#### REIMBURSEMENT OF COSTS FOR SERVICES PROVIDED TO OTHER DISTRICT AGENCIES

The District of Columbia Code (1 D.C. Code 244k) authorizes District agencies to place orders with other District agencies for any goods or services such agencies can provide. The District of Columbia Accounting Manual provides that each District agency (1) disclose in its budget submissions the estimated reimbursements to be received for services or goods provided to other agencies, (2) deposit the reimbursements to the credit of its appropriation, and (3) charge all expenditures incurred in providing the services or goods against the appropriation.

Contrary to the above instructions, Teachers College did not disclose in its budget submission the estimated reimbursements to be received for fiscal year 1971 and did not deposit the funds received to the credit of its

appropriation. Reimbursements of about \$440,000 received in fiscal year 1971 under contracts and agreements with other District agencies were deposited in the college's commercial bank account. During the year expenditures of about \$320,000 were made from the account and charged against contracts and agreements.

#### MISCELLANEOUS INCOME

The District of Columbia Code (47 D.C. Code 301) requires that all revenues be deposited in the U.S. Treasury to the credit of the District of Columbia. In fiscal year 1971 Teachers College's miscellaneous income--interest, laboratory fees, etc.--totaled about \$45,000. These revenues were deposited in the college's commercial bank account and were used to pay operating expenses.

#### INADEQUATE CONTROL OVER AND QUESTIONABLE USES OF FUNDS IN COMMERCIAL BANK

The college's administrative controls over the funds deposited in the commercial bank account were inadequate. Many payments were made on the basis of vouchers without such supporting documentation as invoices or receipts. The signature of only one official was required on checks drawn against the account. More effective control over disbursements would be provided by requiring that checks signed by disbursing officers be countersigned by other designated officials.

We believe that in certain instances these funds were used in a questionable manner. Interest-free loans and salary advances were made to faculty and staff members. Outstanding loans and advances amounted to about \$5,560 at November 30, 1971. Also the college permitted its employees to exchange personal checks for college checks drawn on its commercial bank account to vendors of their choice, so that they could obtain the same discounts and tax exemptions available to the college. This practice should not have been permitted because it was unfair to the vendors and resulted in illegal tax exemptions.

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The president of Teachers College told us that the depositing of the various revenues--cooperative fees, grants, reimbursements, and miscellaneous income--in the commercial bank account was a long-standing practice and that he was unaware of the previously described legal and accounting requirements. He stated that he would obtain guidance from District accounting officials on these matters.

#### CONCLUSIONS

We believe that Teachers College should deposit all receipts in the U.S. Treasury to the credit of the appropriate accounts. (See p. 7.)

### CHAPTER 3

#### OVEROBLIGATION OF FISCAL YEAR 1971 FUNDS

The Anti-Deficiency Act (31 U.S.C. 665), which is applicable to the District of Columbia Government, provides in part, that no officer or employee authorize or create any obligation or make any expenditure under any appropriation in excess of the amount available thereunder. The District of Columbia Procurement Manual states that, before any procurement action, such as issuing purchase orders or requisitions is taken, it must be established that funds are available.

Reports received by Teachers College from the District central accounting office showed the amounts of the college's apportionment of funds, its cumulative obligations, and its unobligated or overobligated funds. The reports for May and June 1971 showed the following unobligated or overobligated funds.

<u>Month ended</u>	<u>Period report received by college</u>	<u>Unobligated or overobli- gated(—) funds</u>
May 31, 1971	First week in June	\$333,000
June 30, 1971 (tentative)	First week in July	161,000
June 30, 1971 (final)	Last week in August	-250,000

A Teachers College official told us that he had misinterpreted the reports received from the District's central accounting office. He said that, although the college had been receiving the report after sometime in 1970, he did not fully understand them. He said that he thought that the column showing unobligated funds of \$333,000 was the amount that the college had available to spend in June and that June salaries and other expected expenses had already been deducted.

On August 5, 1971, the District of Columbia's Executive Office of Budget and Program Analysis advised Teachers College that it had overobligated its fiscal year 1971

apportionment of funds by about \$250,000 and that the overobligation had to be brought within the available apportioned funds by August 10, 1971. After we discussed the overobligation with the president of Teachers College and with the District's Budget Office, the president requested the District Office of Municipal Audits to make a review and analysis of the college's fiscal year 1971 obligations.

A report issued by the Office of Municipal Audits on March 31, 1972, recommended various adjustments of Teachers College's fiscal years 1970, 1971, and 1972 obligations, which, when made, will reduce the college's fiscal year 1970 overobligations from \$532,020 to \$522,642; the fiscal year 1971 overobligations from \$283,401<sup>(1)</sup> to \$9,528; and the fiscal year 1972 unobligated funds as of January 31, 1972, from \$1,826,899 to \$1,559,681. The recommended adjustments of obligations recorded in fiscal years 1970 and 1971 included the cancellation of some unfilled purchase orders and the transfer, for a variety of reasons, of obligations between fiscal years 1970, 1971, and 1972. We have not examined into the propriety of the recommended adjustments.

In its audit report the Office of Municipal Audits cited the following major underlying causes for the overobligation by Teachers College for fiscal year 1971.

1. The college's financial records were not reconciled on a daily or monthly basis with the financial reports furnished by the District's central accounting office.
2. College management officials were not aware of the correct amount of funds available for expenditure at the end of the fiscal year.
3. College employees responsible for the procurement functions were not familiar with applicable policies, procedures, and regulations relating to procurement activities.

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<sup>1</sup>The recording of additional obligations had resulted in increasing the overobligations as of June 30, 1971, from \$250,000 to \$283,401.

The audit report recommended that the president, District of Columbia Teachers College, take administrative action to have the daily and monthly reports on the status of apportioned funds furnished by the District Accounting Office reconciled to the financial records of the college and to ensure that all employees responsible for the procurement function are familiar with the applicable policies, procedures, and regulations relating to procurement activities.

In a letter to the Chairman of the Subcommittee on the District of Columbia, Senate Committee on Appropriations (B-118638, Mar. 13, 1972), we cited 18 cases in which the District's records indicated that reportable violations of the Anti-Deficiency Act had occurred in fiscal year 1971. One of the 18 cases was Teachers College's overobligation of its fiscal year 1971 apportioned funds by about \$250,000. The District, in responding to this letter on March 17, 1972, stated that the accounts of Teachers College were under review and expressed the belief that adjustments to correct accounting errors would result in showing that Teachers College's apportioned funds were not overobligated. As requested by the Chairman, we will report further on reportable violations of the Anti-Deficiency Act by the District of Columbia Government.

### CONCLUSIONS

The District Accounting Office reports on the status of the college's funds provided the necessary information to have avoided the authorization of obligations in excess of the amounts available. The misinterpretation by college officials of the District Accounting Office reports and, as pointed out by the District auditors, the unfamiliarity of college officials and employees with procurement regulations, policies, and procedures were the basic reasons for the overobligation of fiscal year 1971 funds.

Teachers College, in addition to adopting the recommendations by the Office of Municipal Audits, should have its officials instructed as to the meaning of the District Accounting Office's periodic reports on the status of the college's funds. Further, we believe that the Office of Municipal Audits should make reviews to determine whether its recommendations have been implemented.

## CHAPTER 4

### INADEQUATE CONTROL OVER EQUIPMENT AND SUPPLIES

The District of Columbia Accounting Manual directs that District agencies having custody of property maintain detailed property records and general ledger control accounts. Teachers College, however, does not maintain complete and accurate information on its equipment and supplies.

A function of financial property accounting is to provide reliable and systematically maintained records of an agency's investment (at cost) in property. These records should be designed to be of maximum assistance in procurement and utilization of property, including the identification of excess property and its use, transfer, or disposal. Property accounting procedures should provide for:

- Recording in accounts all transactions affecting investments in property--the acquisition and use, consumption, and disposal of property.
- Maintaining appropriate records of quantities of property and its location.
- Independently verifying the accuracy of the accounting records through periodic physical inventories.

The Teachers College maintains no accounting records for equipment and supplies and has no written procedures for the control over such items. A college official explained that the procedures for controlling equipment were as follows:

When equipment is acquired, its description and location are recorded on a master equipment record card. This information, plus the name of the person charged with the equipment, is recorded on an equipment record card. Near the end of the fiscal year, the equipment record cards are sent to the persons charged with the equipment, who indicate the status of the equipment. Changes in status, such as equipment lost, condemned, or stolen, are noted on the master equipment record cards.



To determine whether these procedures were being followed, we selected for review, from purchase orders and available inventory records, 145 items of equipment which cost \$125 or more each and which had a total cost of \$81,300. Our review showed that only 37 of the 145 items had been recorded on the master equipment record cards and that individual equipment record cards were not on file for any of the 145 items.

With regard to supplies, no records are maintained to show the quantities purchased, used, or on hand. College officials said that physical inventories of supplies were not taken and that supplies were ordered when a visual examination of items on hand indicated that more were needed. We were told that the custodial staff was responsible for issuing and controlling supplies and that a written requisition form, approved by an administrative officer or department chairman, was required before supplies would be issued.

The custodial staff did not have a listing of persons who could approve the requisitioning of supplies. We noted that 32 of the 58 requisitions on hand that had been filled at the time of our review had not been signed by administrative officers or department chairmen.

We discussed the lack of control over equipment and supplies with college officials in December 1971 and March 1972. They agreed that inventories had not been taken and that accurate records had not been maintained. We suggested, and they agreed, that assistance in establishing controls over these property assets be sought from the District Office of Municipal Audits.

### CONCLUSIONS

Teachers College does not have adequate control over its equipment and supplies. To establish and maintain effective control over these items, the following steps should be taken.

First, general ledger control accounts and subsidiary records should be established for equipment and a general ledger account should be established for supplies. Secondly, written procedures should be developed and implemented for

(1) recording all transactions in the general ledger control accounts, (2) maintaining subsidiary records showing the quantity, cost, and location of items of equipment, and (3) taking physical inventories periodically. Thirdly, a listing of persons authorized to requisition supplies should be provided to the staff responsible for issuing and controlling supplies.

## CHAPTER 5

### ALL TUITION NOT COLLECTED

Students attending Teachers College who are not residents of the District of Columbia are required to pay tuition. Teachers College's present nonresident tuition rate of \$33.75 a semester hour was established in 1968 by the Board of Education.

Teachers College has not collected tuition from all nonresident students because bills had not been issued or because efforts had not been made to collect unpaid bills. Also foreign students on student visas had not been charged tuition because the college officials erroneously had considered them to be residents of the District.

### NONRESIDENT TUITION

The District of Columbia Nonresident Tuition Act (31 D.C. Code 307d) requires the payment of tuition (1) for each child (a person under 21 years of age) who attends a public school<sup>1</sup> of the District of Columbia and who does not have a parent or guardian who resides in the District and (2) by each adult who attends such a public school and who does not reside in the District. The act requires also that tuition collected be deposited in the U.S. Treasury to the credit of the District of Columbia.

The act also provides that a child be exempt from the payment of tuition upon submission of evidence that the care, custody, and substantial support of the child are supplied by the person or persons with whom the child is residing in the District of Columbia and that the parent or guardian of the child is unable to provide such care, custody, and support, or that the child is self-supporting.

Teachers College officials told us that the college had no written procedures relating to the billing and

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<sup>1</sup>Elementary, high schools, and higher educational institutions.

collection of nonresident tuition. They said that, when they registered at the beginning of each semester, students were required to complete forms showing, among other things, their ages and residences. They said also that officials of the college's business office subsequently examined these forms to identify nonresident students, computed the tuition for each nonresident student on the basis of the number of semester hours for which he had registered, and prepared bills. Copies of the bill are mailed to the students who are notified by the college to remit their payments, together with the copies of the bill received, to the District of Columbia Treasury. Upon receipt of payment, the District Treasury mails copies of the paid bill to Teachers College.

Our review of registration forms for students registering between February 1969 and August 1971, copies of tuition bills, and tuition payments received by the District Treasury showed that the above procedures had not been followed; that nonresident tuition of \$61,675 should have been billed and collected; and that, of the \$28,836 that had been billed, only \$12,700 had been collected. Many of the bills were prepared up to 1 year late, and no attempts had been made to collect unpaid bills.

College officials told us that when the college was under the control of the Board of Education, the college prepared the tuition bills and the Board of Education had collected the tuition. They said that after control of the college was transferred to the Board of Higher Education in 1969, they were unsure as to what the nonresident tuition charge should be and were uncertain as to how the billings should be handled. They said that consequently no nonresident tuition billings had been prepared for the 1969 summer sessions.

In November 1969 the Board of Higher Education notified Teachers College officials that it had no objection to continuing the established nonresident tuition rates. The officials stated that they had learned later that new billing forms were needed and that a revenue account to which tuition collections could be credited had to be established by the District of Columbia Treasurer. They said that they had obtained the number of the account in January 1971 and that subsequently the billing forms had been ordered. The

officials offered this as the reason why billings for other semesters had been prepared late.

The college officials were unable to explain why tuition billings had not been prepared for all nonresident students. They indicated that some nonresident students might have been exempt from paying tuition because they were under 21 years of age, self-supporting, and living in the District. We advised the officials that our review of the records had not disclosed any documentation indicating that any of these students had requested exemptions under the Nonresident Tuition Act. In December 1971 we provided the officials with a listing of the nonresident students who had not been billed. The officials said that they would make a review to determine the tuition-paying status of these students. As of March 3, 1972, we had not been informed of the results of that review.

Teachers College officials expressed the view that the collection of delinquent tuition should be accomplished by the District Treasury. District Treasury officials, however, advised us that the collection of tuition was a responsibility of the college. They said that, if the college's collection efforts failed, the college should so advise the District Corporation Counsel so that further collection action could be taken. As of March 3, 1972, Teachers College had not done this, and, as a result, no effort had been taken to collect unpaid tuition bills.

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We discussed these matters with college officials in December 1971. The president of the college subsequently issued guidelines stating that the college would collect tuition from nonresident students at the time of their registration and that those students who are unable to pay at that time would be required to sign notes agreeing to pay immediately upon being billed.

We evaluated the effectiveness of the new tuition policy when students registered for the spring 1972 semester. We noted that during registration only three nonresident students had been identified and only one had been billed. A few weeks later, employees in the registrar's office

identified 35 additional nonresident students. A business office official told us that billings had been sent to all 37 nonresident students but that as of March 4, 1972, tuition had been collected from only nine.

### Conclusions

Teachers College should identify nonresidents at the time of their application for admission to the college and, at the time of registration, should collect tuition from such students before permitting them to register for classes. The Board of Higher Education should direct Teachers College to adopt a procedure which would ensure the collection of nonresident tuition and which would avoid incurring costs involved in preparing and mailing tuition bills and in collecting the tuition.

### FOREIGN STUDENT TUITION

The act of April 23, 1958 (31 D.C. Code 301a), permits 25 foreign students who are in the United States on valid, unexpired student visas to attend Teachers College on the same basis as do residents of the District of Columbia, so far as the payments of tuition and fees are concerned. Thus 25 foreign students may attend Teachers College upon payment of only the cooperative fee. (See p. 7.)

None of the foreign students in attendance at Teachers College are paying tuition. During the fall 1971 semester, 148 foreign students were enrolled. Assuming that these students were attending Teachers College on a full-time basis--that is, taking courses totaling at least 12 credit hours--and considering the existing nonresident tuition rate of \$33.75 a semester hour, the tuition that should have been collected from 123 of these students would amount to about \$50,000.

Teachers College officials said that they were of the opinion that foreign students who were 21 years of age or older and who lived in the District of Columbia were considered District residents for tuition purposes.

In our opinion, the act of April 23, 1958, created a special exception from other provisions of law which

prohibited the use of District appropriations for free tuition to students who were not District residents. This provision was considered necessary because foreign students on student visas are not considered District residents, regardless of their ages.

### Conclusions

No more than 25 foreign students, regardless of their ages, who are in the United States on valid, unexpired student visas may be permitted to attend Teachers College on the same basis as do District residents, insofar as the payment of tuition is concerned. Accordingly, we believe that the Board of Higher Education should direct Teachers College to adopt the necessary policies and procedures for collection of tuition from foreign students.

## CHAPTER 6

### IMPROPER PROCUREMENT PRACTICES

District of Columbia agencies generally are required to obtain at least three price quotations before ordering goods or services that cost between \$500 and \$2,500 and to advertise for bids when the cost exceeds \$2,500. Teachers College has not followed these requirements and, as a result, may have incurred unnecessary costs in its procurements.

The act of March 2, 1861, as amended through August 28, 1958 (41 U.S.C. 5), directs that agencies, including those of the District of Columbia Government, issue purchase orders or award contracts for supplies and services only after advertising for proposals, except when (1) the amount involved in any one case does not exceed \$2,500, (2) public urgency requires immediate delivery, (3) only one source of supply is available, or (4) certain services must be performed by a specific contractor. The District of Columbia Procurement Manual permits District agencies to select vendors without formal advertising for purchases costing less than \$2,500, but, when the cost is more than \$500, requires the agencies to obtain at least three informal price quotations. The Procurement Manual emphasizes that an agency's procurement needs should be combined to the extent possible and acquired under a single purchase order and that the splitting of purchase orders to stay under applicable dollar limitations is a violation of these procedures.

Teachers College procurements were financed from appropriated funds and from funds in its commercial bank account. In many instances the above procurement requirements were not followed by Teachers College.

Purchase orders issued by Teachers College and financed from appropriated funds are submitted to the District's Bureau of Procurement. A Bureau official advised us that all purchase orders in amounts of \$500 or more were examined to determine, among other things, whether the required number of price quotations or advertised bids had been obtained.



We found several examples where two or more purchase orders for similar items, each for less than \$500 but totaling more than \$500, had been issued to a single vendor. By splitting purchases in this manner, Teachers College evaded the necessity for obtaining price quotations and avoided the examination by the Bureau of Procurement.

Our review of college purchases financed from funds in its commercial bank account and our discussions with a college official disclosed that in many instances the required price quotations or advertised bids had not been obtained. For example, between August 1970 and November 1971, the college issued 30 purchase orders in amounts ranging from \$500 to \$38,685 and totaling about \$152,000 to one construction firm without obtaining the price quotations or advertised bids that were required.

Unnecessary costs may be incurred when only one price quotation is obtained, as demonstrated by Teachers College plans to procure video equipment at a cost of \$14,510. A proposal in this amount was obtained from a single vendor in July 1971. A comparison of the prices proposed for certain items of the video equipment with manufacturers' price lists showed that the prices did not include allowances for price or time discounts. In view of this, we contacted three other companies in the Washington metropolitan area that sold the particular items of video equipment. When shown a list of this equipment, the firms indicated they would have given price discounts ranging from 5 to 17 percent and time discounts ranging from one half of one percent if paid within 30 days to 2 percent if paid within 20 days.

Teachers College had prepared 17 purchase orders for the acquisition of the video equipment. Of these 17 orders, one was for \$7,255 payable from grant funds in the college's commercial bank account and 16, each for less than \$500 and totaling \$7,255, were payable from appropriated funds. Of the 17 orders, six had been issued when we discussed the splitting of purchase orders with college officials. The president of Teachers College directed that the 11 orders not be issued. Also he subsequently issued a policy statement directing responsible procurement personnel to adhere to applicable laws and regulations when spending Teachers College funds.

## CONCLUSIONS

Teachers College, because of its noncompliance with sound procurement practices, may have paid prices that exceeded those that could have been obtained by consolidating requirements and securing competitive bids or quotations. Adherence to applicable laws and regulations, as recently directed by the Teachers College president, should correct this deficiency. We believe, however, that the Office of Municipal Audits should periodically review Teachers College procurement practices to ascertain whether the president's directive is being followed.

WILLIAM J. SCHERLE  
7TH DISTRICT, IOWA

BEST DOCUMENT AVAILABLE

APPENDIX I

COUNTIES:  
ADAIR GUTHRIE  
ADAMS HARRISON  
AUDUBON MADISON  
CARROLL MILLS  
CASS MONONA  
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TAYLOR

**Congress of the United States**  
**House of Representatives**  
**Washington, D.C. 20515**

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July 12, 1971

Comptroller General Elmer B. Staats  
General Accounting Office  
441 G Street N. W.  
Washington, D. C. 20548

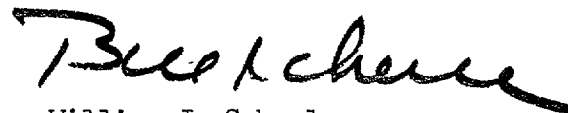
Dear Mr. Staats:

It has come to my attention that the General Accounting Office recently completed a report at the request of Senator William Spong on financial and property management at Federal City College. As a member of the District of Columbia Subcommittee of the House Committee on Appropriations, I am concerned about the operations of this and other institutions of higher education in the District of Columbia which are supported by federal funds.

Specifically, it is requested that your office review the operations of the Federal City College, the Washington Technical Institute and the District of Columbia Teachers College. We ask that you examine the following areas in particular: the authority of the receipt and deposit of all funds; the procedures for control over the obligations and expenditures of appropriated funds; the accountability for supplies and equipment; and the procedures for collection of tuition and fees owed by students. Your prompt cooperation in this investigation would be greatly appreciated.

With kind regards.

Sincerely,



William J. Scherle  
Member of Congress  
7th Iowa District

WJS:amf

U.S. GAO, Wash., D.C.

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

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