



UNITED STATES GENERAL ACCOUNTING OFFICE
 WASHINGTON REGIONAL OFFICE
 FIFTH FLOOR
 803 WEST BROAD STREET
 FALLS CHURCH, VIRGINIA 22046

~~089061~~
 089061

15 MAR 1977

Mr. Joseph Vellone
 Assistant Administrator, Management
 Rural Electrification Administration
 Department of Agriculture
 Independence Avenue between
 12th and 14th Streets, SW.
 Washington, D.C. 20250

270

Dear Mr. Vellone:

271

2

We have completed our examination of the Rural Telephone Bank's (RTB) financial statements for the 15-month period ended September 30, 1976, and our report to the Congress is currently being processed. A matter not included in that report, but which we believe demands your attention, concerns an improper allocation of certain expenses by the Rural Telephone Bank Board.

During our analysis of the Statement of Income, Expenses, and Patronage Capital for the 12-month period ended June 30, 1976, we determined that expenses charged to the account "Proportionate Share of Telephone Expenses," in the amount of \$170,000, were improper.

RTB's board of directors adopted a resolution on February 6, 1976, which directed the Governor of the Bank to expend telephone bank funds to reimburse the Rural Electrification Administration (REA) for a proportionate share, not in excess of \$170,000, of expenses to be incurred for joint operations of the REA/RTB telephone program during the remainder of fiscal year 1976.

A memorandum accompanying the resolution stated that due to increased per diem rates and mileage allowances for use in Government travel, REA was faced with either making significant reductions in operations or finding other ways of absorbing the increased cost.

The memorandum further stated that REA had explored other alternatives and

"* * * a determination was made that the agency could absorb a portion of the increased cost without impairing the ability to carry out the loan programs which had

~~912257~~ - 089061