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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

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GENERAL GOVERNMENT
DIVISION

OCT 29 1973

Mr. Donald E. Santarelli, Administrator
Law Enforcement Assistance Administration
Department of Justice
Washington, D.C. 20530

Dear Mr. Santarelli:

In evaluating the administration, operation, and effectiveness of LEAA's Law Enforcement Education Program (LEEP), we have determined that certain financial management problems are adversely affecting the program's operation. We are requesting your comments at this time rather than at the end of our review because we believe the problems have to be solved as quickly as possible if LEAA is to have basic management control over LEEP. Your response and any actions taken by LEAA to solve the problems will be considered when we prepare our overall report on this program.

Specifically, LEAA records are inadequate to determine whether a substantial number of students who received loans or grants fulfilled their legal obligation to enter or remain in the law enforcement field upon completion of their coursework or pay back their loans or grants. Moreover, about 13 percent of all LEEP funds provided to schools during fiscal year 1973 were either refunded to LEAA by August 31, 1973, or are still being retained by the schools. This excess money is not only costing the Federal Government interest, but also indicates that LEAA's action to suspend all new pre-service loans during fiscal year 1974 because of a lack of LEEP funds could possibly have been avoided if the agency had had good management information. Perhaps LEAA could have been able to continue such loans at a reduced rate, rather than suspend them entirely.

Our findings to date indicate that LEAA has not adequately carried out its responsibility for managing the LEEP program. Our observations and recommendations concerning these matters follow.

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PROBLEMS IN ACCOUNTING
FOR LEEP STUDENTS

Upon being accepted by his school to receive assistance under LEEP, a student enters into a contract with LEAA by completing and signing a Student Application and Note. The Student Application and Note includes biographical data, the amount of the grant or loan to the student, and, for in-service students, employer certifications of the student's employment. The Student Application and Note officially specifies the student's contractual obligation to LEAA under LEEP. LEEP loans are provided to pre-service students (full-time undergraduates). In-service students (people already working full-time in the police, corrections, or court fields) usually receive grants.

By completing the Student Application and Note, in-service students enter into an agreement with LEAA to remain with a law enforcement agency for 2 years following completion of any course for which grant funds are advanced.

The pre-service student, to be eligible for a loan, must acknowledge his intentions to enter the law enforcement field or otherwise repay LEAA the monies received plus interest. To verify both the student's intent to enter the criminal justice system and his employability in the system, LEAA requires all pre-service students--before entering the program--to obtain a letter from a criminal justice agency stating that if the student passes all the necessary tests and otherwise meets the qualifications for employment, the agency would consider the student eligible for employment. However, the statement is not a commitment by the agency to employ the individual.

Grant recipients must repay the amount of their grant plus interest to LEAA if they do not remain with a law enforcement agency for 2 years. Loan recipients have their loans plus interest cancelled at the rate of 25 percent for each year of full-time service as law enforcement officers following completion of LEEP. A LEEP loan must be repaid to LEAA when a borrower (a) ceases to be a full-time student or (b) is not employed by a law enforcement agency after he graduates.

Both LEEP loan and grant recipients must repay the principal amount of the loan or grant within 10 years with interest at the rate of 7 percent per annum on the unpaid balance. The repayment and interest accrual periods for loans begin 6 months after the person ceases to be a full-time student. For grants the recipient enters repayment status the first day of the calendar month after he terminates employment with a

law enforcement agency. The LEEP Manual states that repayment for grants and loans must not be less than \$50 per month, paid in regular quarterly installments of \$150.

When LEEP students request assistance for additional semesters or quarters, they are required to submit to LEAA a Renewal Note. The Renewal Note serves to confirm a student's continued enrollment in school and contains essentially the same information as the Student Application and Note, except for most of the biographical data.

The student receives a copy and the school keeps a copy of any note the student completes. The school forwards the original note to LEAA Headquarters. When completed notes are received by LEAA and verified, individual computer cards are punched for the data items contained on the notes and a printout is produced, signifying entrance of the information contained on the notes into LEAA's computer information system.

The computer system's edit criteria for accepting Renewal Notes into the system contains an edit routine which stipulates that all Renewal Note entries should be rejected if original Student Application and Note information has not already been entered into the computer.

LEAA staff estimate that as of August 1973 the edit criteria had caused the rejection of about 250,000 notes, or about 20 percent of the entire LEEP data base.

Most of the rejected notes are still unfiled and are not in any order that would facilitate locating an individual student's note, although 14 LEAA staff members are working full-time to file unfiled notes so they could eventually be entered into the computer data base. In addition, there exists the job of filing approximately 200,000 notes continuously being received for the current year.

Because LEAA does not have complete information on every student's account, LEAA cannot accurately determine the number and identity of people who have completed their coursework under LEEP, have entered or remained in law enforcement, or presently should repay their loans or grants to LEAA because they did not meet their legal obligations. This demonstrates that LEAA has not administered the program in a manner to insure that students meet their legal obligations incurred as a result of receiving LEEP funds. Furthermore, the significant number of unfiled notes would also preclude the performance of evaluation studies on LEEP graduates due to the absence of an identifiable universe.

One of the reasons LEAA has inadequate records on the status of LEEP students may be the small number of personnel assigned to process student notes and their lack of experience and training. We believe there has been inadequate management control by LEAA in establishing, operating, and monitoring the system to insure needed financial and statistical data is obtained.

UNEXPENDED LEEP FUNDS AT SCHOOLS

In November 1971 we reported to the Congress that large amounts of unexpended LEEP funds were being held by educational institutions resulting in considerable interest costs to the Federal Government.¹ The Department of Justice, in its response to the report, stated that it would take measures to insure that minimum amounts of unexpended funds remain at the schools.

A recent Grants Management Information System printout, however, shows that significant amounts of unexpended LEEP funds were still held by the schools as of August 31, 1973. The printout, prepared for LEAA's Financial Management Task Force, lists for each participating school for fiscal years 1969 through 1972 the amount of funds received, refunded to LEAA, and on hand at the school at the end of the fiscal year. For fiscal year 1973, the printout listed funds received by schools during fiscal year 1973 and the amounts refunded to LEAA and on hand at the schools as of August 31, 1973.

We computed totals on amounts of fiscal year 1973 awards the schools received and the amounts the schools refunded and had on hand as of August 31, 1973. These totals are shown below.

<u>Total awarded to schools for fiscal year 1973</u>	<u>Total refunded</u>	<u>Cash on hand at 8-31-73</u>	<u>Total-- Refunded and Cash on hand</u>
\$41,294,000	\$4,278,522	\$1,227,143	\$5,505,665

The amount of cash on hand and excess funds refunded to LEAA for universities and colleges in all 10 LEAA regions as of August 31, 1973, is approximately 13 percent of total funds awarded to schools.

¹"Opportunity to Reduce Federal Costs Under the Law Enforcement Education Program," B-171019, November 3, 1971.

The printout indicates that as of August 31, 1973, some excess funds have been refunded to LEAA, but LEAA officials told us many refunds were made only after schools were contacted by the Financial Management Task Force, not by LEAA staff responsible for managing LEEP. A substantial number of schools still have not refunded their excess balances to LEAA. Thus, it appears that LEAA's actions have not successfully prevented schools from having excess cash on hand or from requesting more funds than they needed.

The detrimental effect of this situation is twofold. The Federal Government will incur excess interest costs because of the excess balances being held by schools. Also, the situation could affect the entire LEEP funding pattern in that some schools may not have sufficient funds to provide loans or grants to all students seeking to participate in the LEEP program, while other schools have excess funds.

LEAA officials told us that because there are insufficient LEEP funds available to meet the demands of the schools in fiscal year 1974, LEAA is not allowing schools to make loans to new pre-service students. Given the excess funds on hand at the schools, however, LEAA's action could possibly have been avoided and perhaps it could have continued such loans at a reduced rate. Through fiscal year 1973, LEAA had not established and maintained adequate financial management procedures to insure optimum use of LEEP funds.

LEAA, within the past few weeks, has made changes in the administration of LEEP and has directed its regional offices to collect or otherwise account for cash on hand at schools. We have not evaluated the changes made or their effect on LEEP funding patterns, but plan to do so as we continue our work.

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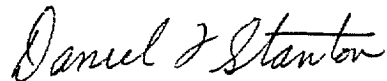
Given the problems discussed above, we recommend that LEAA

--Take immediate steps to insure that all new and previously received student applications and renewal notes are promptly accounted for and entered into the LEEP data base. LEAA should consider reassigning additional personnel full or part-time until the LEEP files are current.

- Insure that actions being taken to improve its method of accounting for funds disbursed to schools will result in minimum LEEP balances being kept on hand by the schools and that schools do not request more funds than needed since actions to date have not solved the problems.
- Reconsider its decision to suspend all new pre-service loans during fiscal year 1974 because of a supposed shortage of funds in light of the fact that about 13 percent of all fiscal year 1973 LEEP funds were retained by schools or refunded to LEAA at the end of the fiscal year.

To insure that we properly consider your views, we would appreciate receiving your comments by November 23, 1973. We will be glad to discuss these matters with you or your staff should you so desire.

Sincerely yours,



Daniel F. Stanton
Assistant Director