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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C. 20548

CIVIL DIVISION

JUL 30 1971

Dear Mr. Maughan:

The General Accounting Office has examined into selected aspects of the Title III Grant Program administered by the Water Resources Council (WRC). Our survey included an examination of selected State applications and was performed at the WRC Central Office in Washington, D.C.

Section 301 of the Water Resources Planning Act of 1965 authorized annual appropriations of \$5 million to WRC for planning grants for fiscal years 1967 through 1976. These funds are to be allotted by the WRC as grants to States, on a 50 percent matching basis, to assist them in developing and participating in comprehensive water and related land resources plans. Since inception of the program in fiscal year 1967, through fiscal year 1971, funds amounting to \$12.5 million have been appropriated by the Congress to carry out the provisions of the grant program.

The stated purposes of the Title III program are to encourage (1) State participation in Federal-State comprehensive water and related land resources planning, (2) State preparation of plans in light of regional and national plans, and (3) State training of personnel, where necessary, to develop technical planning capability.

WRC issued rules and regulations in November 1966 setting forth the guidelines that States should follow in making application for the Title III funds. The guidelines stated that non-Federal funds eligible for matching Federal funds granted under Title III would be limited to the increased expenditures of non-Federal funds above the expenditure for the 12-month period ending June 30, 1965--base year costs. The guidelines indicated that once established, the base level of expenditures for such period was intended to remain as the base for calculating non-Federal funds eligible for matching.

During 1967, WRC advised the States at the time it conveyed approval for their initial application for financial assistance under the act that

"\* \* \* the intent of Title III, also, is to enhance State capability in comprehensive water and related land resources planning. Thus, Federal-or State-matching funds under Title III should not be utilized

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for the services of consultants or for transfer to Federal agencies or local governments for data-gathering or planning activities, to an extent that would impair the development of State planning capability."

During the period June 1969 through January 1971, the Department of the Interior issued 26 audit reports to the WRC on the results of their examination of grants made to States under the Title III program. Our analysis showed that for 18 of the 26 reports, the auditors raised questions on the following matters: Eleven instances involving the base year costs totaling \$738,000; 3 instances involving the extensive use of consultants totaling \$339,000; and 8 instances involving certain types of expenditures included by States for matching purposes totaling \$387,000. The remaining eight audit reports indicated that the grant funds received by these States had been expended in compliance with applicable WRC policies and procedures.

Examples of the matters questioned by the Interior audit reports are as follows:

1. A report issued in April 1970 on the Louisiana Department of Public Works indicated that the agency had entered into three research agreements with the Gulf South Research Institute. The three agreements amounted to \$238,800 and constituted 67.7 percent of the total amount \$352,252 expended by the State under the WRC approved State augmented planning programs. The auditors concluded that little is being done with Title III funds to develop in-house State planning capability in the State of Louisiana.
2. A report issued in December 1969 on the Kentucky Department of Natural Resources indicated that (1) contractual services costing \$252,560 could not be related to WRC grant program, (2) personal service costs in the amount of \$8,300 were not adequately supported, and (3) equipment acquisitions of \$3,307 had not been adequately disclosed to WRC.

In response to our inquiry as to what action had been taken on the audit findings submitted by Interior, we were informed by WRC officials that no further action is contemplated with respect to providing additional instructions for use in clarifying either the base year expenditures or the subsequent year expenditures. The reason offered was that the grant program has only 5 years remaining under the Water Resources Planning Act of 1965. With respect to the continued use of consultants by certain States, we were advised that the WRC's action has been limited to bringing this matter to the attention of the States in question.

We did note that the WRC had taken steps to improve the overall administration of the Title III program.


First, WRC established in June 1970 three Liaison Teams--Eastern, Central, and Western. The Liaison Teams' responsibilities with respect to the Title III program are. (1) keep informed of grant programs in their regions, (2) become acquainted with each State's water and related land resources planning activities, (3) assist in the coordination of State and Federal water and related land planning programs, and (4) report to the WRC Committee for State grants concerning any problems, conflicts, or opportunities for improvement in water and related land resources planning with Federal grants.

Second, WRC established the position of Regional Leader during February 1971. One of his duties will be to maintain contact with designated State water planning agencies and provide guidance to the States in making application for Title III funds.

In summary, we believe that the actions taken to establish the Liaison Teams and the position of the Regional Leader are steps in the right direction. We believe, however, that there is a need for criteria for use in determining the eligible expenditures that States can claim under the matching provisions of the Water Resources Planning Act of 1965. Moreover, we believe that the questions raised by the auditors are significant and should be satisfactorily resolved. It appears to us that WRC is administering the Title III program inequitably as long as some States have included questionable expenditures in the determination, while other States' expenditures have complied with WRC policy. In this regard, we believe that if any revisions are made to the criteria for determining eligible expenditures under the Title III program, consideration should be given to whether such changes are to be projective or retroactive.

We acknowledge the cooperation given to our representatives during the survey. We would appreciate being advised of any actions taken or contemplated on the matter discussed herein.

Sincerely yours,

  
Wilbur D. Campbell  
Assistant Director

Mr. W. Don Maughan  
Director, Water Resources Council