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Report to the Congress; by Elmer B. Staats, Comptroller General.

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Authority: Higher Education Act of 1965.

The Student Loan Insurance Fund, administered by the Office of Education, is the mechanism used to finance Federal insurance and reinsurance for loans made under the Guaranteed Student Loan program. The accounting system for the Guaranteed Student Loan program is unsatisfactory. Findings/Conclusions: Examination of the financial statements of the Fund for the year ended June 30, 1975, revealed that the financial statements do not fairly present the financial position of the Student Loan Insurance Fund at June 30, 1975, and the results of its operations and changes in financial position in conformity with principles. Many amounts reported on the statements lacked adequate support, and support for other amounts conflicted with the reported amounts. The accounting system for the Guaranteed Student Loan program needs to provide more complete, accurate, and timely information useful to management, the Congress, and the public. Recommendations: The Secretary of HEW should require the Office of Education to: increase income by changing the method of computing insurance charges and recalling certain interest-free advances to guarantee agencies; provide consolidated cost information on the Guaranteed Student Loan program; improve controls over advances to guarantee agencies and overpayments to lenders for interest and special allowance subsidies; and improve the quality of financial data by promptly recording all cash transactions, reconciling general ledger accounts and subsidiary records, establishing more accurate loss rates, and verifying computations. (Author/SC)

002281

REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Examination Of Financial Operations For Fiscal Year 1975 Shows Need For Improvements In The Guaranteed Student Loan Program

Office of Education
Department of Health, Education, and Welfare

This report discusses financial operations of the Office of Education's Guaranteed Student Loan program and the inability of the Office's accounting system to provide needed financial information. The report contains recommendations to the Secretary of HEW for (1) improving financial data and (2) increasing program income.

In GAO's opinion, the financial statements do not fairly present the financial position of the Student Loan Insurance Fund at June 30, 1975, and the results of its operations and changes in financial position for the fiscal year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

FOD-76-23

FEB. 10, 1977

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

B-164031(1)

To the President of the Senate and the
Speaker of the House of Representatives

We are reporting on our examination of the fiscal year 1975 financial statements of the Student Loan Insurance Fund, administered by the Office of Education, Department of Health, Education, and Welfare. Our examination was made in accordance with section 105 of the Government Corporation Control Act, as required by the Higher Education Act of 1965.

We believe the financial statements do not fairly present the financial position of the Student Loan Insurance Fund. Many amounts reported on the statements lacked adequate support, and support for other amounts conflicted with the reported amounts.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Health, Education, and Welfare; and the Commissioner of Education, Department of Health, Education, and Welfare.

Elmer B. Staats

Comptroller General
of the United States

Contents

ABBREVIATIONS

GAO	General Accounting Office
GSL	Guaranteed Student Loan
HEW	Department of Health, Education, and Welfare
OE	Office of Education

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

EXAMINATION OF FINANCIAL OPERATIONS FOR FISCAL YEAR 1975 SHOWS NEED FOR IMPROVEMENTS IN THE GUARANTEED STUDENT LOAN PROGRAM
Office of Education
Department of Health, Education, and Welfare

D I G E S T

The Comptroller General is required by law to examine the financial transactions of the Student Loan Insurance Fund. This Fund finances Federal insurance of student loans and Federal reinsurance of student loans insured by State or private nonprofit agencies.

Certain Office of Education financial management policies, procedures, and practices need to be strengthened to promote greater efficiency and economy in operations. For example:

--The agency is not using its full statutory authority in charging insurance premiums. If such authority were fully used, program income could have been increased by $1.35 million annually, based on fiscal year 1975 figures. (See p. 3.)

--The agency has not established procedures and criteria to recall advances from guarantee agencies when they are no longer needed. Seven State guarantee agencies with advances totaling over $2.6 million did not meet the current criteria for an advance. If advances had been recalled, the Federal Government could have saved $160,000 in interest each year. (See pp. 4 and 5.)

Currently, the Office of Education is presenting financial data only for the Student Loan Insurance Fund, which is just a part of the Guaranteed Student Loan program. In order for the Congress and Department of Health, Education, and Welfare (HEW) management to effectively evaluate this program, financial data should be presented for the entire Guaranteed Student Loan program. (See pp. 6 and 7.)

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Also, improved controls over some financial aspects of the Guaranteed Student Loan program are needed:

--Controls over interest and special allowance payments are inadequate. During fiscal year 1975, $1 million of duplicate payments and $600,000 of overbillings were returned by lenders. (See pp. 7 to 9.)

--OE records do not adequately identify outstanding balances for advances to guarantee agencies. (See pp. 9 and 10.)

The accounting system for the Guaranteed Student Loan program is unsatisfactory. It needs to provide more complete, accurate, and timely information useful to management, the Congress, and the public. Examples are:

--Cash transactions are not always recorded promptly, thus causing the cash balance to be misstated. (See pp. 11 and 12.)

--Control accounts are not reconciled to subsidiary records, thus causing financial statement figures to be unreliable. (See pp. 12 and 13.)

--Allowance for loss rates are not based on program experience, thus there is a significant overstatement of assets and understatement of expenses. (See pp. 13 to 15.)

--Failure to verify computations caused a $128 million overstatement of liabilities and expenses. (See pp. 15 and 16.)

In GAO's opinion, the financial statements of the Student Loan Insurance Fund--except for appropriations--do not present fairly the financial position of the Fund at June 30, 1975, and the results of its operations and changes in its financial position for the year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

This report contains recommendations that the Secretary of HEW require the Office of Education to

--increase income by changing the method of computing insurance charges and recalling certain interest-free advances to guarantee agencies,

--provide consolidated cost information on the Guaranteed Student Loan program,

--improve controls over advances to guarantee agencies and over payments to lenders for interest and special allowance subsidies, and

--improve the quality of financial data by promptly recording all cash transactions, reconciling general ledger accounts and subsidiary records, establishing more accurate loss rates, and verifying computations.

HEW agreed with all of GAO's recommendations except the recommendation to change its method of charging insurance premiums. HEW stated that the administrative costs of the change would be more than the additional revenues generated.

GAO believes that the administrative costs would be more than offset by the additional revenues produced. (See p. 5.)

CHAPTER 1

INTRODUCTION

The Guaranteed Student Loan (GSL) program was authorized by the Higher Education Act of 1965. Its basic objective is to provide loan guarantees for students beyond the high school level. There are two components--a program of direct federally insured loans and a reinsurance program for eligible State or private nonprofit agency loans. Under both, loans are made by commercial lending institutions, State lending agencies, or schools.

The GSL program is administered by the Department of Health, Education, and Welfare (HEW) through its Office of Education (OE). As of June 30, 1975, OE had insured about 3.5 million loans amounting to $3.8 billion, while State and private nonprofit agencies had insured about 4.5 million loans amounting to $4.5 billion. In addition, OE has paid qualified lenders $1.3 billion in interest benefits and special allowances, including $326 million paid during fiscal year 1975.

The Student Loan Insurance Fund (Fund) is the mechanism used to finance Federal insurance and reinsurance for loans made under the GSL program. The scope of our examination of the Fund's financial transactions and our opinion on its financial statements are presented in chapter 5.

ACCOUNTING RESPONSIBILITIES

The Accounting and Auditing Act of 1950, 31 U.S.C. §66a (1970), places responsibility for establishing and maintaining adequate systems of accounting and internal control with the head of each executive agency. These systems are necessary to meet the accounting principles, standards, and related requirements prescribed by the Comptroller General.

The 1950 Act requires that the Comptroller General approve accounting systems when they are deemed adequate and conform to his prescribed principles, standards, and related requirements. Approval of accounting systems is done in two stages--the agency first submits a statement of principles and standards to the Comptroller General, and then submits the accounting system's design. The Comptroller General approved the principles and standards for HEW's accounting system, as a whole, in April 1970.

OE submitted its accounting system design to the Office of the Secretary, HEW, in November 1975 for review and approval. We received the accounting system documentation for OE, including the Student Loan Insurance Fund, in March 1976.

The accounting system design documentation submitted is incomplete, and documentation on the automatic data processing aspects of the system has not been provided as yet. We plan to explore with OE and HEW the possibility of submitting an accounting system design for the Student Loan Insurance Fund as a separate entity.

CHAPTER 2

OPPORTUNITIES TO INCREASE

PROGRAM INCOME

Annual appropriations are given to the Office of Education to help finance the entire Guaranteed Student Loan program. One of these appropriations helps finance the Student Loan Insurance Fund. OE has failed to take advantage of an opportunity to increase the Fund's income by changing the method of computing loan insurance charges. Had OE availed itself of this opportunity, income to the Fund could have increased about $1.35 million annually, based on fiscal year 1975 figures. Since appropriations are needed to cover the Fund's shortfall, any additional income would decrease the amount of appropriations needed.

In addition, the Federal Government could have benefited by at least another $160,000 if certain interest-free advances to State guarantee agencies were recalled.

OPPORTUNITY TO INCREASE INSURANCE PREMIUM INCOME

Section 429(c) of the Higher Education Act of 1965 states that:

> "The Commissioner shall, pursuant to regulations, charge for insurance on each loan under this part a premium in an amount not to exceed one-fourth of 1 percentum per year of the unpaid principal amount of such loan (excluding interest added to principal) payable in advance, at such times and in such manner as may be prescribed by the Commissioner."

OE is calculating insurance premiums at the rate of 1/4 of 1 percent per year from the month following the month of disbursement until 12 months after the student's anticipated date of graduation. OE elected to compute the premium over this period rather than the loan's full life to avoid the administrative cost that would be involved in recomputing the premium each time the principal balance changed.

If OE had utilized its full authority, we estimate that insurance premium income could have increased by about $1.35 million, or 40 percent per year, based on fiscal year 1975 figures. If such authority were used, insurance premiums would be computed based on unpaid balances during the repayment period. This would pass on more of the GSL program's cost to program participants, thus reducing the level of appropriations required.

OPPORTUNITY TO REDUCE INTEREST COSTS BY RECALLING ADVANCES

The Higher Education Act of 1965 authorizes the Commissioner of Education to make advances to any State, nonprofit institution, or organization with which he has an agreement, for the purpose of helping to establish or strengthen the reserve fund of the Student Loan Insurance program. The Act also specifies that advances shall be repaid within such period as the Commissioner may deem appropriate in each case, considering the maturity and solvency of the reserve fund for which they were made.

Before an advance is granted to a guarantee agency, OE requires that at least 75 percent of the guarantee agency's reserve fund be obligated. As of June 30, 1975, OE reported over $18 million of outstanding advances, of which over $17 million has been held by guarantee agencies for more than 7 years.

We reviewed data from all 26 guarantee agencies and found that, from June 197? to December 1975, 7 agencies consistently had over $2.6 million in outstanding advances. At the same time, the obligated funds for each of these agencies were less than 70 percent of their reserve funds--excluding the Federal advances. Thus, these agencies would not meet the requirement for obtaining an advance.

If these funds were returned to the U.S. Treasury, we estimate the Federal Government would save over $160,000 in interest costs each year. The funds have remained with the guarantee agencies because OE has not established any criteria or procedures for recalling them.

We realize that OE must consider a number of variables when establishing criteria for repaying advances. Such criteria would include the monthly fluctuations of the reserve fund, ability of the fund to insure additional loans, cash flow, and the interest-gaining potential of invested money. We analyzed each agency's reserve fund to determine if its ability to insure additional loans would be impaired if the advance were returned to the Federal Government. In the seven guarantee agencies previously mentioned, the reserve fund's ability to insure additional loans would not have been significantly decreased after repaying the Federal advance.

In order to gain additional income, OE should establish criteria and procedures for recalling advances. We believe that the Congress, while authorizing advances, did not intend that guarantee agencies should have indefinite use of Federal funds at no cost.

CONCLUSIONS AND RECOMMENDATIONS

OE could increase income, funds-on-hand, and decrease the level of required appropriations by improving its financial management of the GSL program. It has missed an opportunity to increase income by changing the method of computing insurance premiums. It also has made no effort to recall advances from guarantee agencies.

We recommend that the Secretary of HEW require OE to

--utilize its full statutory authority in charging insurance premiums and

--establish criteria to determine when Federal advances to guarantee agencies should be returned.

AGENCY COMMENTS

HEW did not agree with our recommendation to use the full statutory authority in charging insurance premiums. HEW believes costs incurred by lenders for additional recordkeeping, collection activity, processing refunds, and other administrative requirements would probably exceed the $5 per loan premium and might cause lenders to withdraw from the program. HEW stated it is not aware of any existing OE mechanism which would accomodate such a change.

The $5 per loan premium is an annual amount. Assuming a 5-year repayment period, which is the minimum time, even if lenders were allowed to keep 1 year of the additional premium for processing costs, OE's income would increase significantly, since in fiscal year 1975 alone about 500,000 federally insured loans were made.

To change the method of charging insurance premiums, outstanding principal balances must be known. Lenders presently maintain outstanding principal balances and periodically report them to OE.

HEW agreed that criteria should be established to determine when Federal advances to guarantee agencies should be returned and plans to publish regulations on this subject.

CHAPTER 3

OTHER ASPECTS OF THE GUARANTEED

STUDENT LOAN PROGRAM

In the previous chapter we were concerned with specific matters relating to increasing income. This chapter deals with three unrelated areas that also warrant further consideration. These include (1) providing the Congress consolidated cost information in order to determine the Guaranteed Student Loan program's cost effectiveness and (2) improving the control over (a) interest and special allowance payments and (b) advances made to guarantee agencies.

CONSOLIDATED COST INFORMATION IS NEEDED

We recommended in our fiscal year 1973 report that consolidated cost information on the entire GSL program be provided. The Student Loan Insurance Fund is just one of three appropriations involved in the GSL program. It pays claims for defaulted loans, bankruptcy claims, and death and disability claims for loans disbursed prior to December 15, 1968. In fiscal year 1975, the Fund's net loss totaled $194 million--income totaled $19 million and expenses totaled $213 million. The other two appropriations are:

1. The Higher Education Appropriation, which pays for interest subsidies, special allowances, advances, and death and disability claims for loans disbursed on or after December 15, 1968. GSL program activities financed from this appropriation totaled $330 million for fiscal year 1975.

2. The Salaries and Expense Appropriation, which pays for staffing and computer services expenses. GSL program salaries and expenses amounted to over $11 million for fiscal year 1975.

Our prior reports have suggested that in addition to preparing the Fund's financial statements, OE should prepare a separate statement showing all expenses relating to the GSL program. With this additional information, the Congress and HEW management could evaluate the program's effectiveness in relation to its cost.

In replying to this recommendation, HEW officials agreed that consolidated cost information was necessary, and they were considering establishing cost accounting concepts and requirements. However, we were informed that in November

1975 HEW decided to simplify its accounting requirements due to staff shortages, thus delaying indefinitely the establishment of a cost accounting system.

Because of this decision, we reviewed existing records on the GSL program to determine if consolidated cost information could be provided without developing a cost accounting system.

Except for overhead costs, which are relatively minor, this information has now become available. Beginning in fiscal year 1975, OE management accumulated data by all major organizational units (including regional offices) for the GSL program. A determination, therefore, can be made of the charges for staffing, computer services, and other miscellaneous expenses.

Information has been available since at least fiscal year 1974 on those expenditures financed from the Higher Education Appropriation. Thus, with the changes noted above, it appears that HEW can prepare a consolidated cost schedule without a cost accounting system.

We believe that until a cost accounting system is established, OE should use available data to report consolidated cost data at yearend. We believe, however, that a well-designed cost accounting system which accumulates reliable data continuously throughout the year for all costs of the GSL program could help OE control costs and evaluate program operations.

Recommendation

We recommend that the Secretary of HEW require OE to implement our previous recommendation that OE provide the Congress with consolidated cost information on its GSL program.

Agency comments

HEW agreed with the recommendation, stating it will submit consolidated cost reports for the GSL program to the Congress in either the fiscal year 1978 congressional justifications materials or some other appropriate document.

LACK OF VERIFICATION OF AND CONTROL OVER INTEREST AND SPECIAL ALLOWANCE PAYMENTS

Lending institutions in the GSL program are paid a portion of the interest on behalf of qualified student borrowers and a "special allowance" subsidy, pegged to money market conditions, to encourage granting loans.

The HEW Audit Agency reviewed the accuracy of interest and special allowance subsidy billings. In a report dated September 7, 1973, the Agency reported that 96 of the 108 lending institutions included its review (89 percent) made errors in interest subsidy billings to OE. It estimated that, of the $167.5 million in interest billings paid to all institutions between April 1, 1971, and March 31, 1972, total overbillings were $6.1 million.

For the most part, lenders were unaware that they were making errors. Incorrect quarterly balances of the unpaid loan principal were submitted by 81 percent of the lenders reviewed. These quarterly balances are used by OE to compute the special allowances due the lenders. No dollar projection was made for special allowance errors.

In a 1973 GAO report, we recommended that OE strengthen its own procedures for verifying the propriety and accuracy of billings submitted by lenders. As a followup, we reviewed the accounting control established by OE as of June 30, 1975, and determined that OE still could not verify the accuracy of interest and special allowance billings submitted by lenders.

Because OE does not verify interest and special allowance billings, it has been overbilled by lenders and has made duplicate payments to lenders. In fiscal year 1975 lenders returned over $1.6 million because of overbillings and duplicate payments.

A review of fiscal year 1975 interest and special allowance receipts showed that over $600,000 had been received from lenders, who were returning overpayments to OE. In reviewing documentation at OE, one of the major causes of overbillings was that lenders were still erroneously billing OE for interest after the grace period (9 to 12 months after the student leaves school). This coincides with the Audit Agency's 1973 report findings discussed earlier.

In addition, during fiscal year 1975 lenders returned over $1 million in Federal Government-issued checks because of duplicate payments. Presently, OE cannot tell which lenders received duplicate payments for interest and special allowance subsidies without manually reconciling billings to the pay history file. Also, since the pay history file has not been updated to recognize checks returned by lenders, OE cannot readily determine which lenders have duplicate payments in their possession. Thus, OE is placing heavy reliance on lenders to identify overpayments.

Recommendations

We recommend that the Secretary of HEW require OE to

--establish procedures to verify the accuracy and reliability of interest and special allowance billings,

--implement procedures to credit accounts for canceled checks and overpayments so it can readily be determined if duplicate payments have been returned, and

--implement followup procedures when management reports indicate that duplicate payments have been made to a lender.

Agency comments

HEW agreed with our recommendations and plans to implement better controls over canceled checks and duplicate payments in fiscal year 1977. HEW also plans to improve controls over interest and special allowance payments, but these controls will not be completely available for several years. In the meantime, OE plans to increase the number of examinations with additional emphasis on verification of interest and special allowance payments.

CONTROLS OVER ADVANCES NEED IMPROVEMENT

The Higher Education Act of 1965 authorizes the Commissioner of Education to make advances to any State, nonprofit institution, or other organization with which he has an agreement, for the purpose of helping to establish or strengthen the Student Loan Insurance reserve fund.

To adequately control funds advanced, it is necessary to keep records of how much money was advanced and to whom. OE's records of advances outstanding did not agree with outstanding amounts reported by guarantee agencies. For example, the Finance Division reported that advances outstanding as of June 30, 1975, amounted to about $18.6 million. However, about $19.2 million--a difference of $0.6 million--was reported by guarantee agencies for the same period.

Because OE records do not adequately identify the outstanding advance balance for each guarantee agency, we were unable to determine the reason for the difference.

Recommendation

We recommend that the Secretary of HEW require OE to establish and maintain subsidiary records for advances made to the State and to private guarantee agencies.

Agency comments

HEW agreed to develop procedures to effect reconciliation of advance fund records annually.

CHAPTER 4

FINANCIAL DATA NEEDS IMPROVEMENT

Each year we make many of the same recommendations we made in previous reports for improving the financial data of the Fund. For the most part, OE has concurred in our recommendations and has indicated its intention to follow through with corrective action. However, many accounting deficiencies noted in our prior reports still exist.

Divergent responsibility within OE has prevented good accounting practices from being used. For fiscal year 1975, there was a failure to

--record cash transactions promptly,

--reconcile general ledger to subsidiary records,

--use actual program experience in establishing loss rates, and

--provide accurate computations.

CASH TRANSACTIONS SHOULD BE PROMPTLY RECORDED

All cash transactions occurring by fiscal yearend should be reflected in the yearend financial statements. Our cash analysis at June 30, 1975, showed at least $350,870 that was not recorded on the financial statements. This included:

1. $209,542 increase that represented cash on hand or in transit at June 30, 1975, which was not recorded until after yearend. This consisted of $139,629 in unrecorded deposits and $69,913 in Federal Government checks that had been returned but not recorded as returned.

2. $158,000 increase that should have been removed from the suspense account, which is not part of the Fund. This account records unidentified collections received on defaulted loans. By not removing amounts from the suspense account, the Fund's cash is understated by the amount in suspense.

3. $16,672 decrease because debit vouchers used to record bad checks and thus reduce cash were not properly recorded.

If the above items had been recorded at June 30, 1975, the cash balance of $100,869,931 would have been increased to $101,220,801.

GENERAL LEDGER ACCOUNTS AND SUBSIDIARY RECORDS SHOULD BE RECONCILED

Good accounting requires that subsidiary records be maintained in support of general ledger control accounts and that such records be periodically reconciled with their control accounts. We found that the Finance Division had not been reconciling general ledger control accounts with their supporting subsidiary records. As a result, the account balances reported for June 30, 1975, are unreliable.

We reviewed the subsidiary records maintained for insurance premiums, defaulted loans purchased, and accrued interest. These records are maintained by the Office of Guaranteed Student Loans but are not provided to the Finance Division which maintains the control ledgers.

Insurance premiums

We were provided with detailed listings of insurance premiums due from lenders amounting to $981,461 as of June 30, 1975. Confirmation letters were sent to a random sample of 334 lenders and to all 37 lenders with premiums outstanding since October 1974. About 96 percent of these lenders responded. Most confirmed the amount reported.

The Fund's June 30, 1975, financial statements prepared by the Finance Division showed $865,194 of accounts receivable. After making adjustments for $73,734 in checks on hand that were not recorded, the difference between control and subsidiary records was $190,000. Also, $13,000 of additional premiums due but unbilled was identified during our confirmation process. Thus, accounts receivable for insurance premiums was understated by approximately $203,000, or 23 percent.

It appears that one major reason for the difference is that the Office of Guaranteed Student Loans has collected money for premiums which remained unbilled. Such collections reduced the accounts receivable control account balance maintained by the Finance Division, even though the amounts due had never been recorded.

Defaulted loans purchased

As of June 30, 1975, the Finance Division records were $398,000 less than the Office of Guaranteed Student Loans' subsidiary records for defaulted loans purchased. Subsidiary records were $858,000 lower for insured loans and $1,256,000 higher for reinsured loans. OE could offer no explanation for the difference.

Accrued interest

The amount of accrued interest on defaulted loans as reported by the Finance Division was based on estimates and did not coincide with subsidiary records. Subsidiary records were $3 million higher for insured loans and almost $6 million higher for reinsured loans. Some of the difference can be accounted for by computational errors. However, for the remaining amount it appears the Finance Division accepted the estimated figures without any supporting documentation.

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If the above accounts had been reconciled at yearend, we believe most of the differences would have been resolved.

LOSS RATES SHOULD BE BASED ON ACTUAL PROGRAM EXPERIENCE

OE has two types of loss rates for the GSL program. There is (1) an allowance for loss on defaulted loans purchased, accrued interest, and claims in process and (2) an estimated future loss used to establish a liability for claims against the Federal Government for outstanding loans.

In our examination we noted that the first rate is based not on actual program experience but rather on the program experience of the Federal Housing Administration Title I Insurance Fund. Actual program experience is used for the second rate.

OE officials have previously agreed that the Title I program was not comparable to the GSL program, but said this rate has been used because of similar factors in the two funds' operations and because of lack of experience under the GSL program. We believe, however, that OE now has the necessary experience to base the loss rate on GSL program experience. (The Student Loan program was established in 1965, over 10 years ago.)

During fiscal year 1975, OE used a 55-percent allowance for loss rate. Since the rate covers defaulted loans purchased, accrued interest, and claims in process, we analyzed two of these accounts to determine actual program experience. Our analysis showed that

--for defaulted loans purchased, the actual loss rate was over 90 percent, and

--for accrued interest, the actual loss rate was almost 100 percent.

Defaulted loans purchased

From program inception through June 30, 1975, about \$23.4 million of \$303.8 million, or 8 percent of the defaulted loans purchased, had been collected. We looked at the first half of fiscal year 1976 to see if this trend was continuing and found that the amounts collected did not increase over the first half of fiscal year 1975.

We also attempted to confirm a sample of loan balances by mailing letters to 852 students with defaulted loans. About 85 percent of the loans could not be confirmed because the students either did not respond or their addresses were inaccurate or not available.

To further determine actual program experience we aged the claims and collections file at June 30, 1975, and found that 1,045 claims amounting to over \$830,000 had been defaulted over 6 years. This is significant because the statute of limitations for these loans expires after 6 years. Thus, actual experience shows that only 8 percent of defaulted loans purchased are being collected.

The effect of understating the allowance for loss rate for defaulted loans purchased is to overstate assets and understate expenses. For example, if the 90-percent allowance for loss rate for defaulted loans purchased had been used for fiscal year 1975, assets would have been reduced by one-third, or \$98 million, and expenses would have been increased by the same amount.

Accrued interest

Since the program began, OE has collected only about \$160,000 of \$31 million in interest accrued. This is less than 1 percent of the total interest accrued. Program experience, therefore, shows that most of the interest is uncollectable. And showing accrued interest as income when it is not collectable overstates income. If the loss rate had been based on actual program experience, the Fund's income for fiscal year 1975 would have been reduced by \$15.6 million.

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We believe the above indicates the need for loss rates based on actual experience. Separate loss rates should be established for loan principal and accrued interest. We believe the program has had sufficient experience to establish the rates.

COMPUTATIONS SHOULD BE VERIFIED

Amounts reported on financial statements should be accurate. To help ensure accuracy, computations to derive significant figures should be verified. For several significant items on the financial statements, the Finance Division made accounting entries using unverified dollar amounts reported by the Office of Guaranteed Student Loans. Subsequently, we found these figures were erroneous and significantly affected the financial statements of the Fund.

For example, the official who computed the estimated future loss rates for fiscal year 1975 for the reinsured loan program used a 12-percent rate when actually it should have been 5 percent, the same rate used in fiscal year 1974. When we pointed out that the loss rate he used was too high, the official acknowledged his mistake but the Finance Division refused to correct it. If the correct loss rate for reinsured loans had been used, liabilities and expenses would have been $128 million less.

Also, the estimated future loss rate was applied against only 92 and 91 percent of the outstanding amounts for insured and reinsured loans, respectively. However, the default rates should have been multiplied times the total outstanding loans, since total mature loans were used in establishing the loss rates.

In another instance, the Finance Division was recording the amount of interest income for the year based on estimates, which, in effect, increased accrued interest receivable. However, the balances for outstanding defaulted loans purchased used by the Office of Guaranteed Student Loans in computing interest income did not agree with the Finance Division control ledger. Subsidiary records showed that as of June 30, 1975, defaulted loans purchased amounted to $260,685,049. However, the ending balance in the defaulted loans control ledger was $279,762,982, or an unexplained difference of $19,077,933.

If computations had been verified, liabilities of $554 million and expenses of $213 million would have been decreased by $128 million. Also, the amount of interest income and accrued interest would have differed by an undetermined amount.

SPLIT RESPONSIBILITY FOR ACCOUNTING DATA

The problems with the financial data discussed above are caused in part by inadequate interaction between the different organizations that prepare the data. OE's Finance Division is responsible for maintaining the records of original entry that constitute the official accounting records for the Fund. The Finance Division maintains, in summary form, commercial-type ledgers for the Fund and develops yearend commercial-type financial statements.

However, much of the information used to support the Fund's financial statements comes from data obtained from OE's Office of Guaranteed Student Loans, which is responsible for reporting on and administering the entire GSL program. This Office provides information on estimated future losses, accrued interest, and allowance for loss rates. It is also responsible for maintaining subsidiary records to support the Finance Division's balance for defaulted loans purchased, accrued interest, and insurance premiums receivable.

CONCLUSIONS AND RECOMMENDATIONS

The details presented in this chapter clearly show that the data presented on the financial statements of the Student Loan Insurance Fund needs to be improved.

Problems with the financial data seemed to occur because in almost all instances there was split responsibility for the data between OE's Finance Division and Office of Guaranteed Loans. The inadequate interaction between the two organizations has resulted in inaccurate financial statements.

We recommend that the Secretary of HEW require OE to establish the necessary controls between the two organizations that will improve the quality of data presented on the financial statements. Such controls should require that

--cash transactions be recorded in the year in which they apply;

--general ledger control accounts be periodically reconciled with subsidiary records;

--a procedure be established to properly account for collections of unbilled insurance premiums;

--loss rates be established based on actual program experience;

--all loss rates be annually evaluated and necessary adjustments made; and

--computations be verified and properly supported.

AGENCY COMMENTS

HEW generally agreed with our recommendations and agreed to implement them, although several solutions are still several years away. In the interim, we believe consideration should be given to shorter term solutions where possible.

For example, HEW said loss rates cannot be established based on program experience because presently over half of the defaulted loans have not undergone even limited collection efforts. We agree that collection efforts need to be improved, but we believe this should not delay establishing loss rates based on actual program experience. We believe also that HEW should be able to estimate the program's loss rates more accurately now, as OE has hired over 100 loan collectors for the GSL program since July 1974, and HEW should not have to rely on loss rate estimates provided it by the Federal Housing Administration (see p. 13).

CHAPTER 5

SCOPE OF EXAMINATION AND OPINION

ON FINANCIAL STATEMENTS

We have examined the Statements of Financial Position of the Student Loan Insurance Fund as of June 30, 1975 and 1974, and the related Statements of Income and Retained Earnings and Changes in Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other auditing procedures as we considered necessary.

As discussed in the previous chapter, many of the amounts reported on the financial statements lacked adequate support, while support for other amounts directly conflicted with the reported amounts. Specifically:

1. Cash is understated by about $350,870 because all transactions were not recorded at June 30, 1975.

2. Accounts receivable is understated by $203,000 mainly because collections for unbilled premiums were not being handled properly and because some premiums were not billed.

3. The defaulted loans purchased balance of $280 million is not supported by subsidiary records.

4. Accrued interest on defaulted loans amounting to $30 million is unreliable because it is only an estimate unsupported by subsidiary records.

5. The allowance for loss rate of 55 percent for defaulted loans purchased, accrued interest, and claims in process is not based on the actual GSL program experience. Such experience indicates rates should be higher.

6. The estimated future losses for reinsured loans for fiscal year 1975 was overstated by $128 million because an incorrect rate was used.

The deficiencies noted above not only affect the Statement of Financial Position (schedule 1), but also the Statement of Income and Retained Earnings (schedule 2) and the Statement of Changes in Financial Position (schedule 3).

In our opinion, except for appropriations, the aforementioned financial statements do not present fairly the financial position of the Student Loan Insurance Fund at June 30, 1975, and the results of its operations and changes in its financial position for the year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

We previously reported on the financial statements of the Student Loan Insurance Fund for the fiscal year ending June 30, 1974. In our opinion, the financial statements did not present fairly the financial position of the Student Loan Insurance Fund at June 30, 1974, and the results of operations and changes in financial position for the year then ended, in conformity with the principles and standards of accounting prescribed by the Comptroller General of the United States.

SCHEDULE 1

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

STUDENT LOAN INSURANCE FUND

COMPARATIVE STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 1975 AND 1974 (note 1)

ASSETS	1975	1974
Cash	$100,869,931	$ 14,356,796
Insurance premiums receivable	865,194	704,705
	101,735,125	15,061,501
Defaulted loans purchased (note 2):		
Insured	169,920,084	99,175,047
Reinsured	109,842,898	72,478,464
Accrued interest on defaulted loans:		
Insured	18,573,669	9,013,150
Reinsured	11,819,412	5,931,088
Claims in process (note 3):		
Insured	37,204,546	31,251,954
Reinsured	5,595,826	876,933
	352,956,435	218,726,636
Less allowance for losses (note 4)	194,139,419	120,299,649
	158,817,016	98,426,987
Total assets	$260,552,141	$113,488,488
LIABILITIES		
Claims payable (note 3):		
Insured	$ 38,711,544	$ 32,485,984
Reinsured	5,779,935	901,617
Estimated future losses:		
Insured	290,088,700	273,049,200
Reinsured	219,571,400	104,436,150
Total liabilities (note 5)	554,151,579	410,872,951
NET WORTH		
Cumulative appropriations	378,249,000	180,649,000
Cumulative deficit	(671,848,438)	(478,033,463)
Total net worth	(293,599,438)	(297,384,463)
Total liabilities and net worth	$260,552,141	$113,488,488

The notes on pages 23 and 24 are an integral part of the financial statements.

The opinion of the General Accounting Office on these statements appears on pages 18 and 19.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

STUDENT LOAN INSURANCE FUND

COMPARATIVE STATEMENT OF INCOME AND RETAINED EARNINGS

FOR FISCAL YEARS ENDED JUNE 30, 1975 AND 1974 (note 1)

	1975	1974
INCOME:		
Insurance premiums billed	$ 3,486,422	$ 2,709,807
Interest accrued on defaulted loans	15,708,380	8,674,632
Total income	19,194,802	11,384,439
EXPENSES:		
Death and disability claims	229,936	398,612
Bankruptcy claims	6,079,993	2,981,179
Provision for losses:		
Defaulted loans	42,318,237	38,240,972
Accrued interest	8,666,656	4,752,877
Claims in process	23,540,205	17,670,888
Interest on Treasury loan	-	259,775
Estimated future losses (note 6)	132,174,750	74,858,350
Total expenses	213,009,777	139,162,653
Net loss	(193,814,975)	(127,778,214)
Deficit at beginning of year	(297,384,463)	(258,274,249)
	(491,199,438)	(386,052,463)
Funds appropriated	197,600,000	88,668,000
Deficit at end of year	$(293,599,438)	$(297,384,463)

The notes on pages 23 and 24 are an integral part of the financial statements.

The opinion of the General Accounting Office on these statements appears on pages 18 and 19.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

STUDENT LOAN INSURANCE FUND

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR FISCAL YEARS ENDED JUNE 30, 1975 AND 1974 (note 1)

	1975	1974
FUNDS PROVIDED:		
Appropriations	$197,600,000	$ 88,668,000
Loan payments received	10,366,424	7,198,289
Interest accrued on defaulted loans	15,708,380	8,674,632
Insurance premiums billed	3,486,422	2,709,807
Decrease in cash	-	10,155,320
Decrease in accounts receivable	-	467,134
Increase in claims payable	11,103,878	18,270,489
Total funds provided	$238,265,104	$136,143,671
FUNDS APPLIED:		
Purchase of defaulted loans	$119,004,811	$ 91,079,235
Death and disability claims	229,936	398,611
Bankruptcy claims	6,079,993	2,981,179
Repayment of Treasury loan (including interest of $335,120)	-	15,335,120
Increase in cash	86,513,135	-
Increase in accounts receivable	160,489	-
Increase in accrued interest on defaulted loans	15,605,255	8,632,762
Increase in claims in process	10,671,485	17,716,764
Total funds applied	$238,265,104	$136,143,671

The notes on pages 23 and 24 are an integral part of the financial statements.

The opinion of the General Accounting Office on these statements appears on pages 18 and 19.

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Interest income is recognized as interest is accrued on defaulted loans purchased. Loan principal must be paid in full before collections can be applied to loan interest.

(b) Insurance premium income is recognized when billed.

2. DEFAULTED LOANS PURCHASED

Defaulted loans purchased represents the principal balance outstanding on (a) federally insured defaulted loans (the promissory notes are assigned to OE) and (b) reinsured defaulted loans (the promissory notes are retained by the State and private guarantee agencies). OE is specifically prohibited by statute from any collection action on reinsured loans.

3. CLAIMS IN PROCESS

The liability, claims payable, represents the unpaid claims for defaulted loans on hand as of June 30, 1975 and 1974. The asset, claims in process, represents the portion of claims payable that will become defaulted loans purchased when paid, excluding claims payable because of death, disability, or bankruptcy.

4. ALLOWANCE FOR LOSSES

The allowance for loss rate of 55 percent, which is used for defaulted loans purchased, accrued interest, and claims in process, is based on the Federal Housing Administration Title I program.

5. CONTINGENT LIABILITY

The Fund financial statements as of June 30, 1975 and 1974, which OE submitted to the Treasury, included a schedule showing the Fund's estimated net contingent liability. OE computed the contingency by deducting claims paid and an estimated amount for repayments from the respective totals of insured and reinsured loans. An additional potential contingent liability was shown on the schedule submitted to the Treasury for loans that had been approved but not disbursed as of June 30, 1975 and 1974. The amounts shown were as follows:

	1975	1974
Estimated contingent liability for outstanding loans:	(in billions)	
Federally insured	$2.01	$2.28
Reinsured	2.63	2.09
Potential contingent liability for loan commitments:	(in millions)	
Federally insured	$135	$431
Reinsured	530	74

6. PRIOR YEARS' ADJUSTMENTS

In fiscal year 1974, OE included as expenses amounts which should have been applied as adjustments to prior years' Statements of Income. This resulted in the 1974 Statement of Income overstating estimated future losses on insured loans by approximately $27 million and understating estimated future losses on reinsured loans by approximately $46 million. This error did not affect the June 30, 1974, Statement of Financial Position.

 APPENDIX I

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

Mr. Gregory J. Ahart
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Examination of Financial Operations for Fiscal Year 1975 Shows Need for Improvement in the Guaranteed Student Loan Program." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft before its publication.

Sincerely yours,

Charles Miller
~~John D. Young~~
Acting Assistant Secretary, Comptroller

Enclosure

Comments of the Department of Health, Education, and Welfare on the Comptroller General's Draft Report to the Congress of the United States Entitled "Examination of Financial Operations for Fiscal Year 1975 Shows Need for Improvement in the Guaranteed Student Loan Program"--(B-16403)

GAO RECOMMENDATION

We recommend that the Secretary of Health, Education, and Welfare (HEW) require the Office of Education (OE) to utilize its full statutory authority in charging insurance premiums;

DEPARTMENT'S COMMENT

We do not concur. This matter has been considered and rejected on a number of occasions as not being cost effective. As estimated by GAO, premium income from the average loan during the repayment period would be $5. Costs incurred by lenders in the Federal Insured Student Loan Program (FISLP) for additional recordkeeping, collection activity, processing of refunds and other administrative requirements would probably exceed the $5 per loan premium. Such increased costs would be viewed by lenders as a further disincentive to continue participation in the FISLP, resulting in decreased student access to the program. Lenders presently participating in the program have objected strenuously to any further increases in the program costs and have indicated that such increases would lead to their withdrawal from the FISLP.

Furthermore, we are not aware of the existing OE mechanism which GAO has alluded to which would accomodate such a change at this time. A new reporting system would have to be implemented in order to adequately administer the GAO proposal.

--OE should establish criteria to determine when Federal advances to guarantee agencies should be returned.

We concur. The Office of Education will publish a Notice of Intent to issue proposed regulations on this subject in order to obtain suggestions from the public (specifically guarantee agencies and other State offices) as to what type of criteria would be considered appropriate. When the suggestions are received and evaluated, a Notice of Proposed Rulemaking will be prepared. It is anticipated that final regulations will be published sometime in Fiscal Year 1978.

GAO RECOMMENDATION

We recommend that the Secretary of Health, Education, and Welfare require OE to implement our previous recommendation that OE provide the Congress with consolidated cost information on its Guaranteed Student Loan Program (GSLP).

DEPARTMENT'S COMMENT

We concur. We will submit consolidated cost reports for the GSL program to the Congress in either the FY 1978 Congressional justification materials or some other appropriate document.

APPENDIX I

With respect to the administrative costs in such reports, selected GSL program ADP, travel, consultants and other contract services, selected training and printing will be included as well as estimates of the GSLP share of OE-wide central support costs such as rent, telecommunications and other housekeeping costs.

GAO RECOMMENDATION

We recommend that the Secretary of Health, Education, and Welfare require OE to:

--Establish procedures to verify the accuracy and reliability of interest and special allowance billings;

--implement procedures to credit accounts for cancelled checks and overpayments so it can readily be determined if duplicate payments have been returned; and

--implement follow-up procedures when management reports indicate that duplicate payments have been made to a lender.

DEPARTMENT'S COMMENT

We concur. A management objective established for the 1977-78 year period, prior to receipt of GAO comments, is the study of a method for proper validation of interest billings and special allowance. We anticipate securing complete data on the interest billings of the largest lenders in the program. This data could constitute approximately 90% of present outstanding loans. However, complete accuracy cannot be expected until adequate means are established to determine both the amount disbursed to a student and his time of withdrawal or graduation. These two factors are being designed into the successor system but will not be completely available for several years. A definite fiscal year is not predictable.

In the interim, our efforts for improvement in this area will be restricted to increasing the number of field examinations of major or problem lenders with additional emphasis on verification of interest and special allowance billings.

Actions are presently underway to implement procedures to credit accounts for cancelled checks and overpayments so it can readily be determined if duplicate payments have been returned. Such procedures should be implemented during Fiscal Year 1977.

Follow-up procedures when management reports indicate that duplicate payments have been made to a lender are presently in place and being implemented. However, if the proper systems applications are made, we will not only be able to validate current payments, but we will also be able to identify duplicate payments before they are processed, thereby eliminating the need for recovery procedures. We anticipate that such a systems application will be accomplished during Fiscal Year 1977.

GAO RECOMMENDATION

GAO recommends that the Secretary of Health, Education, and Welfare require OE to establish and maintain subsidiary records for advances made to the State and private guarantee agencies.

DEPARTMENT'S COMMENT

OE currently maintains--and has maintained since inception of the program--the outstanding advance balance for each guarantee agency. The Finance Division maintains records on total advances by fiscal year and OGSL maintains records on individual agencies. OGSL records constitute subsidiary records. We agree, however, that improvements can be made to provide easier accessibility. Development of procedures will be initiated promptly in order to effect reconciliation of the advance funds records on an annual basis.

GAO RECOMMENDATION

We recommend that the Secretary of Health, Education, and Welfare require OE to establish the necessary controls between the two organizations (Finance Division and Office of Guaranteed Student Loans) that will improve the quality of data presented on the financial statements. Such controls should require that;

--cash transactions be recorded in the year in which they apply;

DEPARTMENT'S COMMENT

We concur. OE agrees that cash transactions should be recorded in the year in which they occur. Under the new GSL program computer system, collections are recorded and deposited within 24 hours of the day of receipt. Collections which are undeposited at the close of the fiscal year will be recorded to the "Undeposited Collections" account.

Uncollected items such as bad checks returned on a Debit Voucher by Treasury will be recorded on the day of receipt.

[Deleted]

GAO Note: Deleted comments relate to matters which were presented in the draft report but were omitted from the final report.

--general ledger control accounts be periodically reconciled with subsidiary records;

We concur. However at this time, neither the Guaranteed Student Loan System nor the Office of Education Financial Management Information System are capable of providing the data required to make a one for one summary comparison. Requirements for reports on data in the GSL system have been established by Finance. As these reports are developed and generated, reconciliation procedures will be established and implemented on a recurring basis.

--a procedure be established to properly account for collection of unbilled insurance premiums;

We concur. Rather than modify the existing Master File of guaranteed student loans (GSLS II), OE reached a decision eighteen months ago to develop a new system. Under the new system, insurance premiums will be paid to a GSLP escrow agent at the time the loan is disbursed thereby eliminating the billing problem entirely. As of this date, the escrow system has been designed and implementation of pilot projects is scheduled for February 1977.

--loss rates be established based on actual program experience;

We concur. We do not believe at this time, however, that program experience warrants a 90% loss rate as GAO recommends. Nor do we feel that the 100% loss rate for interest receivables is realistic particularly in view of the fact that OE's policy on collection of defaults is to require that all principal be repaid before efforts to collect interest can begin.

A loan flow model has been established in OE to utilize program data to estimate among other things, a program loss rate for the GSLP. The model, however, does not reflect by itself the ultimate collectibility of loans in that it is predicated upon data from past years when resources to conduct an effective collections program have not been available. It presently appears that over half of the defaulted loans in the regional offices have not undergone even limited collection efforts. Until all, or at least a substantial majority of these defaulted loans have undergone the full collection treatment, i.e., skiptracing, letters, telephone calls, the ultimate collectibility of the defaults will remain unknown. Consequently, data from the loan flow model must be tempered by the results of improved collection efforts.

In order to improve the collection effort, OE has taken the following actions:

1. Requested additional collection personnel in the FY 77 and proposed FY 77S budgets;

2. Created and distributed to all regional offices, a collector training package which includes a three-hour videotape training film, collector's manuals with required supplements, and a detailed instructor guide;

3. Operating a "pilot test" in our Dallas region to study in-depth the management problems involved in the collection of defaults as well as to establish the best operating structure for collection in each region. We anticipate that this project will be completed during the second quarter of FY 77.

4. Instructed all regions to devote the available collection resources to the collection of oldest defaults first and to defaults whose original unpaid balance is in excess of $400.

On the basis of the results of these collection efforts and data from the loan flow model, OE will develop a meaingful Loss Estimation Model. Because the collection data for the Loan Flow Model is currently undergoing audit, data will not be available until late in FY 77 for effective modelling. Projections and, therefore, a determination of loss rates may be available for use in FY 78.

If adequate collection resources are provided, and data in the system is audited as scheduled, we will be able to use program experience to project meaningful loss rates based on program experience in our FY 78 financial statement of SLIF. Loss rates will be determined separately for principal and interest.

--<u>all loss rates be annually evaluated and necessary adjustments made</u>;

We concur. As the above data is validated and the use of the Loan Flow Model becomes feasible, annual evaluations and if necessary, adjustments, will be made in order to continually improve the projection capability for the Loan Flow Model.

--<u>computations be verified and properly supported</u>;

We concur. The report reveals that such verifications are not properly made in all cases. Future verifications will be made in greater detail and supporting statements and other documents will be provided by OGSL to the Finance Division.

GAO REPORTS RELATING TO GUARANTEED STUDENT LOAN PROGRAM

Title	Reference	Date
Examination of Financial Statements of the Student Loan Insurance Fund, Fiscal Year 1968	B-164031(1)	Dec. 10, 1969
Opportunity to Reduce Federal Interest Costs by Changing Loan Disbursement Procedures Under the Guaranteed Student Loan Program	B-164031(1)	Apr. 20, 1970
Examination of Financial Statements of the Student Loan Insurance Fund, Fiscal Year 1969	B-164031(1)	Apr. 12, 1971
Office of Education Should Improve Procedures to Recover Defaulted Loans Under the Guaranteed Student Loan Program	B-117604(7)	Dec. 30, 1971
Examination of Financial Statements of the Student Loan Insurance Fund, Fiscal Year 1970	B-164031(1)	Jan. 12, 1972
Need for Improved Coordination of Federally Assisted Student Aid Programs in Institutions of Higher Education	B-164031(1)	Aug. 2, 1972
Improvements Needed in Administration of the Guaranteed Student Loan Program	B-164031(1)	Mar. 30, 1973
Examination of Financial Statements of the Student Loan Insurance Fund, Fiscal Years 1971 and 1972	B-164031(1)	June 8, 1973

APPENDIX II

Title	Reference	Date
Administration of the Office of Education's Student Financial Aid Program	B-164031(1)	Apr. 4, 1974
Examination of Financial Statements of Student Loan Insurance Fund, Fiscal Year 1973	B-164031(1)	Sept. 17, 1974
Examination of Financial Statements of Student Loan Insurance Fund, Fiscal Year 1974	B-164031(1)	Feb. 12, 1975

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE RESPONSIBLE FOR THE ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF HEALTH, EDUCATION, AND WELFARE:		
Joseph A. Califano	Jan. 1977	Present
David Mathews	Aug. 1975	Jan. 1977
Caspar W. Weinberger	Feb. 1973	Aug. 1975
Frank C. Carlucci (acting)	Jan. 1973	Feb. 1973
Elliot L. Richardson	June 1970	Jan. 1973
ASSISTANT SECRETARY FOR EDUCATION:		
Philip E. Austin (acting)	Jan. 1977	Present
Virginia Y. Trotter	June 1974	Jan. 1977
Charles B. Saunders, Jr. (acting)	Nov. 1973	June 1974
Sidney P. Marland, Jr.	Nov. 1972	Oct. 1973
COMMISSIONER OF EDUCATION:		
William F. Pierce (acting)	Jan. 1977	Present
Edward Aguirre	Oct. 1976	Jan. 1977
William F. Pierce (acting)	Aug. 1976	Oct. 1976
Terrel H. Bell	June 1974	Aug. 1976
John R. Ottina	Aug. 1973	June 1974
John R. Ottina (acting)	Nov. 1972	Aug. 1973