

AUDIT STANDARDS
SUPPLEMENT
SERIES NO. 4

EXAMPLES

OF FINDINGS
FROM
GOVERNMENTAL
AUDITS

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BY THE
COMPTROLLER GENERAL
OF THE UNITED STATES

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The pamphlet "Standards for Audit of Governmental Organizations, Programs, Activities & Functions" is for sale by the Superintendent of Documents, price \$2.50, stock number 2000-00110.

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FOREWORD

This booklet is a supplement to "Standards for Audit of Governmental Organizations, Programs, Activities & Functions" issued by the Comptroller General in June 1972. It shows how to apply reporting standards to audits involving more than financial statements.

The booklet illustrates audit findings developed during reviews of compliance with applicable laws and regulations, efficiency in using resources, and achievement of program results. Illustrations of audit reports on financial statements are not included since the American Institute of Certified Public Accountants has published illustrations of financial statement audits of varying types.

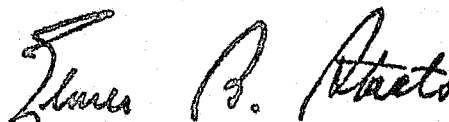
The examples were taken from actual local, State, and Federal audit reports and involve what are, in our judgment, audits of typical Government activities. In most cases, explanatory material has been left out in the interest of brevity.

Auditors tend to emphasize findings of a critical nature. This is done on the theory that those to whom reports are issued are interested primarily in obtaining feedback on situations in which operations are not going as they should and in which some management action needs to be taken. The examples shown include situations in which the auditor made critical comments about the aspect of the program that he was auditing as well as situations in which the auditor made favorable comments.

If you are interested in obtaining additional examples of audit reports on governmental activities, you may request to be placed on a mailing list to receive the "Monthly List of GAO Reports" which includes a summarization of reports issued. If you would like to be added to our mailing list, write to:

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The interchanges of reports among State and local audit organizations is also encouraged. Sharing your auditing experiences would be mutually beneficial.



Comptroller General
of the United States

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If you are interested in obtaining additional examples of audit reports on governmental activities, you may request copies of digests which are condensed versions of GAO audit reports similar to the examples in this booklet. If you would like to be added to our mailing list, write to:

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ACQUISITIONS

CHAPTER 1

FINDINGS REGARDING COMPLIANCE WITH

APPLICABLE LAWS AND REGULATIONS

The Comptroller General's audit standards provide for a review of compliance with pertinent legal and regulatory requirements. To make such findings meaningful, the report should contain (1) a clear explanation of the law and/or regulation involved, (2) the auditor's comments on an agency's compliance or lack of compliance with that law and/or regulation, (3) an explanation of the cause and effect of the agency's failure to comply if noncompliance is found, and (4) the auditor's conclusions and recommendations for corrective action. Specific examples follow.

EXAMPLE 1--GRANT FUNDS USED TO
SUPPLANT STATE AND LOCAL FUNDS

The Department of Health, Education, and Welfare auditors reported that a State education agency was not complying with the provisions of its Federal grant.

Law and regulation to be complied with

The Elementary and Secondary Education Act should not result in a decrease of State or local funds which would otherwise be available to a project area in the absence of title I funds. Office of Education guidelines state that title I funds:

"* * * are not to be used to supplant State and local funds which are already being expended in the project areas or which would be expended in those areas if the services in those areas were comparable to those for non-project areas * * *"

Condition found by auditor

The audit of the State Education Agency disclosed a decrease in State and local fiscal effort.

Effect of failure to comply

Title I funds, estimated at \$520,750, were used in supplanting State and local funds that were already being spent for services in project areas.

Cause of failure to comply

The State education agency officials advised the auditors that, with the exception of administrative reviews performed by program monitoring officials, no effective means existed to evaluate the comparability of services.

Auditors' recommendations

The State education agency should review other local education agencies in the State to determine whether similar deficiencies existed and, on the basis of its findings, develop and issue policies and procedures to all local education agencies participating in the title I program to insure that similar deficiencies do not recur. The auditors further recommended that the awarding agency determine the allowability of the title I funds (\$520,750) used by the local education agency in lieu of State and local funds.

EXAMPLE 2--REQUIREMENTS FOR WATER
QUALITY TESTING NOT FOLLOWED

In this example, the Inspector General, Department of Agriculture, reported a potential health hazard situation.

Law or regulation to be complied with

Farmers Home Administration (FHA) Bulletin No. 3790 (444), dated November 23, 1970, states, in part:

"Individual wells should be tested for quantity, chemical quality, and bacteriological quality. If the well tested is not acceptable from a bacteriological standpoint, adequate treatment facilities must be installed or other remedial action taken. If approval by public authorities is not available for individual water systems in some localities, the State Director will prescribe standards to be followed."

Condition found by auditor

In 15 of 34 county units, individual water systems of FHA-financed wells were not being tested for contamination.

Effect of failure to comply

Untested wells are potential health hazards to users.

Cause of failure to comply

Some county office personnel were unaware of the above instruction regarding water testing. Consequently, they did not contact the county health department to request that the water-testing service be made available to FHA.

Auditors' recommendations

The State director should make certain that all personnel are aware of existing instructions pertaining to testing of individual water systems. Testing services should be used through county health departments where available. When such services are not available, the State director should prescribe standards to be followed to assure that FHA borrowers have access to safe and acceptable water supplies.

EXAMPLE 3--PROGRAM COSTS NOT CHARGED
IN ACCORDANCE WITH REQUIREMENTS AND POLICIES

The Department of Housing and Urban Development auditors found that a City Demonstration Agency (CDA) was not making office space payments in accordance with an adopted cost allocation plan.

Requirements to be complied with

The city developed a cost allocation plan under the provisions of OMB Circular A-87 and HEW Guide OASO-8 and implemented this plan for charges to all city departments effective September 1, 1971. The plan provides for the computation of space costs (buildings and capital improvements) allocated to the various city departments (which includes CDA) on straight-line depreciation at an annual rate of 2.5 percent (40-year life).

Before adopting the cost allocation plan, the city's policy was to establish rental rates on comparable local space rates.

The cost eligibility criteria in CDA Letter No. 8, part II, requires consistent application of the city's accounting policies and procedures for costs charged to the program.

Condition found by the auditors

CDA occupies a city-owned building consisting of 4,180 square feet. The city determined the monthly local rental rates for comparable space as 20 cents a square foot without utilities and janitorial services and 30 cents a square foot with those services.

Utilities and janitorial services for the building were paid directly by CDA. The monthly rental payments by CDA to the city were properly made through August 31, 1971, at \$836 (4,180 sq. ft. at \$0.20).

However, CDA did not revise the monthly rental payments to conform with the city's cost allocation plan that became effective September 1, 1971.

Effect of noncompliance with requirements

As a result of not revising the rental rate to conform with the cost allocation plan effective September 1, 1971, CDA charged the program with an excess of \$17,235.38 from September 1, 1971, through July 31, 1972.

CDA agreed that payments to the city for office space should be consistent with the city's cost allocation plan and that the excess charge of \$17,235.38 was an improper program cost.

Auditors' recommendations

The auditors recommended that the Area Office Director:

1. Consider the excess charges of \$17,235.38 as ineligible program costs and insure that CDA removes the amount from recorded costs by obtaining a refund from the city.
2. Require and insure that CDA charges office space after July 31, 1972, in accordance with the city's cost allocation plan.

EXAMPLE 4--FEES NOT COLLECTED FOR
PROFESSIONAL CERTIFICATES ISSUED

In a report on a State department of public instruction, a CPA reported that the superintendent of public instruction was not complying with State regulations which required a fee for professional certificates issued.

Regulation to be complied with

The State Code provides, as follows:

Fees for certificates--The superintendent of public instruction shall require a fee of \$5 from each applicant for a first-grade professional certificate and a fee of \$3 from each applicant for a second-grade professional certificate or for a special certificate. The same fee shall be charged for its issuance.

Condition found by auditor

The superintendent of public instruction was charging no fees for first-grade professional certificates issued to graduates from State colleges and universities. These certificates were issued automatically under a "requisition" procedure. Under this procedure, all State colleges and universities submit requisitions--lists of graduates who are qualified to receive a teacher's certificate--to the superintendent. Certificates are then issued to the graduates through the colleges and universities on the basis of the requisition.

Effect of failure to comply

Statistics available for fiscal years 1966 through 1972 indicate that the State had lost \$58,270 of revenue because of this procedure.

Cause of failure to comply

The superintendent and the State colleges and universities have not been collecting the fee from the graduates as required. The superintendent has used the requisition procedure for many years because it simplifies the issuing of certificates to graduates of State colleges and universities.

Auditors' recommendations

The auditor did not take issue with the use of the requisitions procedure; however, on the basis of a review of the State Code, he did not believe exemption from the fee requirement for certificates issued under such procedure exists, since each graduate on a requisition is an applicant according to the State Code.

Because of this finding, the auditor recommended that the superintendent require State colleges and universities to remit the fee as required with the requisition and that no certificate be issued to any applicant until the fee has been received.

EXAMPLE 5--DEPRECIATION NOT CALCULATED
IN COMPLIANCE WITH REGULATIONS

In a grant audit, the Department of Health, Education, and Welfare auditors found that skilled nursing facilities were not complying with Federal agency regulations in calculating reimbursable costs.

Law or regulation to be complied with

Section 40-4 of the Social Rehabilitation Service Regulations provides that the upper limit for payments for institutional services under the medical assistance plan will be reasonable cost as defined by the standards and principles for computing reimbursement currently applicable to such institutions under title XVIII of the Social Security Act. This section further states that depreciation must be: (1) identifiable and recorded in the provider's accounting records, (2) based on historical cost of the assets, and (3) prorated over the estimated useful life of the asset.

Condition found by auditor

The contracts between the State department of welfare and skilled nursing facilities which were in effect during calendar year 1970 contained a clause permitting the skilled nursing facilities to include a replacement cost allowance of 10 percent of the 1970 appraised value of buildings and equipment instead of normal depreciation charges allowed by title XVIII.

Effect of failure to comply

This practice resulted in excessive payments of \$330,675 (Federal share \$266,193) to skilled nursing facilities from January 1, 1970, through June 30, 1970.

Auditors' recommendations

The auditors recommended that excessive charges of \$266,193 from January 1, 1970, through June 30, 1970, be credited to the Federal fund account. They also recommended that excessive payments from July 1, 1970, through December 31, 1970, be calculated and an adjustment made to the Federal fund account.

The State agency entered into new contracts with skilled nursing homes January 1, 1971, under which the calculation of reimbursable costs includes normal depreciation instead of the 10 percent of appraised value of buildings and equipment. The auditors did not recommend any further changes in procedures.

CHAPTER 2

FINDINGS REGARDING EFFICIENCY AND

ECONOMY IN USING RESOURCES

In reviewing efficiency and economy, the auditors should inquire into whether the audited agency is giving due consideration to conserving its resources in carrying out its responsibilities. The auditor should be alert to identify:

1. Procedures, whether officially prescribed or merely followed, which are ineffective or more costly than justified.
2. Duplication of effort by employees or between organizational units.
3. Performance or work which serves little or no useful purpose.
4. Inefficient or uneconomical use of equipment.
5. Overstaffing in relation to work being done.
6. Faulty buying practices and accumulation of unneeded or excess quantities of property, materials, or supplies.

In reporting on this type of finding, the auditors should clearly disclose (1) the standard or criteria that was used to assess efficiency and economy, (2) the conditions that were found to exist, (3) the effect of the conditions, (4) the cause of the situation, and (5) the auditor's recommendation for improvement. Examples of this type of audit finding follow.

EXAMPLE 1--INEFFICIENCIES FOUND
IN CLAIMS PROCESSING

The following Health, Education, and Welfare report disclosed a situation in which a State fiscal agent's procedures resulted in unnecessary claims processing and excessive costs. The criteria in this audit report is not stated explicitly, but it is implied that an agency should operate as economically and efficiently as possible.

Conditions found by auditor

The fiscal agent's claims-processing procedures contained unnecessary operations. The State fiscal agent's procedures require that clerks verify the physician's vendor code when it is shown on the claim and then write that code number on the bottom of the claim. If the vendor code is not on the claim, the clerks must determine what it is and then write this code number on the bottom of the claim.

The fiscal agent's procedures also require computer rejection of all claims which are 40 percent below the allowable charge to determine whether processors have made a coding error. These claims are then returned to a claims reviewer for correction and subsequent resubmittal through the computer.

Effect of the conditions

The fiscal agent's procedures were followed; however, this resulted in payments being made to the wrong vendors and excessive processing time.

In one month, 121 checks totaling \$18,500 were canceled because they were made to the wrong vendor. In another month, 154 more checks were canceled. State agency officials determined that checks were canceled because the wrong voucher code was transcribed on the claim.

The computer rejection feature resulted in additional computer time to reprocess the claim and additional reviewer time to merely direct the computer to pay the amount charged. A claims processor estimated that 50 percent of clerical time could be saved if the verifying and transcribing processes were eliminated.

Cause of the uneconomical situation

A misunderstanding existed about the need for transcribing the vendor code. Fiscal agent officials told us that the clerks transcribed the vendor code for keypunch purposes. However, the vice president of operations stated that rewriting the vendor code was not necessary.

After 9 months of operation, the fiscal agent had made no attempt to determine the usefulness of the 40-percent-rejection procedure.

Auditors' recommendations

The auditors believed that claims-processing time and costs could be substantially reduced if the 40-percent-rejection procedure were eliminated. The important factor is assuring that charges do not exceed the maximum, not that they are below the maximum by 40 percent.

To reduce processing time and the likelihood of clerical errors, the requirement to transcribe vendor code numbers to the bottom of claim forms should be eliminated.

EXAMPLE 2--INADEQUATE CONTROL OVER
STATE REVENUES AND CASH RECEIPTS

A State auditor's report dealt with inadequate controls over the financial operations of recording cash receipts and using idle cash.

Criteria used to measure efficiency

State regulations require collection banks to transfer moneys, including the balance of the prior period, to the Treasurer's revolving fund on the 1st and 15th of each month. The regulations also require that the method of depositing and recording cash receipts accomplish full and prudent use of idle cash.

Conditions found by auditor

During the State audit the auditors found that collection banks retained State moneys for 3 to 5 weeks and longer. Since deposits in the collection banks were generally from local residents and corporations, it would take less than 5 days to clear items. It takes an additional week or more before moneys are transferred from the revolving account to the general account. Thus cash is inadequately used for 3 to 8 weeks or more. The auditors found six inactive bank accounts. Also, they found excessive balances in the primary bank during the audit period.

Effects of the conditions

The excessively long clearing period for funds remaining idle in collection banks and in the revolving fund results in loss of interest income.

Interest was also lost on balances in inactive bank accounts. The total balances in these accounts ranged from a high of \$23 million in February and March 1971 to a low of about \$5 million in September 1971. Two banks alone retained inactive balances totaling \$8,294,420 as of March 15, 1972. There was no reason to maintain interest-free bank balances of this size.

In the primary bank, interest on balances exceeding \$10 million invested in U.S. Treasury bills for 7 days at an annual 4-percent yield (not compounded) would have amounted to an additional \$1,159,200 during the audit period.

Auditors' recommendations

The auditors recommended collection banks be required to transfer moneys on Wednesday of each week directly to the general account. The amount transferred should equal the funds in the collection account as of Friday of the previous week. With each transfer, the bank should be required to report collected (cleared) and uncollected (uncleared) amounts to the Treasurer and Department of Revenue and advise them of uncollected items that are over 15 days old.

The auditors recommended also that balances in inactive accounts be converted to time deposits, or invested in U.S. Government obligations, and the primary bank be responsible for insuring adequate clearing balances.

The auditors further recommended that the required daily balance in the primary bank be calculated on the basis of State cash flows and other pertinent data; excess funds should be invested for short-term periods.

EXAMPLE 3--COSTLY DELAYS FOUND
IN A DESIGN REVIEW PROCESS

This example was taken from an audit performed by an association of consultants (one of which is a prominent public accounting firm) under a contract with a State auditor. The audit was a comprehensive study of the State's school construction program, one aspect of which was design review.

Criteria used to measure
efficiency and economy

The Department of General Services is responsible for making design reviews for all the State's school construction. A minimum of four reviews are made of each school construction project. The Department's standard is 15 days for each review.

Conditions found by auditor

The audit of the design review process disclosed that each design draft takes an average of 31 days for review as compared with the Department's time standard of 15 days.

Effect of the conditions

The total impact of this delay exceeds \$14,000 for each \$1 million of school construction.

Also, if lengthy design reviews prevent the architect from meeting his established schedule, the Department of Education may not be able to satisfy critical facility needs.

Causes of the situation

The Department of General Services was not meeting its design review schedule because it lacked the needed data to perform reviews, the review process had unnecessary steps, and there was no followup to detect timelags in the review.

Auditors' recommendations

The Department of General Services should set up a routing and approval schedule for design review which eliminates any unnecessary steps. The chief of the Design Review Branch should be given responsibility for seeing that designs are reviewed on schedule and that any delays of more than 5 days over the standard 15 days are reported to the department director. Also, needed reference material should be obtained for the Department's technical data library.

EXAMPLE 4--UNECONOMICAL PACKAGE SIZES
USED IN A COMMODITY DISTRIBUTION PROGRAM

In an audit of the Commodity Distribution Program of the Department of Agriculture, GAO reported that savings could be realized if larger package sizes of commodities are used when possible.

Criteria used to measure
efficiency and economy

The Department of Agriculture's instructions to State distribution agencies require that, to the extent practicable, commodities be donated to schools and institutions in the most economical size packages. When commodities are available in packages of more than one size, the instructions require that State agencies requisition the commodities to the maximum extent practicable, in large-size packages--such as 50-pound containers--for schools and institutions.

Conditions found by auditors

In seven States covered by the review, distributing agencies were requisitioning foodstuffs for large users in small-size packages instead of large-size packages.

Effect of the conditions

A substantial part of the additional costs of providing flour, shortening, and nonfat dry milk in small containers to schools and institutions could be saved. GAO estimated that, nationwide, for fiscal year 1970 these additional costs totaled about \$1.6 million.

Cause of the situation

Agriculture regional officials said that, although they encouraged State distributing agencies to requisition commodities in the most economical size package practicable, they had not questioned

the propriety of State agencies' requesting commodities in small-size packages for schools and institutions and that they had not required the agencies to justify such requests because they believed the agencies were making the proper determinations as to package sizes.

Auditors' recommendations

In view of the savings available by acquiring commodities in large-size packages, GAO recommended that Agriculture take appropriate action to have regional offices vigorously enforce the requirement that State agencies requisition commodities--particularly, flour, vegetable shortening, and nonfat dry milk--in the most economical size packages practicable. GAO recommended also that State agencies be required to justify, when necessary, the requisitioning of the commodities in small-size packages for schools and institutions.

EXAMPLE 5--LACK OF COORDINATION INCREASES
COST OF REDEVELOPMENT PROJECT

In an audit of a city redevelopment agency, a State auditor pointed out a problem which involved relocating utilities in street-widening projects that resulted in unnecessary expense to the city as well as posing a safety hazard.

Criteria used to judge
efficiency and economy

The city urban renewal program's objective is to restore deteriorating neighborhoods to a sound, attractive, and safe condition by rehabilitating and improving existing buildings and public facilities. The City Redevelopment Agency is responsible for accomplishing this objective as economically as possible.

Condition found by auditor

In one street-widening and improvement project of the City Redevelopment Agency, utility poles and other utility facilities were not removed in a timely fashion.

Effect of condition found to exist

The most obvious consequence of this is, of course, the potential hazard and unsightly condition created by poles within an otherwise widened and improved street. The poles also delayed completion of the job, adding to the cost of the improvement project. For example, in the project reviewed the general contractor was paid \$600 a month for 1 year to remain on a job although completion was delayed because utility poles were not removed.

Cause of uneconomical situation

The City Redevelopment Agency did not provide sufficient leadership to insure that plans and work schedules of the general contractor and the utility companies corresponded.

Auditors' recommendations

The City Redevelopment Agency should assume full responsibility for coordinating the work of the general contractor and utility companies and, as appropriate, the work schedules of adjoining projects. This responsibility should continue throughout the life of the project. The Redevelopment Agency should include in the specifications for all future projects a street-by-street schedule for site improvement. When a construction contract is awarded, the schedule should be reviewed with the general contractor and the utility companies to insure that the schedule meets their requirements.

CHAPTER 3

FINDINGS REGARDING EFFECTIVENESS

IN ACHIEVING PROGRAM RESULTS

In reviewing the results of programs or activities, auditors should inquire into whether the programs or activities are meeting established objectives. The auditor should consider:

1. The relevance and validity of the criteria used by the audited agency to judge effectiveness in achieving program results.
2. The appropriateness of the methods followed by the agency to evaluate effectiveness in achieving program results.
3. The accuracy of the data accumulated.
4. The reliability of the results obtained.

The report should indicate the goal of the program and what the auditor found with regard to actual results or benefits being achieved. If actual results or accomplishments are less than the program goals, the auditor should also comment on (1) the effect of not meeting the goal, (2) the cause which contributed to the failure to meet the goal, and (3) his recommendations to rectify the situation. Examples of this type of finding follow.

EXAMPLE 1--PROBLEMS FOUND WITH
SNOW REMOVAL PROGRAM

A State auditor found that the State's snow and ice removal program was not accomplishing its objectives because legislation made the State department of transportation's operations difficult.

Goal of the program

The commissioner of the State department of transportation is responsible for removing ice and snow from State roads.

Condition found by the auditor

Article 12 of the Highway Law authorizes the commissioner of the department of transportation to contract with counties for removing snow and ice on State roads. The statute also permits counties to select sections of State roads to either plow, sand, or apply other abrasives or chemicals. The department of transportation is obligated to service the remaining road mileage. This feature of the legislation is referred to as the "first preference" clause.

Effect of not meeting the goals

Under the first-preference clause, counties have elected to service one section of State highways but not an adjoining section and resume service at another point on the road. This skip-patch-work operational pattern often results in State roads that have not been properly cleared of ice and snow. A county crew may spread salt on one portion of the State's highway only to have it removed later by the State's plow crews. Also, the State's work crews may not be able to plow or sand sections of highways until the county has serviced its portions.

Cause which contributed to failure
to meet the goal

The first-preference clause of the Highway Law is permitting counties too much flexibility in location, amount of mileage selected, and in type of service performed. As a result, the department of transportation is unable to do adequate long-range planning for equipment purchases and staffing work forces.

This report contained no recommendations. However, the State's first-preference clause should obviously be amended.

EXAMPLE 2--GOALS NOT ACHIEVED
IN STATE EMPLOYMENT PROGRAM

GAO reported this situation where the objectives of a State employment program were not realized.

Goal of the program

The Department of Labor's Concentrated Employment Program (CEP) was designed to combine, under one sponsor and in a single contract with one funding source, all manpower training and other services necessary to help persons move from unemployability and dependency to self-sufficiency. CEP seeks to accomplish this objective among persons in a designated target area by (1) making intensive outreach efforts to bring persons into work-training programs; (2) presenting a variety of job-training opportunities to applicants; (3) providing such supportive services as day care for children, transportation, and health care; and (4) placing applicants in jobs.

Condition found by the auditor

From December 1968 through February 1970, of the 6,732 persons enrolled in the program, 3,333 received some training or work experience and 2,586 were placed in jobs. About one-half of those placed in jobs, however, did not receive any orientation, training, or work experience. Often they were limited to the same types of low-skill jobs they held before joining the program.

Many placements were only temporary. Only 56 percent of the persons placed were employed 6 months later. Many had changed jobs during the 6-month period.

Many enrollees were placed in jobs requiring similar or lower level skills than those required in previous occupations. Only about one-half of the jobs increased the wages employees were receiving before entering the program.

Job placement was not always related to the type of training an enrollee received. For example, a person trained as a welder was placed as a janitor, an offset printer as a mail clerk, and an automobile mechanic as a maintenance man.

Effect of not meeting the goals

About \$14 million was spent on CEP in the Mississippi Delta from June 1967 through December 1971.

Cause which contributed to failure to meet the goal

CEP's effectiveness was hindered by

- economic slowdown which closed or cut back operations of some companies in the area,
- the special nature of the disadvantaged residents of the area--minority group farm-workers accustomed to seasonal employment,
- a stagnant economy,
- an insufficient labor demand,
- a labor force consisting largely of black farm-workers without necessary educational and vocational skills, and
- the large area and widely dispersed population that the program was trying to reach.

Increased mechanization has displaced many farm-workers in the traditionally agricultural delta area. New job opportunities have been scarce because industries have been slow to come into the delta and available jobs have required skills which enrollees do not have and cannot obtain reasonably.

Auditors' recommendations

The Congress is currently considering measures that will seek to revitalize the economy and increase job opportunities in such rural areas as the Mississippi Delta. The Secretary of Labor should try to improve the effectiveness of CEP by insuring that skill training and other manpower services are provided with due regard to the capabilities and needs of program participants and available job opportunities and by making all possible use of work experience programs and other subsidized employment, such as public service jobs funded under the Emergency Employment Act of 1971, for those participants who cannot be placed readily in jobs.

EXAMPLE 3--SCREWWORM ERADICATION PROGRAM
EFFECTIVE IN ACHIEVING RESULTS

GAO reported that the screwworm eradication program of the Agricultural Research Service was effective in eradicating this livestock parasite.

Goal of the program

In 1962 the Department of Agriculture began a cooperative program with the Southwest Animal Health Research Foundation and with various State organizations to eradicate screwworms from the Southwest and to prevent reinfestation.

Condition found by the auditor

After 4 years of eradication operations, the last self-sustaining, established screwworm infestations were eliminated in the United States.

Effect of meeting the goals

The program to eradicate the screwworm from the United States is generally considered to be a highly successful program in many ways. It has saved the livestock industry millions of dollars. Also, the program has opened the field for development of other nonpesticidal projects, a Department objective; it has demonstrated how atomic energy can be used for peaceful purposes that benefit mankind; and it has shown how producers, industry, and Government can jointly contribute money and means for the benefit of all.

EXAMPLE 4--EDUCATION GOALS NOT BEING MET

GAO reported that the objective of a program to provide Federal support to educationally deprived children was not met.

Goal of the program

Title I of the Elementary and Secondary Education Act (ESEA), as amended, authorized Federal support to local educational agencies for special programs for educationally deprived children in areas where low-income families are concentrated. The act is to help broaden and strengthen education for these children wherever they may be found--in public schools, in private schools, or out of school.

Condition found by the auditor

Projects were approved which provided general aid to target area schools or provided special services which were not identified with the primary needs of the educationally deprived children.

Effect of not meeting the goal

At some local education agencies (LEAs), ESEA title I had limited effectiveness in providing compensatory education to educationally deprived children.

Of the ESEA title I funds granted to 23 LEAs during project year 1969, about 30 percent was appropriately spent for instruction in basic educational skills--language arts, reading, and arithmetic; for special instruction for the handicapped; and for summer instruction. By contrast, about 33 percent was spent for projects which provided general aid to entire school populations and grades, which lessened compensatory educational benefits to educationally deprived children. About 15 percent was spent on projects of supportive services, and about 22 percent was spent for administration, equipment, and other expenses, such as supplies, material, and fixed charges.

Cause of failure to meet goal

Some project applications approved by the State agency were general and vague in describing the proposed activity, stating project objectives, relating methods of accomplishment, and establishing evaluation procedures. Some LEAs identified their most pressing educational needs as those of the target area schools and of all children attending those schools.

The State agency had not devoted sufficient personnel resources to adequately assist LEAs in developing projects that concentrate ESEA title I funds on a limited number of children where the need was greatest.

Auditors' recommendations

The State agency should assist LEAs in designing a balanced program of compensatory education and supportive services which meets the intent of the act and regulations and should approve only those projects suitably designed in accordance with these objectives.

EXAMPLE 5--OBJECTIVES OF A WATER
POLLUTION GRANT NOT REALIZED

Environmental Protection Agency auditors audited a 3-year grant awarded to a State environmental service agency under the Federal Water Pollution Control Act (FWPCA) and reported that the State agency did not meet its objective. The grant required the development of a comprehensive pollution control and abatement plan for controlling water pollution in the State harbor.

Goal of the program

Section 3(c) of FWPCA established a program to make grants to a State or States not to exceed 50 percent of the administrative expenses of a planning agency for a period not to exceed 3 years, if such agency provides for adequate representation of appropriate State, inter-State, local, or international interests in the basin, or portion thereof involved, and is capable of developing an effective, comprehensive water quality control and abatement plan for a basin.

The State agency was awarded a grant from January 1970 to January 1973 for developing a comprehensive pollution control and abatement plan to define the program to be used for controlling water pollution in the State harbor.

Condition found by the auditor

The review disclosed that the State agency had not accomplished grant objectives. A comprehensive pollution control and abatement plan for the State harbor had not yet been developed, although the 3-year grant period had expired.

Effect of not meeting the goal

A total of \$196,000 in Federal funds has been paid to the State agency for developing a plan, yet none of the major objectives have been accomplished.

Cause which contributed to failure
to meet the goal

In the auditors' opinion, the State agency's administration of the project was inadequate and it did not make a concerted effort to complete the project. Although the agency defined five subgoals to achieve the objectives of the grant, none of the goals were completed, nor had substantial progress been made in their completion.

Auditors' recommendations

The appropriate program officials should take action to recover all Federal funds paid to the State under the grant.

GPO 941-946

END