



RESTRICTED - Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Legislative Liaison, a copy of which is kept by the Distribution Section, Publications Branch, GAS

089806

B-164031 (1)
6-11-70

RELEASED

Expenditure Of Federal Funds By Timberlane Regional High School District, New Hampshire

B-164031 (1)

Office of Education

Department of Health, Education, and Welfare

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

089806

Handwritten signature

JUNE 11, 1970

AGC00020

New Hampshire
State Educational
Agency

New Hampshire
Tumblstone
Regional
High School District

Office of Education

DLG00694

AGC00053

CA00010



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

B-164031(1)

Dear Mr. Wyman:

This is the report on our examination into the expenditure of Federal funds by the Timberlane Regional High School District, New Hampshire. Our examination was made pursuant to your request of March 24, 1969.

In accordance with an agreement reached with a member of your staff, we are today sending copies of our report to the Secretary of Health, Education, and Welfare and the Commissioner of Education. We plan to make no further distribution of this report unless copies are specifically requested, and then copies will be distributed only after your approval has been obtained or public announcement has been made by you concerning the contents of this report.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Peets".

Comptroller General
of the United States

The Honorable Louis C. Wyman
House of Representatives

C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1 INTRODUCTION	4
2 RESULTS OF EXAMINATION INTO CLAIMED WEAK- NESSES IN CONTROLS OVER FEDERAL FUNDS	5
Procurement of equipment	5
Contract awarded for the purchase and installation of language labo- ratory system	5
Other contracts	7
Conclusion	7
Controls over travel expenditures	9
Consultant services	10
Funds used to pay for personal services and travel to be rendered after the expiration of the grant period	13
Conclusion	15
Other matters relating to control over grant funds	17
Questionable payment for equipment and furniture relating to arts and crafts	17
Grant funds deposited in personal savings account	17
Indicated need for action by the Office of Education	19
3 SCOPE OF REVIEW	21
APPENDIX	
I Federal funds received by Timberlane July 1, 1965, through June 30, 1969	25
II Letter from Congressman Louis C. Wyman dated March 24, 1969	26

ABBREVIATIONS

GAO General Accounting Office

HEW Department of Health, Education, and Welfare

D I G E S T

WHY THE EXAMINATION WAS MADE

At the request of Congressman Wyman, the General Accounting Office (GAO) examined reported weaknesses in control over Federal grant funds used for equipment purchases, travel activities, and consultant services by the Timberlane Regional High School District, New Hampshire. Most of the funds came from programs administered either directly by the Office of Education, Department of Health, Education, and Welfare (HEW), or through the State educational agency.

During fiscal years 1966-69, Timberlane received Federal funds totaling \$559,230 for the operation of various programs.

The matters in the report were discussed with the New Hampshire State educational agency and Timberlane. The Office of Education and HEW have not been given an opportunity to formally examine and comment on this report, although certain matters (see p. 15) were discussed with the Office of Education officials.

FINDINGS AND CONCLUSIONS

Contracts awarded by Timberlane for the purchase of equipment may not always have been awarded to the low bidders. (See p. 5.)

Timberlane awarded a contract for a language laboratory system under a Federal grant program to the only company submitting a bid. At the direction of the former principal, the bid specifications were based on the specific capabilities of equipment sold by this company. (See p. 5.)

Officials of another company told GAO that they had attended planning conferences and had expressed interest in installing this equipment, but did not receive an invitation to bid. (See p. 6.)

To obtain suitable equipment at the lowest possible cost, all companies showing an interest in supplying items should be asked to submit

bids. Specifications should not be based on characteristics of a particular brand. (See p. 7.)

In six other contracts involving Federal funds

--three were awarded to the low bidder,

--two were awarded on the basis of only one bid having been received, and

--one was awarded to other than the low bidder. (See p. 7.)

With respect to the latter, the basis for awarding it to a higher bidder could not be determined either from Timberlane records or available officials. GAO emphasizes the importance of the purchasing organization's documenting the basis for awarding contracts to other than the low bidder. (See p. 7.)

Prior to February 1968 there were weaknesses in Timberlane's controls over travel expenses charged to Federal grants. Thereafter, travel policies and procedures were strengthened as a result of suggestions made by the State auditor. (See p. 9.)

In June 1967 Timberlane paid Federal funds of \$100 to an individual for services as a student consultant. He was subsequently determined to be unqualified scholastically. The individual represented himself to Timberlane as having a master's degree when in fact he had not graduated from high school. Timberlane informed GAO that the Federal Government would be reimbursed for the fee. Timberlane also strengthened its procedures for hiring consultants. (See p. 10.)

Funds awarded to Timberlane by the Office of Education were available for expenses incurred only during the period for which the grant was made. However, in several instances, Timberlane used the funds to make payments for personal services and travel which were to be performed after the grant period. GAO found no instances where the services did not relate to the project. Because of the resulting understated grant balances at the close of the preceding grant period, the amounts of continuation grants may have been higher than would otherwise have been the case. (See p. 13.)

GAO also noted that Federal funds of \$930 may have been spent for equipment and furniture related to arts and crafts which was ineligible for Federal funding. (See p. 17.)

Federal grant funds of \$711 were paid to two Timberlane employees for services they did not perform. The payments were made to avoid lapsing of grant funds at the end of the grant period. The funds were later returned to the Timberlane business administrator and deposited in the joint personal savings account of the business administrator and the then project director along with \$100 of unused travel funds previously advanced under the Federal grant.

Subsequently, the funds were returned to Timberlane's account and correctly reported to the Office of Education as unspent at the end of the grant period for which they were available. (See p. 17.)

RECOMMENDATIONS OR SUGGESTIONS

To help improve controls exercised by the New Hampshire State educational agency and the Timberlane Regional High School District over Federal grant funds, and to help ensure that the problems discussed above do not exist at other locations, the Office of Education needs to:

- Provide the New Hampshire State educational agency with instructions so that appropriate guidelines will be devised for local educational agencies when buying equipment under the Federal program. Similar assistance may be needed in other states. (See p. 19.)
- Seek recovery or take other action on the basis of the circumstances involved where funds awarded to Timberlane for a specific grant period were used to pay for personal services and travel to be rendered after the expiration of the grant period. Also, the Office of Education should satisfy itself, through the use of HEW's Audit Agency where necessary, that other local educational agencies are recording such costs correctly. (See p. 19.)
- Make clear to State and local educational agencies that grant funds must be deposited only in an official bank account of the agency receiving such funds. (See p. 19.)
- Take appropriate action to recover amounts which may have been paid to Timberlane for arts and crafts items not eligible for Federal reimbursement. (See p. 20.)

CHAPTER 1

INTRODUCTION

Pursuant to a request dated March 24, 1969, from Congressman Louis C. Wyman (see app. II), the General Accounting Office (GAO) has examined into the expenditure of Federal funds by the Timberlane Regional High School District (Timberlane), New Hampshire. Material furnished to us by Congressman Wyman and information obtained from interviews with county officials indicated that weaknesses may have existed in controls over Federal funds used by Timberlane for procurement of equipment, travel activities, and consultant services. The scope of our review is described on page 21 of this report.

Timberlane was formed in 1964 and comprises the southern New Hampshire towns of Atkinson, Danville, Plaistow, and Sandown. Records of the Office of Education, the State educational agency, and Timberlane showed that, during fiscal years 1966 through 1969, Timberlane received Federal funds totaling \$559,230 to assist in the financing of various educational programs. A brief description of these programs and the amounts involved are included as appendix I.

We tested the use made by Timberlane of all Federal funds received by it during the above 4-year period. Our comments in this report, however, relate only to Federal funds made available under title III of the Elementary and Secondary Education Act and title III of the National Defense Education Act. Weaknesses existed in the control over the Federal funds received under these two programs, which are administered by the Office of Education, Department of Health, Education, and Welfare (HEW), as indicated in the information provided to us. Timberlane received the largest amounts of Federal funds under these two programs.

During fiscal years 1966-69, funds paid to Timberlane for the operation of titles III of the Elementary and Secondary Education Act and the National Defense Education Act totaled \$315,047 and \$83,230, respectively. Our test of other Federal funds made available to Timberlane did not point up any significant matters warranting further attention.

CHAPTER 2

RESULTS OF EXAMINATION INTO CLAIMED

WEAKNESSES IN CONTROLS OVER FEDERAL FUNDS

PROCUREMENT OF EQUIPMENT

Information furnished to us indicated that contracts awarded by Timberlane for the procurement of equipment may not always have been awarded to the low bidders. Reference was made to a contract awarded by Timberlane for the purchase and installation of a language laboratory system. Our review showed that Timberlane received Federal funds from the New Hampshire State educational agency pursuant to title III of the National Defense Education Act to cover 50 percent of the cost of the language laboratory.

We also examined into six other contracts involving the expenditure of title III, National Defense Education Act, funds. Federal funds received by Timberlane for expenditures under the seven contracts totaled \$67,825, or about 81 percent of the title III, National Defense Education Act, funds provided to Timberlane during the 4-year period covered by our review.

Contract awarded for the purchase and installation of language laboratory system

Our examination into the circumstances surrounding the award of the contract for the purchase and installation of the language laboratory system showed that only one firm (Company A) submitted a bid, and it was awarded the contract in October 1966 in the amount of \$26,696. Available records showed that Timberlane received \$13,348--the Federal share of the project costs--from the New Hampshire State educational agency.

Invitations for bids for the language laboratory system, shop machinery, furniture, and electricity/electronics equipment--containing the related specifications--were sent to a number of possible suppliers, including Company A, which was the only company that submitted a bid for the

contract for the language laboratory system. Officials of another company (Company B) informed us that they had attended planning conferences prior to the request for bids and had expressed an interest in installing this equipment but that Company B did not receive an invitation to bid.

Officials of a consulting firm- which was hired by Timberlane to, among other things, consult with the school board on the analysis of bids and the selection of contractors--advised us that, prior to the award of the contract, the firm had informed a former school principal at Timberlane that, since only one bid had been received, the school had the option of resoliciting bids for the item. They stated that the principal decided against the resolicitation because of the delay that would have been involved. They stated also that the principal required that the bid specifications for the language laboratory system be based on the specific capabilities of equipment furnished by Company A.

After the contract was awarded to Company A, Company B submitted a postaward bid. Company B personnel advised us that they were requested to bid by Timberlane because Company A was late in delivering the system. In this regard a former Timberlane official advised us that only the student furniture for the laboratory had been provided by Company A by the specified delivery date.

The bid submitted by Company B quoted two amounts for the language laboratory system--\$19,700 if student furniture were provided by Company A and \$21,000 if the furniture were provided by Company B. Although the bid submitted by Company B was significantly lower than the amount of the contract awarded to Company A, Company B officials informed us that they could not accurately estimate what their bid price would have been if it had been submitted in response to the invitation for bids. The officials stated that the Company's bid did not cover certain items of equipment, and that price changes in the cost of these items made it difficult to estimate what the cost of these items would have been at the time that bids were initially solicited.

Other contracts

Our examination showed that, of the other six contracts, three were awarded to the low bidders; one was awarded to other than the low bidder; and two were awarded to the only bidders. The contract that was not awarded to the low bidder, was awarded in the bid amount of \$8,802 and provided for the purchase of electricity/electronics equipment. Another firm had submitted a bid of \$8,477.

The consultant firm, in its bid analysis, indicated that either bidder could provide acceptable equipment, and recommended that Timberlane's Industrial Arts Director select the system which best suited his program. Since the Industrial Arts Director was no longer at Timberlane and since we could not obtain any additional information either from Timberlane records or from available officials, we were unable to obtain an explanation for the selection of the higher bid.

Conclusion

We believe that, in the interest of obtaining the fullest degree of competition in acquiring suitable equipment at the lowest possible cost, all companies that have shown an interest in supplying the equipment should be solicited to submit bids. Furthermore, the bid specifications for the equipment should not be based on the specific characteristics of a particular supplier's products. Where contracts are awarded to other than the low bidder, the basis for such decision should be documented in the procuring organization's files.

The title III, National Defense Education Act, grant program is operated by the State subject to the approval of a State plan by the Commissioner of Education. One of the requirements for the approval of a State plan is that the plan provide for fiscal control and accounting procedures to ensure the proper use of, and accounting for, Federal funds paid to the State, including Federal funds paid by the State to the local educational agencies. In this respect guidelines issued by the State of New Hampshire for title III of the National Defense Education Act did not provide any guidance to the local educational agencies regarding

procurement matters, such as the minimum number of bids to be obtained for a contract, the preparation of contract specifications, the determination of reasonableness of bids where only one bid is received, or criteria for accepting other than the low bid.

The State educational agency agreed with our suggestion that instructions relating to solicitation of bids and contract awards should be incorporated into the State guidelines furnished to each local educational agency. However, the State educational agency was of the opinion that the Office of Education should assist it in devising procurement guidelines.

CONTROLS OVER TRAVEL EXPENDITURES

Information furnished to us indicated that Timberlane may have made duplicate payments for travel expenses incurred by a former principal because Timberlane paid certain travel expenses on the basis of credit card billings and also reimbursed the principal for the total cost of his travel.

Information made available to us showed that Timberlane made payments amounting to \$1,913.46 during fiscal year 1967 to various credit-card companies from funds in its High School Activities accounts. We did not identify any instances where payments to credit-card companies were made from Federal funds; however, during our test of travel expenditures in fiscal years 1966 through 1968, we noted that, in several instances, the available documentation did not show how travel advances from funds provided under title III of the Elementary and Secondary Education Act were actually used by the recipients.

For example, in one instance we were unable to obtain supporting documentation to show how \$408 of a \$600 travel advance made to the former principal under a planning grant was expended. In another instance, we were unable to determine how a \$350 travel advance was used. Also, in many instances during fiscal years 1966 and 1967, the purpose for travel was either not shown or not clearly stated in the records made available to us. Without such information, it was not possible for us to make a conclusive determination as to the propriety of the travel expenses charged to the title III funds.

The Timberlane business administrator advised us that, prior to the 1967-68 school year, Timberlane had no special travel forms or written guidelines governing travel. She stated that the only form in use at that time was a form requesting title III, Elementary and Secondary Education Act, travel funds primarily for local travel. She stated also that any bills that she was able to obtain from the travelers were included in the files as support for the expenditures.

Beginning in February 1968, Timberlane's travel policies and procedures were strengthened as a result of suggestions made by the State auditor. Timberlane instructions now require, among other things, that each traveler state the purpose for which the trip is being made and certify to the validity of his claim. Also, a report on the disposition of funds advanced for travel is required to be filed by the traveler within 1 week after the completion of the trip.

While the instructions relating to the expense report allow a 1-week grace period, they also state that failure of a traveler to file the report within 2 weeks after completion of travel may mean withholding the traveler's next regular salary payment. Also, his salary may be withheld if valid substantiating evidence concerning expenditures is not attached to the report when it is submitted.

Our review of travel performed by Timberlane personnel, which was charged to title III funds during fiscal year 1969, showed that documentation in support of claimed travel expenditures was being retained and available for use by Timberlane to assure itself that duplicate claims were not being made by travelers.

CONSULTANT SERVICES

We examined into the statements made that Timberlane may have paid consultant fees to individuals who were not scholastically qualified. This matter was also discussed in a report of the New Hampshire State Tax Commission on its audit of Timberlane's accounts for the fiscal year ended June 30, 1967. The audit report pointed out that apparently there was a lack of effective investigation or certification by Timberlane as to the authenticity of some consultants with the result that improper expenditures for consultant services were made in at least three instances.

We noted that one of the individuals whose credentials were questioned in the State audit report received Federal funds of \$100 in June 1967 for services on a title III, Elementary and Secondary Education Act, project as a student consultant. This individual was the one mentioned in the

material furnished to us as not having been scholastically qualified to provide consultant services.

The individual who received the payment of \$100 had represented himself to Timberlane as having an undergraduate degree in psychology as well as a master's degree and had certified to the school board that these statements were true when in fact he had not graduated from high school. As a result of an investigation by local authorities, the individual was indicted by a grand jury on five separate charges, including conspiracy. He subsequently pleaded guilty, received a suspended sentence, and was placed on probation for 3 years.

The Timberlane business administrator advised us that the school board did not know that the individual was not a properly qualified consultant at the time the payment of the fee was made. The business administrator stated that she believed that the fee had been returned to the title III account, but this was not documented in Timberlane's records. By letter dated April 3, 1970, Timberlane informed us that the funds were being reimbursed to the Government.

Beginning in February 1968, Timberlane required the preparation of notices of intent to engage consultants, and this procedure is presently being followed by Timberlane. The notice of intent, which is generally approved by the Superintendent of Schools, describes the purpose for which the consultant is to be hired, and also requires that the administrator making the request list the name, address, telephone number, present position, and title of the consultant. With respect to title III projects, the instructions accompanying the form require that it be sent to the director of the project for approval and that a copy of the approved notice be forwarded to the Superintendent of Schools for his information.

During our examination we also noted that, in several instances, consultant reports were not included in the records made available to us. The need for documenting the results of consultant services was previously reported by us in a September 1969 report to the Commissioner of Education on the results of our examination into projects being operated with funds provided under title III of the Elementary

and Secondary Education Act at certain local educational agencies in Massachusetts.

In commenting on that report, the Commissioner stated that he shared our views regarding the benefits of recording the results of consultant services rendered on title III projects. In an administrative bulletin to all chief State school officers, dated January 19, 1970, the Office of Education emphasized the importance of documenting the results of consultations and required that such documentation be included in the grantee's records so that other local educational agencies and interested persons can review and obtain the benefits of such information.

FUNDS USED TO PAY FOR PERSONAL SERVICES
AND TRAVEL TO BE RENDERED AFTER THE
EXPIRATION OF THE GRANT PERIOD

In several instances funds awarded to Timberlane by the Office of Education under title III of the Elementary and Secondary Education Act for a specific grant period were partially used to pay for travel and personal services which were to be rendered after the expiration of the applicable grant period. Although we found no instances where the services did not relate to the title III project, the procedures followed by Timberlane had the effect of understating Timberlane's fund balance at the close of the grant period for which the funds were available.

Funds provided to a local educational agency under title III of the Elementary and Secondary Education Act are available for expenditure only during the period for which a grant is made. If a grant is awarded to continue a project (continuation grant), the Office of Education requires that the amount of unused funds be taken into consideration in determining the amount of additional funds to be awarded for the continuation grant. The Office of Education considers title III funds to be expended by a local educational agency when the agency commits such funds by issuing purchase orders, contracts, etc. However, for personal services and travel, Office of Education regulations provide that charges to a specific grant are to be made on the basis of the time that the service is actually rendered or the travel is performed.

In one instance Timberlane deposited \$825.60, by check dated September 9, 1966, with a local travel agency to cover the cost of travel to be performed in the future. The check was charged against planning grant funds provided under title III of the Elementary and Secondary Education Act which were available for the period from March 21 to September 15, 1966. On September 15, 1966, the last day of the grant period, the then title III project director made a trip to Washington, D.C., which reduced the balance on deposit with the travel agency to \$668. Instead of reporting this amount to the Office of Education as an unexpended fund balance as of September 15, 1966, the end of the grant period, the \$668 was used to finance travel

performed by Timberlane personnel after the expiration of the grant period.

In another instance Timberlane under a title III grant for the period January 1 to June 30, 1967, hired an educational consultant team to perform services relating to the title III project which were to begin after the grant period. A check dated June 15, 1967, was issued to a professor who was the team leader to partially cover the cost of the services to be rendered.

Records made available to us at Timberlane did not indicate the time that the consultant team was to begin performing the services. In a discussion with the professor, however, he informed us that Timberlane's then title III assistant project director had asked him if the consultant team would accept \$900 as an advance payment for services to be rendered at a later date. The professor informed us also that the services were first rendered in November 1967, which was over 4 months after June 30, 1967, the expiration date of the grant.

Timberlane made a second payment of \$1,475 to the professor by check dated November 2, 1967, which was charged against title III funds available for a grant period which expired on December 31, 1967. Correspondence in Timberlane's files showed that, as of February 23, 1968, the professor reported to Timberlane that only \$733 of the total funds of \$2,375 (\$900 + \$1,475) had been expended. Additionally, we noted that the total funds advanced were not completely expended until more than 1 year after the second payment had been made.

In a third case a check in the amount of \$2,000 dated December 21, 1967, was issued to two professors for performance of consultant services on a title III project. The check was charged against grant funds which were available for the period from July 1 through December 31, 1967. Documentation available at Timberlane indicated that the services to be provided were to begin during January 1968. One of the professors informed us that the services were performed during the period January to May 1968 and that he had been asked by the then title III project director to accept payment in advance of performance. The professor

stated that he had prepared an estimated bill which was based on the type of service that he and the other professor were to perform and that the payment was made on the basis of this estimate.

In discussing certain of the transactions with Timberlane officials, we were advised that the advance payments for travel and personal services were made in order to report grant funds as expended before the grant expired.

We also discussed the aforementioned transactions with Office of Education officials who informed us that, in the case where grant funds were set aside for travel beyond the expiration date of the grant period, such funds should have been returned to the Office of Education. The officials noted that the travel cost was charged to funds made available under Timberlane's planning grant, and the funds that were unexpended at the termination of the planning grant period were required to be returned to the Office of Education.

In the instances involving consultants, Office of Education officials stated that Timberlane was not authorized to make payments for services which were to be performed after the expiration of the period for which the grant funds were available. They stated that Timberlane should have reported the funds as unexpended at the end of the grant period and rebudgeted the activities for a subsequent grant period so that the unexpended funds could have been taken into consideration in determining the amount of funds to be awarded for Timberlane's continuation grants.

Conclusion

Timberlane's procedures had the effect of understating its fund balances at the close of the grant periods for which the funds were available. As a result, the Office of Education did not have accurate information for its use in determining the amount of funds to be made available to Timberlane for continuation grants.

Prior to July 1, 1968, the Office of Education awarded grants for the operation of title III projects directly to local educational agencies, and the Office of Education was

responsible for approving and administering the projects that were funded. Beginning July 1, 1968, Office of Education grants for title III of the Elementary and Secondary Education Act have generally been made to the State educational agency, upon the approval by the Commissioner of Education of a State plan, and the administration of projects funded by the State at the local educational agency is the direct responsibility of the State educational agency. The agency is also responsible for ensuring that audits of projects funded by the agency are, among other things, adequate to verify that payments reported by the local agencies for personal services and travel are applicable to the periods of time for which grants have been made.

OTHER MATTERS RELATING TO
CONTROL OVER GRANT FUNDS

During our review we noted certain additional weaknesses in the controls exercised by Timberlane over Federal grant funds. The details of these matters are presented below.

Questionable payment for equipment and furniture relating to arts and crafts

Timberlane entered into a contract with a company for the purchase of science, arts and crafts, and musical equipment and furniture. Timberlane was entitled to a 50-percent Federal reimbursement of the cost of the science equipment and furniture under title III of the National Defense Education Act, pursuant to a State-approved project application, but was not entitled to any reimbursement for the cost of the equipment and furniture relating to arts and crafts and music.

The contract cost of the science equipment and furniture was \$49,442; however, the State educational agency reimbursement to Timberlane included 50 percent of the \$49,442 and 50 percent of an \$1,860 item which was identified on the vendor's invoice as "addendum to contract." Inasmuch as we were unable to identify any addendum to the contract in the amount of \$1,860, we discussed this item with the Timberlane business administrator who informed us that the \$1,860 related to arts and crafts equipment and should not have been subject to Federal reimbursement.

We are suggesting that the Office of Education take appropriate action to recover amounts which may be due the Federal Government as a result of this transaction. (See p. 20.)

Grant funds deposited in personal savings account

Information furnished to us indicated that, in June 1967, \$811 of funds provided under title III of the Elementary and Secondary Education Act, were placed in a joint personal savings account of two Timberlane employees. This

subject was also discussed in the New Hampshire State Tax Commission's audit report covering Timberlane's accounts for the fiscal year ended June 30, 1967.

We were able to establish that title III funds in the amount of \$811.90 were actually deposited in a savings account opened jointly in the names of the Timberlane business administrator and the then title III project director. The funds were deposited on July 25 and August 17, 1967, and consisted of refunds by two Timberlane employees of payments to them by checks dated June 15 and June 26, 1967, for services which they did not render, and unused travel funds of \$100 which had been previously advanced to the then project director.

A Timberlane employee who was the recipient of one of the payments advised us that she received a check in the amount of \$291.90 from the Timberlane business administrator and, upon the business administrator's direction, endorsed the check and returned it to the business administrator. The employee advised us also that the same procedure was followed for a \$420 payment to another Timberlane employee for consulting services and that in both cases no services were provided.

The Timberlane business administrator advised us that invoices were prepared and payments were made to the two employees to avoid the lapsing of title III funds at the end of the grant period, which expired on June 30, 1967. The business administrator stated also that the funds were later withdrawn from the savings account and reported to the Office of Education as unexpended.

Our review showed that the funds were withdrawn from the savings account on September 7, 1967, and that the final expenditure report for the grant period January 1 to June 30, 1967, submitted to the Office of Education by Timberlane included the amount as being unexpended at the end of the grant period for which the funds were available. In this regard we noted that, for the next grant period, Timberlane received only the difference between the total amount of funds authorized for expenditure and the balance on hand from the previous grant period which included the \$811.90.

This segment of the report has been reviewed by the Timberlane business administrator who stated that it is factually correct. She stated also that some of the school board officials were aware of the procedures employed to avoid the lapsing of grant funds at the end of the grant period.

INDICATED NEED FOR ACTION BY
THE OFFICE OF EDUCATION

On the basis of our review, we believe that there is a need for effective action on the part of the Office of Education to help improve the controls exercised by the New Hampshire State educational agency and Timberlane over grant funds received under title III of the Elementary and Secondary Education Act and title III of the National Defense Education Act. We believe also that the Office of Education should give consideration to the need to take steps to help ensure that the matters discussed in this report do not exist at other locations. In our opinion, the Office of Education should:

1. Provide the New Hampshire State educational agency with instructions and guidance so that appropriate procurement guidelines will be devised for use by local educational agencies in their procurement of equipment under title III of the National Defense Education Act. (See p. 7.) The possibility that similar assistance may be needed in other States should be considered.
2. Seek recovery or take other action on the basis of the circumstances involved where Federal grant funds awarded to Timberlane for a specific grant period were used to pay for personal services and travel to be rendered after the expiration of the grant period. Also, the Office of Education should satisfy itself, through the use of the HEW Audit Agency where necessary, that other local educational agencies are correctly recording such costs. (See p. 15.)
3. Make clear to State and local educational agencies that grant funds must be deposited only in an

official bank account of the agency receiving such grant funds. (See p. 17.)

4. Take appropriate action to recover amounts which may have been paid to Timberlane for arts and crafts items not eligible for Federal reimbursement under title III of the National Defense Education Act. (See p. 17.)

CHAPTER 3

SCOPE OF REVIEW

Our review at Timberlane was directed toward examining into the controls exercised by Timberlane over the custody, receipt, and expenditure of Federal funds. We did not make a complete evaluation of the Federal programs in operation at Timberlane.

As part of our review, we reviewed documentation available at Timberlane pertinent to the indicated weaknesses in controls noted in certain information furnished to us. Also, we met with several individuals, associated with the activities that transpired during the period covered by our review, including the Sheriff at Exeter, New Hampshire, to obtain more specific information concerning the areas of our inquiry.

APPENDIXES

FEDERAL FUNDS RECEIVED BY

TIMBERLANE

JULY 1, 1965, THROUGH JUNE 30, 1969

<u>Program</u>	<u>Description of program</u>	<u>Amount</u>
Elementary and Secondary Education Act--Title I	Authorizes programs for educationally deprived children in areas having high concentrations of children from low-income families.	\$ 41,289
Elementary and Secondary Education Act--Title III	Authorizes a program which is intended to support vitally needed supplementary services and to encourage innovative and exemplary applications of new knowledge in schools throughout the Nation.	315,047
Cooperative Research Act	Authorizes the payment of grants to universities, colleges, and other public or private organizations and to individuals for research, surveys, and demonstrations in the field of education and for dissemination of information derived from educational research.	16,600
National Defense Education Act--Title III	Authorizes the payment of grants and loans for strengthening elementary and secondary instruction through the acquisition of equipment, minor remodeling, and expansion of supervisory and related services.	83,230
National Defense Education Act--Title V	Authorizes a program for making grants to State educational agencies to assist them in establishing and maintaining programs of testing, guidance and counseling.	9,376
National School Lunch Act and Child Nutrition Act	The National School Lunch Act authorizes the apportionment of funds to the States in order to assist them in providing an adequate supply of food and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school-lunch programs. The Child Nutrition Act authorizes a special milk program and also a school breakfast program to assist the States in initiating, maintaining, or expanding nonprofit breakfast programs in schools.	74,567
Vocational Education Act	Authorizes grants to assist States in maintaining, extending, and improving existing vocational education programs and to develop new programs of vocational education.	18,651
Public Law 874, 81st Congress	Authorizes financial assistance for local educational agencies in areas affected by Federal activity.	<u>470</u>
	Total	<u>\$559,230</u>

APPENDIX II

LOUIS C. WYMAN
1ST DISTRICT, NEW HAMPSHIRE

410 CANNON HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
225-5456

DISTRICT OFFICE:
ROOM 217 U.S. POST OFFICE BLDG.
MANCHESTER, NEW HAMPSHIRE 03104

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEES:
INDEPENDENT OFFICES AND DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
LEGISLATIVE

THOMAS E. COLE
ADMINISTRATIVE ASSISTANT

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

March 24, 1969

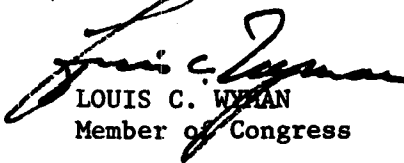
Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D. C.

Dear Mr. Staats:

I request an investigation, audit and report concerning the misapplication and misappropriation of Federal funds expended in the Timberlane Regional High School District, New Hampshire. Considerable relevant information is contained in the attached material.

I would appreciate it if your field investigator would interview Sheriff George Sampson at Exeter, New Hampshire (Superior Court House) preliminary to finalizing the course of his investigation and audit.

Sincerely,


LOUIS C. WYMAN
Member of Congress

LCW:js
Enclosures