



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

A handwritten signature in dark ink, appearing to read "James R. Malley".

James R. Malley

January 23, 1974

cc: ✓ LAW ENFORCEMENT ASSISTANCE ADMINISTRATION
Governor's Justice Commission

While talking to DAN STANTON, Director, Civil Division, General Accounting Office, on January 22, 1974, he made available a copy of the report of the Legal and Monetary Affairs Subcommittee of the Committee on Government Operations, captioned:

Block Grant Programs of the Law
Enforcement Assistance Administration
12th Report
by the
Committee on Government Operations
May 18, 1972

COPY

HOUSE OF REPRESENTATIVES
COMMITTEE TO INVESTIGATE THE ADMINISTRATION OF JUSTICE
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

MEMORANDUM

By James R. Malley

Date January 23, 1974

FILE: LAW ENFORCEMENT ASSISTANCE ADMINISTRATION
cc: Governor's Justice Commission

On January 17, 1974, contact was made with ERSKINE STEWART, Staff Director of the Legal and Monetary Affairs Subcommittee of the Committee on Government Operations, Room B-377, Rayburn House Office Building, Washington, D.C.

It is noted this Committee issued a report on May 18, 1972 relative to their looking into the block grant programs of the Law Enforcement Assistance Administration. Mr. Stewart advised that his Committee had not issued any reports since the 1972 report and that his staff had not performed any additional work of any kind relative to the Law Enforcement Assistance Administration program due to lack of personnel available to conduct any such inquiries.

Mr. DAN STANTON, Director, Civil Division, General Accounting Office, was interviewed on January 22, 1974. He advised that auditors of the General Accounting Office had made a number of inquiries relative to the Office of the Law Enforcement Assistance Administration program in Pennsylvania. He made available an audit report, dated April 25, 1973, of the Governor's Justice Commission, Harrisburg, Pennsylvania, relating to the handling of the LEAA funds. He advised that this report was made in conjunction with the assistance and cooperation of the Auditor General's staff of the State of Pennsylvania. This report covers a discussion with management of the funds available, a summary of the audit findings, as well as the administration of program operations, management of financial activities and audit of sub-grantees.

He also made available a letter to Mr. JERRIS LEONARD, Administrator, Law Enforcement Assistance Administration, Department of Justice, for the development of criminal justice information systems. While this letter mentions the State of Pennsylvania as being one of the areas looked into, it is not broken down to any specific information relating to the state.

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Mr. Stanton also made available a letter dated October 25, 1973 to DONALD E. SANTARELLI, Administrator, Law Enforcement Assistance Administration, (successor to Leonard), U.S. Department of Justice, advising of the completion of a review of the administration of the Discretionary Grant Program. The information in this letter covers a number of states, but does not specifically mention the State of Pennsylvania in any way.

Mr. Stanton advised that while the General Accounting Office does handle the overall auditing for the Federal Government of LEAA matters, they do not handle specific checks of the entire program and that there is an actual audit made by the LEAA as such.

Mr. Stanton advised that there was one report that might be of interest (he did not have a copy). This report would be at the Philadelphia Regional Office and is captioned: (Copy of this report contained in GJC File)

Review of Policies and Procedures for Developing
Comprehensive Law Enforcement Plans
State of Pennsylvania
Law Enforcement Assistance Administration
Summary
Code No. 18534

He advised that audits are under the jurisdiction of Mr. HURLEY BLANKENSHIP, Audit Manager, Washington Field Office, Law Enforcement Assistance Administration.

Mr. Blankenship was interviewed on January 22, 1974, at which time he advised that his office is under the Office of the Inspector General, LEAA, and that it makes an effort to insure that the program is being properly administered by the states insofar as they can with the amount of assistance that is available.

He stated that the State of Pennsylvania is under the jurisdiction of Mr. CHARLES F. RIKEVICH, Region Administrator, LEAA, Suite 800, 325 Chestnut Street, Philadelphia, Pennsylvania, telephone No. 215:597-0800.

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He stated that CHRIS MORTON does most of the field work in the State of Pennsylvania and is extremely knowledgeable concerning the LEAA program throughout the state. He would probably be the best individual to contact relative to any specific questions this Committee might have.

He mentioned that KARL BOYES, Erie, Pennsylvania, former employee of the Governor's Justice Commission of Pennsylvania, has an extremely good knowledge of the workings of the LEAA program within the Governor's Justice Commission and should be of considerable assistance. (This individual has been interviewed on several occasions by this Committee.)

He mentioned that the minutes of the meetings that are held monthly by the Justice Commission relative to LEAA matters contain a great deal of information and that it might be of value to try to obtain these minutes and review them for information relative to actions taken by the Justice Commission with regard to the handling of LEAA matters.

During the discussion with Mr. Blankenship, he mentioned that the Auditor General's Office in Pennsylvania had cooperated very well with the LEAA auditors and that there were a number of reports available that had been prepared by the Auditor General, Robert P. Casey. He mentioned the following specific reports:

Allegheny Regional Planning Council
Pittsburgh, Pennsylvania
From January 1, 1973 to June 30, 1973
From January 1, 1972 to December 31, 1972

Department of Public Welfare
LEAA Sub-Grants DA 004-70 and DA 176-71
July 1, 1970 to June 30, 1972

Department of Justice
Bureau of Corrections
LEAA Sub-Grant DA 104-71
January 1, 1971 to August 31, 1972

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Blankenship stated that he was reasonably sure that Casey's office either had completed or was in the process of auditing the Pennsylvania State Police with regard to their use of LEAA funds and this might be a source of information that would be of value to this Committee.

Both Mr. Blankenship and Mr. Stanton, as well as CHARLES STRAUB (formerly with LEAA in Philadelphia - now in the Washington office), pointed out very emphatically that the granting of funds under the program was strictly a state function and that the Federal Government did not actually select or approve the granting of funds for any specific purpose. They stated their function was merely to make certain that the funds were being utilized for the purposes intended under the Law Enforcement Assistance Act and that their audits were designed to make sure that the program was functioning in line with the regulations set forth in the Act.

LEADS:

State Auditor Casey's office should be contacted and an effort made to obtain copies of the reports specifically mentioned in this memorandum. Also make inquiry relative to the status of the audit of the Pennsylvania State Police.



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

MAR 14 1972

B-171019

Dear Mr. Leonard:

The General Accounting Office has reviewed the award of grants by the Law Enforcement Assistance Administration (LEAA), Department of Justice, for the development of criminal justice information systems. Our review covered both discretionary grants awarded directly by LEAA and subgrants awarded by State planning agencies (SPAs) from their block grants. These grants, called action grants, are authorized under part C of the Omnibus Crime Control and Safe Streets Act of 1968, as amended (42 U.S.C. 3701).

Our work was performed principally in California. We also made inquiries of SPAs in Illinois, Massachusetts, Michigan, New Jersey, Pennsylvania, and Texas, to obtain information on their grant awards and their grant application review procedures.

Although our discussion of SPA controls over the awarding of grants for information systems pertains largely to the California SPA, we believe that information obtained from other States and from LEAA officials indicated a national need for controls to prevent duplicative design and development of criminal information and retrieval systems.

SUBSTANTIAL FUNDS ARE BEING AWARDED
FOR INFORMATION SYSTEMS

According to LEAA surveys of State plans for fiscal years 1970 and 1971, about \$50 million of fiscal year 1970 and 1971 block grant funds were devoted to criminal justice information systems. In addition, about \$4 million of fiscal year 1970 and 1971 discretionary grant funds were used for similar purposes. Of this \$4 million, about \$3.1 million was for the Project SEARCH (System for the Electronic Analysis and Retrieval of Criminal Histories) to assist 20 States in developing a computerized criminal history exchange system. Because the goal is to have this system fully operational in all States by 1975, substantial funding of information systems can be expected in the future.

NEED FOR BETTER CONTROLS AT CALIFORNIA SPA

Since enactment of the Safe Streets Act, the California SPA has awarded 20 action grants totaling about \$6.5 million for information systems. The application review process includes evaluations by (1) regional criminal justice boards, (2) SPA staff, and (3) SPA task forces (concerned with the particular areas of criminal justice). In addition, SPA on occasion has contracted with consultants to perform technical reviews of grant applications. These consultant reviews are for evaluating the technical aspects of the applications, including the transferability of proposed systems, and for ascertaining whether the applicants took advantage of previous or current developments of systems by other governmental jurisdictions so as to avoid unnecessary duplication of effort.

We were told by SPA and consultant personnel that no system existed for accumulating and disseminating information on existing information systems. They also said that grant applications often did not contain sufficient information about proposed systems. For these reasons, they often were unable to determine whether proposed systems were similar in design to systems which already were operational or under development by other criminal justice agencies.

The potential benefits to be derived from an effective method of sharing data on information systems are demonstrated by the following examples. In these cases, existing system designs were adapted to meet the needs of other agencies at substantial savings in developmental costs. This sharing and the concomitant benefits were not the result of any SPA requirement, but the result of individual initiative by the grantees.

Example 1.

The San Francisco Police Department received LEAA grants totaling about \$675,000 to aid in developing a major police information system. The system, which will include field-support, command-control, and management-analyses modules, is expected to cost about \$1.6 million

with nearly \$1 million coming from grant funds. San Francisco project officials estimate that they will save about \$500,000 in developmental costs plus 2 years' developmental time by basing their field-support module on a system developed by Hamilton County, Ohio. San Francisco project officials told us that they had learned of the Ohio system through informal contacts with other police agencies.

Example 2

Orange County, California, has applied for a grant of \$159,000 to aid the county in adapting a subject-in-process system currently under development by Santa Clara County, California. This system will automate the records of individuals as they progress through the criminal justice system from bookings to case dispositions. Orange County officials, although not yet sure how much of the system they can adopt, expect to realize savings in both costs and time. Again, the system sharing was the result of initiative on the part of project personnel.

Example 3

Walnut Creek, California, jointly with three neighboring cities, has received LEAA grants totaling about \$185,000 to aid in developing a police information system for automating and consolidating the records of their four police departments. The records include arrest reports, traffic citations, field interrogation reports, warrants, court orders, and rap sheets. Project officials estimate that approximately 25 percent of the programming required for the system can be based on automated police information systems in operation in other States. They estimate also that savings of \$22,000 to \$47,000 will be realized from adopting the programming of these other systems.

We discussed the need for a more formal means of disseminating data on existing information systems with personnel at

the California SPA and other State and local agencies. They were in general agreement that significant savings could be achieved through sharing system design and that a formal system for disseminating information was needed.

Because of the potential problem of duplicative projects, the California Intergovernmental Board of Electronic Data Processing had requested planning funds from SPA. The board, which comprised State, county, and local officials working in data processing and which was retained by the California Council on Criminal Justice to perform technical reviews of project applications, requested the funds to develop priorities, set standards, and establish a clearinghouse for criminal justice information systems. Upon being refused planning funds for the project, the board submitted an application to SPA for an action grant. SPA disapproved this application because the stated project objectives overlapped its responsibilities and because it could contract directly with a consultant for the work proposed in the grant application. At the time of our review, SPA had not awarded such a contract.

NEED FOR CONTROLS AT NATIONAL LEVEL

On the basis of our findings in California and our test checks in other States, we believe that the problem of duplicative system design and developmental costs is national in scope. For example, projects for the development of subject-in-process information systems had been funded in California, Texas, Arizona, and New Jersey. California and Texas SPAs each had funded two such systems. In addition, Texas had developed a similar system as part of its participation in Project SEARCH.

There appears to have been no formal coordination between the projects. For example, although officials of Maricopa County, Arizona, in their discretionary grant application, had specifically requested LEAA to provide them with information on any known information systems of a similar nature, LEAA did not provide such information. On the basis of our work at

LEAA headquarters, it appears that such information was not available at LEAA.

During our July 1971 testimony before the Subcommittee on Legal and Monetary Affairs, House Committee on Government Operations, on the administration of LEAA grants, we said that we believed that there was a need for national coordination and dissemination of information on research projects. Similarly, we believe that there is a need to disseminate information on existing criminal justice information systems.

LEAA comments

In August 1971 we discussed the need for control procedures to minimize duplicative system development costs with the Director, Systems Development Division, LEAA. He agreed that there was a need for such procedures and that there was potential for savings in this area. He informed us that the Division planned to establish a grant application review procedure for discretionary grants that would be designed to minimize duplication of design work. The grant review process planned would not have covered grants by SPAs.

In November 1971 we discussed the results of our review with LEAA officials who stated that the Systems Development Division was implementing plans to resolve the problem of duplication. These plans provided for the hiring of computer systems analysts who would be assigned to the LEAA regional offices and who would be instructed to become thoroughly familiar with the activities within the regions and to work closely with the States to make reviews and onsite evaluations of applications for grants of Federal funds for computer systems.

The Systems Development Division also plans to obtain information that will enable it to maintain a clearinghouse for documented systems and to promote their use as appropriate. The Division plans also to maintain an up-to-date inventory of information systems and automatic data processing

facilities in the criminal justice community. To ensure that grant applicants take advantage of existing systems where appropriate, LEAA plans to require that a State's comprehensive law enforcement plan specifically provide that existing systems be considered and that systems developed be adequately documented to facilitate future sharing.

Through the coordinated efforts of the Systems Development Division and the regional computer systems analysts, LEAA expects to minimize duplicative development and design of criminal justice information systems.

CONCLUSION

In view of the substantial grant funds being committed to information systems and in view of the recognized potential for savings through minimizing duplicative developmental costs, we believe that there is an urgent need for control over the award of this type of grant. As part of such control, LEAA should inform applicants of the benefits and means of adapting existing systems when emphasizing the desirability of such action. Both SPA and LEAA officials have recognized the need for control over such awards and have started to implement proposed actions designed to provide the required controls. For the controls to be effective, grant applicants should be required to check with the LEAA regional computer systems analysts as a condition to grant approval, to determine whether similar systems exist that might be adopted.

We believe that LEAA's plans to minimize duplicative developmental costs should be implemented as expeditiously as possible and that the controls should be evaluated periodically to ensure that the objectives are being met. We shall appreciate receiving your comments on this matter.

Copies of this report are being sent to the House Committee on Government Operations; the Subcommittee on Legal and Monetary Affairs, House Committee on Government

B-171019

Operations; the Director, Office of Management and Budget; and to the Assistant Attorney General for Administration.

We appreciate the cooperation and courtesy extended to us by LEAA and State employees during our review. If you so desire, we shall be pleased to discuss this matter with you or with members of your staff.

Sincerely yours,

A.T. Samuelson

Director, Civil Division

Mr. Jerris Leonard, Administrator
Law Enforcement Assistance Administration
Department of Justice



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

OCT 25 1973

GENERAL GOVERNMENT
DIVISION

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

Dear Mr. Santarelli:

We have completed a review of the administration of the discretionary grant program by the Law Enforcement Assistance Administration (LEAA). We reviewed the basic law authorizing the program --the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3701)--and the policies, procedures, and guidelines established by LEAA for administration of the program. We also inquired into practices for administering discretionary grants at State Planning Agency (SPA) and local unit of government levels. We examined pertinent records, reports, correspondence, and selected grant project files at LEAA's regional offices in Philadelphia, Pennsylvania, and San Francisco, California; at SPAs in California, Maryland, and Pennsylvania; and at selected local agency subgrantees.

At the three States visited, we selected for review 42 discretionary grant projects that had been awarded during fiscal years 1970, 1971, and 1972. Our major consideration in selecting these grants was the amount of time expended by LEAA in approving the applications. We also discussed the administration of the program with LEAA regional and headquarters officials, representatives of SPAs, and representatives of the local agencies which received grants.

SUMMARY OF FINDINGS

Our review of information at LEAA headquarters and 42 projects funded under the discretionary grant program in the three States visited showed no appreciable difference between the types of projects and programs funded with discretionary grants and those funded by the States with the block grant funds. The use of discretionary grant funds to supplement the types of projects funded under the block grant program is not accomplishing LEAA's objectives for the discretionary grant program, namely

to (1) advance national priorities; (2) draw attention to programs not emphasized in State plans; and (3) afford special impetus for reform and experimentation.

Although LEAA makes a considerable effort in reviewing and approving discretionary grant project applications, it has relied on SPAs to distribute and account for the funds and to monitor the projects. We found that neither LEAA nor the SPAs were effectively administering the program after projects were approved by LEAA.

Also, our review of information at LEAA headquarters and at the 42 grantees in the three States visited showed that:

- Program guidelines were not issued in a timely manner.
- Grant recipients had excessive cash balances contrary to the Federal Government's letter-of-credit policy and LEAA instructions that funds advanced to recipients be limited to minimum amounts needed and be timed in accord with actual cash requirements.
- Few on-site monitoring visits were made by LEAA and the SPAs.

DISCRETIONARY GRANT FUNDS
HAVE BEEN USED TO SUPPLEMENT
THE STATES' BLOCK GRANT FUNDS

According to the legislative history of the act, the Congress reserved 15 percent of the funds appropriated under part C for LEAA to use at its discretion in order to allow the Federal Government some flexibility in the grant mechanism. The legislative history contained little information on the intended use of the funds other than that the funds would be used for the benefit of large cities and for experimental purposes. LEAA has stated that the purposes of the discretionary grant program are to (1) advance national priorities, (2) draw attention to programs not emphasized in State plans, and (3) afford special impetus for reform and experimentation.

Types of projects being funded

Many of the 42 projects we reviewed in the three States which we visited were similar to projects being financed by the States with block grant funds. Also, some of the projects were being financed with both block and discretionary grant funds. For example:

1. A discretionary grant of \$52,266 was made to a State agency to establish a rehabilitative care center for female offenders. The applicant had submitted a block grant application for this project to the SPA. The SPA rejected the application because only a limited amount of block grant funds remained in the budget for this type of project. The SPA advised the applicant to submit the project application to LEAA for possible funding under the discretionary grant program.
2. A discretionary grant of \$263,395 was made to a State agency to assist in funding an organized crime control unit project. The project was also being funded with \$453,000 of block grant funds.
3. A discretionary grant of \$72,750 was made to enable a county probation department to establish professional foster homes for 20 females in the county's juvenile detention facility. Originally, the applicant had submitted a block grant application to the SPA but it was rejected because the State did not have enough block grant money to fund it.

Many applicants receiving funds under the discretionary grant program initially intended to have their projects financed under the block grant program. In some cases an application was submitted, in others the applicant inquired at the SPA about the possibility of receiving block grant funds. In most cases the projects were not funded under the block grant program because there were limited block grant funds available within specific program areas. LEAA, SPA, and project officials told us that there was really no difference between the types of projects being funded under the block and discretionary grant programs and that projects being funded under the discretionary grant program could have been funded under the block grant program.

In a letter dated November 22, 1971, to the then LEAA Administrator, the Executive Committee of the National Conference of State Criminal Justice Planning Administrators stated:

"LEAA advertised the discretionary grant program as 'the means by which LEAA can advance national priorities, draw attention to programs not emphasized in state plans, and provide special impetus for reforms and experimentation within the total law enforcement improvement structure created by the Act.' However, the Administration's approach has been anything but that. It created a shopping list offering relatively small awards for a broad variety of projects. No national priorities were or have been set by LEAA for the use of these discretionary funds."

Change in the direction
of the discretionary grant
program

In May 1971 an LEAA task force report on overall program activities stated that LEAA was spreading its resources so thinly that many efforts had developed minor results, and even those that may have made significant impact were difficult to measure. The task force recommended using discretionary funds to finance programs having an immediate impact on specific crime related areas. In July 1971 LEAA instituted a moratorium on the funding of discretionary grant projects; it resumed approving project applications in October 1971.

In January 1972 LEAA announced that it had developed a high-impact anti-crime program which would be financed with discretionary funds. LEAA said that in past years discretionary grant funds had been awarded for numerous and relatively small projects, and that the impact program represented a major change in the direction of the discretionary grant program.

Under the impact program a substantial amount of money is to be directed over a 3-year period toward reducing two types of crime--stranger-to-stranger street crime (homicide, rape, and robbery) and burglary--in eight middle-sized cities with a high overall crime rate. The goal of the program is to reduce the target crimes by 5 percent in 2 years and 20 percent in 5 years. The eight cities are to receive a total of \$160 million, with each city receiving \$5 million the first year, \$10 million the second year and \$5 million the third year.

LEAA had initially planned to use part C discretionary grant funds to finance the program's first year cost of \$40 million; however, in March 1972 LEAA personnel advised us that of the \$73 million available for discretionary grants from fiscal year 1972 funds only about \$10 million would be spent on the impact program. The remaining \$30 million for the impact

program was to come from funds made available pursuant to another part of the act and from LEAA's National Institute of Law Enforcement and Criminal Justice.

Discretionary grant funds have been used for other projects of national scope. Project SEARCH--a project to develop a prototype of a computerized criminal history exchange system--is an example of such a project. For the most part, however, the funds awarded were generally for projects of the type that LEAA had approved before announcing the change in the direction of the discretionary grant program.

Conclusions

We believe that projects of national scope should be increased to maximize the benefits from the discretionary grant program. The use of discretionary grant funds to supplement the block grant program is not accomplishing the announced objectives of the program. If an extension of the block grant program is desired, LEAA could allocate discretionary funds en block to the States rather than retaining approval authority for individual projects. Such an allocation could be made after deducting the funds earmarked for interstate projects and programs such as the impact program.

LEAA moved toward the impact program because it was making a large number of awards involving relatively small amounts of grant funds. Approving the same type of projects that caused LEAA to move toward the impact program in the first place should be avoided.

Recommendation

We recommend that LEAA clarify its position on discretionary grants. LEAA should concentrate on accomplishing the goals it has established for the discretionary grant program by identifying national priorities and emphasizing programs that are not being conducted by the States or that have potential for widespread application.

NEED FOR IMPROVEMENT IN ADMINISTRATION
OF THE DISCRETIONARY GRANT PROGRAM

LEAA has overall responsibility for the administration of the discretionary grant program and has assigned certain administrative functions to the SPAs before and after project approval by LEAA.

LEAA, among other things, issues guidelines and reviews and approves project applications before grants are awarded. After project approval, LEAA channels funds to the SPAs for distribution, reviews progress and financial reports, performs audits at the applicant levels, and monitors grant activities. In the early part of fiscal year 1972, LEAA increased its regional offices from 7 to 10 and gave them more authority in administering the program.

The SPAs review the grant applications before the projects are approved by LEAA. After the grants are awarded the SPAs account for the funds given to applicants, receive reports on project activities, and monitor the projects.

According to the Executive Committee of the National Conference of State Criminal Justice Planning Administrators, the responsibilities for the discretionary grant program that LEAA has assigned to the SPAs have placed an administrative burden on the SPAs. Also, SPA officials told us that they do not have time to administer the program after the grants are awarded because of limited staff and administrative duties associated with the block grant program.

Program guidelines not issued
in a timely manner

LEAA did not issue program guidelines concerning the direction of the discretionary grant program for fiscal year 1973 until February 1973. This 7-month delay is typical of prior years. The guidelines for fiscal years 1970, 1971, and 1972 were not available until 6, 6, and 8 months, respectively, after the start of the fiscal years. In the absence of timely notice of the direction of LEAA's program, we believe that funds are not put to use as soon as possible to help reduce crime and potential applicants may find it difficult to plan projects and prepare applications.

In February 1973 we suggested to LEAA that it issue more timely guidelines on the direction which the program will take in an ensuing year. In March 1973 LEAA informed us that it was considering publishing a discretionary grant guide which would list the administrative requirements and the general program segments, and publishing separately each year information on the funds allocated for the various program segments.

Funds advanced before needed

The Government's policy is to improve, as much as possible, the timeliness of disbursements from the Treasury. Treasury Circular No. 1075 (revised) dated April 10, 1969, provides for the use of the letter-of-credit method of financing cash advances. This method, specifies an amount which a recipient may withdraw, when needed, through any commercial bank it selects, by issuance of a payment voucher. The Treasury circular points out that the timing and amount of cash advances should be as close to actual daily disbursements as is administratively feasible. The purpose of this method of financing is to reduce Federal debt levels and the interest costs of borrowing.

LEAA has prescribed procedures to implement the letter-of-credit method. The procedures obligate the SPAs to time withdrawals to coincide with actual needs so that cash on hand is the minimum needed for disbursements. The procedures also provide that the SPAs must devise a system of payment to grant recipients that approximates the letter-of-credit method so that recipients will not have idle cash on hand.

Our review of the discretionary grant expenditure and status reports for the 42 projects showed 19 projects had significant excessive cash balances. The following cases illustrate recipients' practices of maintaining funds in excess of their cash requirements.

Applicant A

In June 1970, applicant A in Pennsylvania was awarded a discretionary grant for \$100,000. The applicant had been advanced \$25,000 on October 2, 1970, and after 18 months the \$25,000 was still on hand.

Applicant B

Applicant B in Maryland was awarded a discretionary grant for \$47,931 in August 1971. Expenditure reports in the project file showed that as of October 15, 1971, the applicant had been advanced \$12,000. Six months later the applicant reported that \$10,336 had still not been expended.

Applicant C

On November 4, 1970, applicant C in California was awarded a discretionary grant for \$132,488. On the basis of information reported by the applicant, we determined that from January 1971 through February 1972 the applicant maintained an average monthly balance of \$53,657.

Because of the excessive cash balances that were maintained by the applicants, substantial unnecessary interest costs were being incurred by the Federal Government. We have discussed this matter with LEAA officials who told us that they will continue to emphasize to SPAs and grantees the importance of complying with Federal regulations on the use of letters-of-credit.

Need for better monitoring
of discretionary projects

We believe that the weaknesses in administration discussed above could have been corrected or minimized if the SPAs and LEAA adequately monitored (desk and on-site) discretionary grant activities.

LEAA's discretionary grant guidelines provide that the SPAs monitor the projects. Also, LEAA has established desk and on-site monitoring guidelines and procedures for its regional office and headquarters personnel. The guidelines provide details as to what to do in carrying out the monitoring responsibilities. However, the procedures only require on-site monitoring visits as needed and not on a periodic or scheduled routine basis.

LEAA and the SPAs made few on-site monitoring visits. Of the 42 projects examined, LEAA made monitoring visits to nine and the SPAs visited four others. The SPAs also visited three of the nine projects visited by LEAA. In one State, some projects had been funded again without being visited. In another State, where some on-site visits were made by LEAA regional personnel, the visits consisted of cursory reviews of fiscal records.

LEAA regional and SPA officials told us that insufficient manpower had precluded them from fulfilling their on-site monitoring responsibilities.

Conclusions

The action which LEAA is considering in connection with the issuance of guidelines, should enable more timely issuance of program guidelines and improve program administration.

We believe that effective and continuous monitoring of project operations by LEAA is essential to detect and correct program weaknesses, strengthen program administration, and better insure achievement of program objectives.

We believe also that effective financial administration of the program is essential to apprise management of the use being made of grant funds and on-site monitoring is necessary to insure compliance with financial requirements and to inquire into the effectiveness of projects which have the potential of being replicated at other locations.

Recommendations

We recommend that LEAA

- improve its monitoring program to determine that grant recipients do not maintain excessive cash balances and that advances are made in accord with the recipients' actual needs, and
- involve itself more fully in the program by following up on projects after approving applications, making periodic on-site monitoring visits to keep abreast of project developments, providing assistance where needed, and deciding on future project funding.

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We appreciate the cooperation and courtesy extended to us by LEAA, SPA, and project officials during our review. We would like to have your written comments on the matters presented in this report, including your comments on actions taken or planned on the recommendations.

If you so desire, we shall be pleased to discuss the report with you or members of your staff.

Sincerely yours,

Daniel F. Stanton

Daniel F. Stanton
Assistant Director