HOUSE SELECT COMMITTEE TO INVESTIGATE
EDUCATIONAL, TRAINING, AND LOAN
GUARANTY PROGRAMS UNDER
GI BILL

HOUSE OF REPRESENTATIVES
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SECOND SESSION
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FEBRUARY 14, 1952.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed, with illustrations

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HOUSE SELECT COMMITTEE TO INVESTIGATE EDUCATIONAL PROGRAM UNDER GI BILL

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LETTER OF TRANSMITTAL

Congress of the United States,
House Select Committee To Investigate
Educational, Training, and Loan Guaranty
Programs Under GI Bill,

February 11, 1952.

Hon. SAM RAYBURN,
Speaker, House of Representatives,
Washington, D. C.

Dear Sir: Transmitted herewith is the report of the House Select Committee To Investigate the Educational, Training, and Loan Guaranty Programs Under the GI Bill. This report is submitted pursuant to House Resolution 93, Eighty-second Congress, and deals exclusively with the veterans' educational program. This report is submitted with the unanimous approval of the committee.

Respectfully,

OLIN E. TEAGUE, Chairman.
INVESTIGATING EDUCATION AND TRAINING PROGRAMS UNDER GI BILL

FEBRUARY 14, 1952.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed, with illustrations

Mr. Teague, from the House Select Committee To Investigate Educational Program Under GI Bill, submitted the following

REPORT

[Pursuant to H. Res. 93]

RECOMMENDATIONS OF THE COMMITTEE

1. A new act should be written extending educational benefits to veterans who served during the Korean conflict. The act should define as its intent and purpose the creation of an education and training program to provide for vocational rehabilitation and restoration of lost educational opportunity to those service men and women whose vocational pursuit and educational ambitions have been delayed or impeded by cause of active military, naval, or air service during a period of hostilities. An entirely new act, rather than amendment to existing law, is desirable. The new act should include certain features of the present law and should incorporate the recommendations of this report.

2. Eligibility for training should be granted to all veterans who served honorably during the period June 27, 1950, and such delimiting date as may later be established by Presidential proclamation or concurrent resolution by Congress. Entitlement to educational benefits, not to exceed 36 months, should be granted to veterans with 90 or more days honorable service, based on 1½ days of entitlement for each day of service during the period June 27, 1950, and prior to the delimiting date to be established.

3. The total payment, including an allowance for tuition, books, and supplies sufficient to maintain a veteran in training under average and reasonable conditions, should be paid directly to the veteran. From such an allowance the veteran should pay tuition, fees, and other charges not to exceed the charges paid by a nonveteran similarly circumstanced. No subsistence allowance should be paid for less
than half-time training; however in those instances where the veteran elects training without subsistence allowance, the VA should pay tuition, fees, and other charges not to exceed those charges made of nonveteran students similarly circumstanced.

4. Enrollment of veterans in institutional training should be limited to courses offered by public schools and colleges, or to courses in private schools which have been in successful operation for at least 1 year and which maintain an enrollment of at least 25 percent nonveteran students.

5. The relative authority and responsibility of the Administrator and the State approving agencies should be defined. The State approving agencies should be charged with approval and supervision of educational institutions, training establishments, and veterans enrolled therein. State approval agencies should receive reimbursement for supervision of all educational institutions and training establishments and nondisabled veterans enrolled therein.

6. The agricultural training program for veterans in the employ of another person should not be continued. The new act should prohibit enrollment of veterans in farm training when the veteran does not have a farm and farming program of sufficient size and scope to support his family and provide him with full-time employment, or when by virtue of previous education and experience the veteran is already as proficient as other successful farmers in the community.

Subsistence payments to farm trainees should be scaled downward as the training program progresses and the trainee’s farming program and income improves.

7. The law should contain specific prohibitions against Veterans’ Administration and State approving agency personnel owning interest directly or indirectly in schools training veterans, or receiving gifts, gratuities, favors, money, loans, or employment from such schools. Approved schools, other than public tax-supported schools and colleges, should be prohibited from employing a former Veterans’ Administration or State approving agency employee for a period of 1 year following the termination of such person’s employment with the Veterans’ Administration or a State approving agency.

8. The law should prohibit enrollment of a veteran in any school which is listed as subversive by the Attorney General of the United States.

9. The Administrator should be authorized to discontinue benefits to any veteran who commits criminal acts or acts of gross misconduct in the use of his entitlement. The Veterans’ Administration should establish a system of control and advisement and guidance for veteran students who fail, change courses often, or commit acts of bad faith in the use of their entitlement.

10. Standards for approval of nonaccredited courses in vocational and trade schools should be established by law to preclude approval of schools with poor or inadequate qualifications.

11. Full-time training in colleges should be defined as 15 semester hours or its equivalent.

12. Specific penalties should be established for persons who knowingly or willfully make false claims in connection with the veterans’ program.

13. Veterans should be required to report taxable income rather than income from productive labor for the purposes of computing subsistence allowances.
14. The Administrator of Veterans' Affairs should allow the Inspection and Investigation Service to investigate criminal matters arising in the veterans' program. The Administrator should inaugurate an inspection program through the Inspection and Investigation Service designed to detect and eliminate problems before they reach scandalous proportions.

15. The central office of the Veterans' Administration should decentralize administration of the veterans' educational program to the greatest extent practical to Veterans' Administration regional offices and State approving agencies and at the same time impose an effective supervisory system to assure enforcement of the law. State approving agencies should be placed on the mailing list for all publications. All regulations should be given adequate circulation before becoming effective.

16. Vocational Rehabilitation and Education personnel should be screened with a view to removing those persons without proper educational background or experience in vocational rehabilitation and education.

17. The authority of the Administrator of Veterans' Affairs should be clearly delineated in any future legislation providing education and training for veterans. Final authority of the Administrator should be limited to decisions concerning the veteran's entitlement. All other matters should be subject to review by the General Accounting Office and the courts.

Conclusions of the Committee

Proprietary Profit Schools Below the College Level

1. There was a rapid uncontrolled expansion of private profit schools during the first several years of the veterans' training programs. Many of these schools were without educational background and experience and offered training of doubtful quality.

2. New schools started after 1944 had no experience on which to establish rates. For approximately 3 years these schools were allowed to set their own rates up to $500 per year, which resulted in unreasonable and excessive charges. The Veterans' Administration formula for determining "fair and reasonable" rates eliminated excessive charges to a degree but presented an enormous and costly administrative burden to the Veterans' Administration and created a constant source of contention between the Veterans' Administration and the schools.

3. Exploitation by private schools has been widespread by resort to the following practices:
   (a) Falsification of cost data.
   (b) Falsification of attendance records.
   (c) Overcharge for supplies, books, and tools.
   (d) Billing for students not enrolled.
   (e) Unethical influence of Veterans' Administration and State officials.

4. Many schools have offered courses in fields where little or no employment opportunity existed. Certain trades and vocational fields, such as tailoring, automobile mechanics, and cabinetmaking, have been seriously overcrowded by trade schools.
5. Criminal practices have been widespread among this class of schools. Convictions have been obtained in approximately 50 school cases. Approximately 90 cases are pending and millions of dollars in overpayments have been recovered. Many new cases are developing.

INSTITUTIONAL ON-THE-FARM TRAINING

1. The farm-training program prior to the passage of Public Law 377, Eightieth Congress, lacked uniformity in minimum training requirements, and its supervision was not adequate. Public Law 377 established uniform requirements for agricultural training which corrected many of the defects of the program; however, the program established for a veteran training "in the employ of another person" has resulted in a labor subsidy in some areas.

2. Public Law 377, Eightieth Congress, is not explicit in requiring credit for previous training and does not specifically prohibit retraining; therefore, training has been allowed in many cases where the veteran was already proficient as a farmer or had graduated from an agricultural college and was qualified as a teacher.

3. Many local schools were lax in allowing veterans to enroll when the veterans' farming program was inadequate to provide full-time employment and a reasonable income.

4. There has been a widespread failure on the part of schools in requiring instructors to make required supervisory visits to the veteran's farm.

5. The wage ceilings established by law have not been subject to satisfactory enforcement, since it is difficult to verify the farm trainee's income.

COLLEGE-LEVEL PROGRAM

1. The veterans' training program at the college level, although experiencing some administrative difficulties, has been carried out successfully. Participating colleges and universities have rendered outstanding service in training veterans under many adverse conditions.

2. Difficulties have arisen in equitably applying the Veterans' Administration formula for establishing a "fair and reasonable" tuition rate based on "cost of teaching personnel and supplies for instruction."

3. The policies of the Veterans' Administration relating to furnishing books, tools, and supplies to veterans have not been satisfactory to either the colleges and universities or the Veterans' Administration.

4. Many university and college officials advocate a modest scholarship-aid program and warn that subsidizing the total cost of the veteran's course leads to education for subsistence. Many college officials recommend that the veteran be required to make a small contribution to the cost of his course.

APPRENTICE AND OTHER TRAINING ON-THE-JOB

1. Prior to the passage of Public Law 679, Seventy-ninth Congress, the on-the-job training program was unsatisfactory as a training program and permitted excessive exploitation.

2. Many veterans have been trained for jobs in which they were already proficient and some veterans have been kept in training an
excessive length of time in a series of closely related job objectives such as assistant manager and manager positions.

3. In many instances, trainee wage scales have been designed to take maximum advantage of subsistence payments and have been influenced by the income ceiling established by law resulting in the veteran being paid wages lower than the customary wage in the community.

4. The Veterans' Administration has been inconsistent in awarding benefits in on-the-job training programs for insurance underwriters and policemen and firemen and later withholding benefits from these programs on the basis that they did not meet the criteria of the law.

5. Supervision of on-the-job training establishments by State approving agencies has been inadequate due to the reimbursement formula utilized by the Veterans' Administration, which provides for two to three inspection visits per year to each firm.

6. The on-the-job training program has been successful in those cases where the participating firm established and followed a training schedule leading to a skilled objective and paid a realistic wage schedule.

7. Training programs have been approved for unskilled or semi-skilled occupations where little or no training was required, resulting in needless expenditure of funds and waste of the veteran's entitlement.

8. Enforcement of wage schedules and wage ceilings by the Veterans' Administration and State approving agencies has been ineffective in some States due to lack of cooperation between the two agencies.

VETERAN TRAINEE CHARACTERISTICS

1. There has been a close relationship between unemployment and enrollments, particularly in trades and vocational courses. In certain areas schools were created for the purpose of catering to veterans on strike or unemployed. In agricultural areas enrollments in trades and vocational schools increased in the winter and dropped off sharply in the summer. It was a common practice in some areas for farm hands to attend vocational schools in the winter months and drop out as soon as spring work began.

2. It was necessary that the Congress enact restrictions on recreational and avocational courses, such as dancing, bartending, and personality development, since an excessive number of veterans were willing to waste their entitlement on such courses. It was also necessary that the Congress restrict veterans from changing from one course to another or enrolling in a series of unrelated courses. Many veterans pursued a series of unrelated courses, such as shoe repairing, cooking, and automobile mechanics for the obvious purpose of securing subsistence payments rather than a bona fide interest in training.

3. A minority of veterans have conspired to evade Veterans' Administration regulations for the purpose of securing benefits to which they were not entitled. Some veterans paid school officials to mark them present when they were not in attendance, resulting in illegal subsistence payments to veterans and illegal tuition payments to schools.

4. Veterans have engaged extensively in the practice of selling or pawning the tools issued to them for training purposes by the Veterans' Administration.
5. Supervision of the individual veteran has been unsatisfactory. The attempt by the Veterans’ Administration to assign each veteran to a training officer was excessively expensive and the attempt to supervise veterans by monthly reports, VA form 1905C, was ineffective. The responsibility for supervising schools and veterans enrolled in those schools is divided between the Veterans’ Administration and State approving agencies; thereby creating confusion and inefficiency.

6. There has not been adequate control of irresponsible veterans by the Veterans’ Administration. In many instances, veterans committing acts of gross misconduct or failing their courses, were allowed to reenroll with no further guidance or restriction.

STATE APPROVING AGENCIES

1. Public Law 346, Seventy-eighth Congress, June 22, 1944, did not provide financial assistance to the States. Some States attempted an approval program without adequate funds. Subsequent amendments to the law—namely, Public Law 679, Seventy-ninth Congress, August 8, 1946; Public Law 377, Eightieth Congress, August 6, 1947; and Public Law 610, Eighty-first Congress, July 13, 1950—provided Federal funds for supervision of schools, and training establishments. These amendments now provide funds for a comprehensive system of supervision; however, many deficiencies and abuses occurred prior to the passage of these amendments.

2. A majority of the States have carried out an effective approval program; however, there has been serious failure in some States, particularly Pennsylvania.

3. The relationship and relative authority and responsibility of the Veterans’ Administration and State approving agencies is not clearly defined by the present law, resulting in contention and confusion between Veterans’ Administration and the State approving agencies.

ADMINISTRATIVE PROBLEMS CONFRONTING VETERANS’ ADMINISTRATION

1. The Veterans’ Administration central office has overcentralized authority in the Washington office, which has resulted in indecision on the part of regional-office officials and has created delays, confusion, and reversals in the handling of many aspects of the training program.

2. The procedures followed in negotiating “fair and reasonable contracts” have been cumbersome, lengthy and, in many instances, ineffective. Unreasonable application of the Veterans’ Administration “cost formula” has resulted in denying reasonable expenses in some schools, and lax application of the “cost formula” has allowed excessive tuition rates in other cases. The Veterans’ Administration contract system has been costly to administer, and constant changes of regulations and introduction of new regulations has imposed a serious burden on both contracting schools and regional offices.

3. The Veterans’ Administration’s policies relating to absences and leave have not been uniformly and effectively applied. An interpretation placed on the law by the Veterans’ Administration permitted a continuation of subsistence payments to the veteran until the end of the month during which he terminated his training, or for 15 days after the end of the school year; despite the fact that the veteran was not in training. The Subcommittee on Expenditures in the Executive
Departments estimated that this policy resulted in needless expenditure of approximately $100,000,000.

4. The Veterans' Administration has been confused in its policy of authorizing educational benefits to service personnel who had not actually interrupted their tenure of service. This confusion has resulted in needless unauthorized payments to persons later determined not eligible for benefits.

5. The finality of authority enjoyed by the Administrator of Veterans' Affairs is contrary to the established policies of our Government. It is evident that this final authority vested in the Administrator has resulted in arbitrary construction and application of statutory enactments; has militated against the inherent rights of educational institutions to an independent review of their transactions and agreements; and has resulted in the payment of many millions of dollars for which neither the veteran nor the Government received any real or tangible benefits and for which no clear legislative authority existed.

6. There is justification for the numerous complaints received by this committee from colleges, schools, State approving agencies, and veterans' organizations to the effect that some Veterans' Administration regulations were arbitrary, ill-advised, ambiguous, and tending to have retroactive effect.

7. The report by the Administrator of Veterans' Affairs to the Senate Committee on Labor and Public Welfare with particular reference to appendix D is inaccurate and unreliable.

8. The system of regulations and instructions employed by the Veterans' Administration has been complicated and confusing. Educational institutions were held responsible for compliance with instructions; yet, they did not have access to all Veterans' Administration regulations. The Veterans' Administration employed a system of manuals, technical bulletins, circulars, all station letters, R. and Pr.'s, TWX's, and letter instructions. These instructions in some cases tended to be ambiguous and contradictory. Where the Veterans' Administration attempted at a later date to interpret and refine instructions previously published, these subsequent interpretations tended to have a retroactive effect and, in many instances, contradicted previous interpretations made by local officials despite the fact that these interpretations had been used as bases for payment to schools and veterans. Application of regulations varied widely in different branch and regional areas. A standard clause in Veterans' Administration contracts subjected the contracting school to Veterans' Administration regulations not specifically made part of the contract. Consequently, subsequent refinements and interpretations by the Veterans' Administration were applied to already executed contracts providing the basis for questionable recoveries by the Veterans' Administration.

VETERANS' ADMINISTRATION PERSONNEL POLICY

1. Some of the key personnel in the Vocational Rehabilitation and Education program, both at central office and field level, were not qualified by virtue of educational background and experience to administer an educational program. This condition can be attributed to three causes:
(a) The rapid build-up of the veterans' educational program in a short period of time.
(b) Limitations imposed on the Veterans' Administration by civil-service regulations.
(c) The tendency of the Veterans' Administration to elevate employees with seniority and civil-service status from other divisions of the Veterans' Administration, such as Medical Administration, Claims, and Insurance, relying on their previous general administrative experience, rather than education and experience directly in the field of education to qualify these employees.

2. There was a virtual collapse of administration in at least one State as a result of involvement and irregularities on the part of Vocational Rehabilitation and Education personnel.

3. Thirty-four percent of the cases investigated by the Inspection and Investigation Service during the period 1944–50 disclosed maladministration, negligence, acceptance of gifts, or outright criminal activity on the part of Vocational Rehabilitation and Education personnel.

4. Many Veterans' Administration employees resigned from the Veterans' Administration and opened veterans' schools under contract with Veterans' Administration. Many Veterans' Administration employees, contrary to existing regulations, owned interest or derived profit from schools under contract with the Veterans' Administration.

5. The Vocational Rehabilitation and Education Division contracted and authorized the expenditure of billions of dollars. Pressure was exerted by certain unscrupulous schools and individuals to compromise contract and training facilities officers. An excessive number of Veterans' Administration employees responded to these temptations and accepted bribes, gifts, unusual loans, gratuities, services, and ownership in schools under contract with the Veterans' Administration. This condition weakened the position of the Veterans' Administration, lessened the efficiency of the veterans' program, resulted in disservice to the Federal Government and veterans, and in some cases, resulted in criminal involvement on the part of vocational rehabilitation personnel.

There is no indication that the Veterans' Administration took positive steps to eliminate these conditions, despite warnings by the Inspection and Investigation Service of the Veterans' Administration.

VETERANS' ADMINISTRATION CENTRAL OFFICE SUPERVISION

1. The Administrator of Veterans' Affairs has failed to make effective use of the Inspection and Investigation Service. He has depended on the interested service for supervision reports. The Vocational Rehabilitation and Education Service has failed to detect serious irregularities in their operation through routine supervisory efforts. These irregularities have been detected belatedly by the Inspection and Investigation Service, which was prevented, by administrative decision, from making inspection surveys for the purpose of preventing irregularities.

2. The Inspection and Investigation Service has done an outstanding job of investigating and reporting irregularities assigned for their attention. The Inspection and Investigation Service has been handicapped by the delimiting agreement which restricts the Service from
investigating criminal matters. It is believed that more effective use of the Inspection and Investigation Service by the Administrator would provide a basis for a preventative inspection program calculated to eliminate irregularities before they reach scandalous proportions.

PROBLEMS RELATING TO FURNISHING OF BOOKS, TOOLS, AND SUPPLIES

1. The decision of the Administrator to furnish supplies to veterans placed basic responsibility for the operation of the supply program upon the Veterans' Administration. The Veterans' Administration prevailed upon educational institutions to become its supply agents for veterans. Educational institutions were delegated the authority to furnish supplies to veterans in accordance with their established practices. Lack of effective supervision, in addition to the rapid expansion of new schools, resulted in a general deterioration of customary supply practices. It was 1947 before the Veterans' Administration made any serious effort to control the excesses which were developing in the supply program and 1950 before a stable and definitive supply policy was evolved by the Veterans' Administration. If the present supply policy is an adequate safeguard for the Federal Government and the veteran, then it must be concluded that the Veterans' Administration allowed the unnecessary expenditure of literally tens of millions of dollars for supplies.

2. Many institutions in all fields of education took advantage of the lack of regulation and supervision to adopt unreasonable supply requirements and excessive charge practices. Some even resorted to various types of questionable middleman techniques (i.e., the dummy supply corporations) in order to obtain undue advantages. Many educational institutions seemed to feel no moral responsibility for moderate, conscientious administration of the supply program unless it was buttressed by a legal barrier or regulation.

3. Frequently, veterans responded to promotional advertising of below-college-level schools wherein the chief emphasis was on the material benefits to be realized by the veteran from the value of supplies to be furnished rather than the value of the education and training itself. This attitude on the part of some veterans has been reflected in frequent course changes and in the widespread practice of selling or pawning tools and supplies issued for training purposes. Many trade and vocational schools have reported a serious problem arising from theft of tools and supplies by students.

EVALUATION OF VETERANS' TRAINING PROGRAM

1. A majority of the veterans participating have benefited from the educational program; however, the minority who lacked sincerity or who acted in bad faith, together with certain unscrupulous school operators and Government officials, have caused a needless waste of public funds.

2. As a readjustment device, the educational program has prevented any serious national problems of unemployment, unrest, and dissatisfaction among veterans.

3. The veterans' educational program has served to restore human resources lost or retarded by the war. A great many veterans have received training of direct benefit to the current defense effort.

4. The college program has been successful.
5. The on-the-job training program was seriously exploited during the first few years of the program, but is operating satisfactorily at the present time.

6. The institutional on-the-farm program has been successful in some States and weak in others. The farm program for veterans "employed by another person" has not been satisfactory.

GENERAL

In view of the waste, abuse, and inefficiency which occurred during the World War II program, it would be grossly unfair to veterans of the Korean conflict, and to the Nation as a whole, to extend the present program without corrective action. Veterans of the Korean conflict are no less entitled to readjustment benefits than veterans of World War II; however, a new group of veterans should not be exposed to the exploitation which has plagued the World War II program. A sound educational readjustment program, unhampered by blind adherence to the past, taking full advantage of the experience gained during the last 7 years should be devised, employing adequate safeguards against abuse to the end that veterans of the present conflict would be entitled to a period of education and training consistent with that period which they may have lost because of service during a period of hostilities. The scholarship allowance should be sufficient to maintain a veteran student under reasonable and normal circumstances in a reliable educational institution with customary charges for nonveteran students used as a guide.

Regardless of the size of scholarship allowance provided there will be some who will find it impossible to avail themselves of educational benefits. Others will find that the scholarship allowance is not sufficient to provide expensive training and maintain a standard of living at a level thought desirable by the student. In these unusual cases the veteran will be required to make a small contribution from his own resources. This condition is considered neither undesirable nor unfair. Our educational system is based on the principle of self-aid and undoubtedly those students who have a stake in their own education will most zealously guard against unwise use of the allowance provided by the Government.

INTRODUCTION

Wars are followed by an aftermath of disrupted lives and the problem of caring for veteran servicemen has weighed heavily on the conscience of our Nation. There are 400 survivors of the Civil War and the Indian wars, there are 108,000 living veterans of the Spanish-American War and the Philippine and China Insurrections, there are 3,446,000 living veterans of World War I and 15,200,000 veterans of World War II. Approximately 18,813,000 American men and women are veterans of our Nation's wars. The armed services are now releasing service personnel at the rate of 20,000 per month. Following each of the Nation's wars the country has been faced with the problem of aiding returning servicemen. There is a myriad of pension benefits for veterans of the various wars. Medical service is assured to those with service-connected disabilities and those who cannot pay for medical care. Veterans have been paid bonuses and veterans were given public lands after the Civil War. Preference is shown to the
The obligations of the disabled was clear. They deserved the best medical care available and were entitled to unrestricted aid in rehabilitation to a useful occupation. They were clearly entitled to a pension commensurate with the degree of disability. Special programs were created for blind veterans, veterans with amputations, and for paraplegic cases. Our obligation to the maimed and disabled was obvious and it was the will of the country that they should have the best.

The problem of aid to the returning able-bodied veteran was not so clear-cut. It was apparent that the country could not stand the impact of 15 million adults being added to the labor market at the same time the entire industry of the Nation was attempting to make a shift from war to the peacetime production. The country’s earlier experiences with bonus payments gave little basis for hope since past experience proved that a bonus would not materially aid a majority of veterans in readjusting to civilian life. A national bonus payment following World War II promised to seriously intensify the already dangerous inflation problem. The Congress, with the support of the people, conceived the GI bill of rights. In lieu of outright payments to the able-bodied veterans, the Congress offered the veteran a chance to help himself. The Servicemen’s Readjustment Act of 1944 provided financial assistance by guaranteeing a loan to the veteran who desired to purchase a home. The veteran was paid unemployment benefits for a limited period of time to aid in bridging the gap between military service and full-time civilian employment. Loans for business and farming enterprises were made available. Veterans who desired to train themselves were given subsistence payments while in training and the Veterans’ Administration paid tuition and furnished books, tools, and supplies. Problems have arisen in all of the assistance programs established by the GI bill of rights but the problems which have resulted from the veterans’ educational program greatly overshadow all the others by their far-reaching implications and cost.

The tremendous problems which were to arise in the educational program were not apparent to the sponsors of the Servicemen’s Readjustment Act of 1944. It appeared in 1944 that certainly it was safe for Congress to authorize the Veterans’ Administration to purchase a course of training for a veteran on the same basis that a nonveteran secured a course. Early estimates of the veteran’s interest in the educational program were completely disproven by later
experience. Many educators flatly predicted that the veterans as a group would have little interest in education. Seven and one-half million veterans have proved them wrong.

The veterans' educational program had serious troubles from the beginning. The mass demobilization in 1945 and 1946 caught the Veterans' Administration off balance. It was immediately apparent that our educational system was inadequate to carry the increased load. Programs were conceived to take care of farm trainees, apprentice trainees, and on-the-job trainees. Trade schools sprang up by the thousands catering to veterans. During the period June 22, 1944, to October 31, 1949, the number of privately owned schools in the United States increased from approximately 1,878 to about 5,635.

The troubles that followed are now a matter of record. The on-the-job training program fell in disrepute with the public and became a labor subsidy rather than a training program. Congress salvaged part of the program by passing an amendment setting up criteria for on-the-job training establishments and providing for their supervision by the State approving agencies. The farm program threatened to become a dole rather than a bona fide training program and the Congress passed another amendment to the law establishing definite standards for farm training. Exploitation of the veteran and the Federal Government by fly-by-night trade schools continued unchecked until 1950 when the Congress passed another amendment establishing standards for trade schools.

There is little question that the veterans' educational program has been a great benefit to literally millions of veterans, yet there is no doubt that hundreds of millions of dollars have been frittered away on worthless training. As a nation we are proud of our vast technical know-how, and we place great reliance in the ability of our industry to outproduce the rest of the world. World War II was a great drain on our human resources and the lives of 15 million young men and women were diverted from their normal channel during the formulative period of their lives to the unproductive task of making war. This serious depletion of our human resources has been largely restored as a result of incentives created by the educational provisions of the GI bill of rights. Whether the training given under the act has always been worth the cost is another question. In spite of the waste and inefficiency of the program, we have produced hundreds of thousands of young technicians, doctors, lawyers, engineers, craftsmen, farmers and business workers. These trained men and women represent a great national asset.

The bright hopes for a lasting peace which we all entertained after World War II are clouded. We are again engaged in an armed conflict and service men and women are again returning to face the problem of readjusting themselves to civilian life. Our Nation stands in mortal danger and our resources are strained. The principle of helping a veteran help himself remains unchallenged, but we as a nation cannot continue to tolerate the graft and waste which has plagued the World War II program.

The program for World War II veterans is drawing to a close. July 25, 1951, was the last enrollment date for most veterans. We are now faced with the question of assisting new groups of returning veterans. The Congress has made provision for the disabled veteran, but the task of providing a program for the able-bodied veteran which
will yield an honest return to the veteran and the Nation as a whole remains to be solved.

This report deals with problems which have arisen in the veterans' training program and suggests certain changes and corrections before training benefits are extended to new groups of veterans.

Olin E. Teague, Chairman.

Purpose of the Committee

The Select Committee To Investigate the Educational and Training Program Under the GI Bill was created August 28, 1950, pursuant to House Resolution 474, Eighty-first Congress. The committee created under House Resolution 474 conducted a limited investigation and filed a report, No. 3253, to the Congress on January 2, 1951.

The committee was continued by the Eighty-second Congress pursuant to House Resolution 93 approved February 2, 1951:

Resolved, That there is hereby created a select committee to be composed of nine Members of the House of Representatives to be appointed by the Speaker, one of whom he shall designate as chairman. Any vacancy occurring in the membership of the committee shall be filled in the manner in which the original appointment was made.

The committee is authorized and directed, effective January 3, 1951, to conduct a full and complete investigation, evaluation, and study of the alleged abuses in the education and training and loan guaranty programs of World War II veterans, and of action taken, or the lack of action taken by the responsible officers and employees of the Veterans' Administration and State-approving agencies to prevent abuses under Public Laws 16 and 346 (78th Cong.), as amended.

The committee shall report to the House (or to the Clerk of the House if the House is not in session) as soon as practicable during the present Congress the results of its investigation, evaluation, and study, together with such recommendations as it deems advisable.

For the purpose of carrying out this resolution, the committee is authorized to sit and act during the present Congress at such times and places within the United States whether the House is in session, has recessed, or had adjourned, to hold such hearings, and to require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memoranda, papers, and documents, as it deems necessary. Subpoenas may be issued under the signature of the chairman of the committee or any member of the committee designated by him, and may be served by any person designated by such chairman or member. The chairman of the committee or any member thereof or any member of the committee staff may administer oaths to witnesses.

House Resolution 93 broadened the scope of the committee's investigation to include an evaluation of the veteran educational and training program in addition to investigating alleged abuses. House Resolution 93 extended the scope of the investigation to the veterans' loan guaranty program. This report will deal exclusively with the veterans' educational and training program under the GI bill.

Scope of Investigation

The House Select Committee To Investigate the Veterans Educational and Training Program Under the GI Bill was created August 28, 1950, pursuant to House Resolution 474, Eighty-first Congress, and was continued by House Resolution 93, Eighty-second Congress. The scope of the investigation was broadened by House Resolution 93 to include the veterans' loan guaranty program. The investigation and studies of the committee has proceeded continuously from August 28, 1950, to the date of this report.
The committee organized its investigation and study as follows:

1. Field investigations and public hearings.
2. Study of reports and surveys submitted by interested educational groups and State agencies.
3. Administrative studies and research by the committee and hearings by the committee on administrative questions.
4. Study of surveys and investigations conducted by Federal agencies at the request of the committee.
5. Review of investigation reports made by Federal and State agencies prior to creation of committee.
6. Study of recommendations and comments, both solicited and unsolicited, from officials of schools, State agencies, veterans' organizations, and private citizens.

The committee conducted field investigations and hearings in Texas, where irregular activities of Veterans' Administration officials and school operators in the Dallas, Waco, Houston, and San Antonio regional offices were investigated.

Investigations and hearings were conducted in Pennsylvania where particular attention was given to the operation of veterans' approval activities of the Pennsylvania Department of Public Instruction and the operation of a private trade school owned by a State official responsible for approving schools for veterans' training.

Investigations were made and hearings were held in Philadelphia, Pa., dealing primarily with irregularities in the operation of private trade schools.

The committee conducted field investigations in Chicago, Ill., Kentucky, and Texas relating to tools and supplies furnished veterans. Hearings were held in Washington, D.C., dealing with the policies of certain schools and supply companies in purchasing supplies, books, and tools for veteran trainees.

Field investigations were conducted in Tennessee and hearings were held in Memphis, Nashville, and Murfreesboro, Tenn., dealing with the operation of privately owned trade schools.

Hearings were held in Washington, D.C., for the purpose of reviewing the report of the General Accounting Office and discussing the University of Maryland and its participation in the veterans' training program.

Educational associations and groups have conducted surveys and reported their findings to the committee, together with recommendations. These reports have been helpful to the committee in securing the viewpoint of all interested groups. The following organizations or associations have submitted reports or recommendations to the committee:

- American Council on Education
- Association of Land Grant Colleges and Universities
- National Association of State Approving Agencies
- National Federation of Private School Associations
- National Council of Chief State School Officers
- Aeronautical Training Society
- National Aviation Trades Association
- National Association and Council of Business Schools
- National Conference for Mobilization of Education
- American Osteopathic Association
- American Association of Junior Colleges
The committee staff has conducted extensive studies of the policies of the Veterans' Administration relating to furnishing books, tools, and supplies to veteran trainees; policy and regulations pertaining to contract negotiations; central office-regional office relationship; policy of Veterans' Administration relating to personnel; interpretations placed on the law regarding eligibility for training of regular armed service personnel who were not separated from the service; and various interpretations made by the Veterans' Administration of laws governing veterans' training.

The General Accounting Office has worked closely with the committee throughout the investigation. The General Accounting Office was conducting routine examinations of the veterans' educational program when the committee was established; however, at the request of the committee, the General Accounting Office intensified its activities and made a six-State survey giving attention to all types of training. The report of the General Accounting Office has been published as a separate document, House Committee Print No. 160. The General Accounting Office has conducted a number of audits and investigations of individual schools at the request of the committee and representatives of the General Accounting Office have appeared at several hearings to furnish testimony regarding school records.

The Veterans' Administration Inspection and Investigation Service made available to the committee copies of all investigations done by that service since the inception of the veterans' educational program. The Veterans' Administration Inspection and Investigation Service has assisted the committee in field investigations and has undertaken several field examinations at the request of the committee.

The committee requested information and assistance from the Federal Bureau of Investigation and the Department of Justice; however, those departments have furnished little or no information to the committee. The Federal Bureau of Investigation has had many complaints concerning the operation of the veterans' program referred to it and has done investigations on most of the criminal cases involving the veterans' program. The committee expressed an interest in the findings of the Federal Bureau of Investigation as a result of their investigation of the veterans' training program; however, the request of the committee was referred to the Department of Justice and no further report has been made by that Department, with the exception of a partial listing of indictments. It is not the desire of the committee to interfere with the investigations of the Federal Bureau of Investigation, but the committee believes that it would be to the best interest of the Federal Government for the Federal Bureau of Investigation to pass on information gained as a result of their investigations in order that these cases may be considered in the studies of the committee which are conducted for the purpose of eliminating such abuses in the future.

The committee has solicited the advice and recommendations of hundreds of school officials, officials of veteran organizations; and private citizens. The committee wrote to the national headquarters and State commanders of the American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, and the American Veterans of World War II requesting their views and recommendations. The response to these letters was small. Nothing in the form of a concrete over-all recommendation has been received from any of the national veterans' organizations.
The committee wrote to a sampling of college officials and requested their recommendations and views and received a wide and vigorous response to this request.

Thousands of private individuals, veterans, and school officials have written unsolicited letters to the committee. These letters have been of great value in determining the reaction and attitude of the general public toward the veterans' training program.

A great many schools, public and private, have sought the aid of the committee in solving problems which they encountered with the Veterans' Administration. In each of these cases the committee staff reviewed the file of the school, requested information from the Veterans' Administration and assisted where possible. These cases have provided an excellent insight into the working of the veterans' training program and the administration of the program by the Veterans' Administration.

LEGISLATIVE BACKGROUND

The earliest recorded steps by the United States Government to recognize its obligations to its defenders were taken in 1789 when President Washington asked the Congress to reward the soldiers of the Revolutionary War. The first medical service had its inception in a marine hospital founded in 1798 for the care of merchant seamen. The year 1865 saw the establishment of the first home for disabled volunteer soldiers. During the subsequent years numerous laws granting pensions were passed but these followed no consistent pattern.

The modern benefit program began in 1914 with the Bureau of War Risk Insurance and the creation of the Veterans' Bureau in 1921. In 1930 an Executive order established the Veterans' Administration as an independent agency directly under the President and consolidated under single control all activities having to do with the Veterans' Bureau, the Bureau of Pensions, and the National Home for Disabled Volunteer Soldiers.

THE PROBLEM OF THE WORLD WAR II VETERAN

The Seventy-eighth Congress (1943–44) was faced with the question of determining the advisability and the extent of educational benefits for several hundred thousand veterans who had already returned to civilian life and the millions who were still in service. Disabled veterans were covered by Public Law 16, act of March 24, 1943, and Public Law 346, commonly known as the GI bill, was subsequently enacted on June 22, 1944, to cover other veterans. The primary purpose of title II, Public Law 346, was to meet a national need arising out of the educational shortages created by the war.

THE SOLUTION PROVIDED BY THE CONGRESS, PUBLIC LAW 346

In general, there was provided a comprehensive program of education and training benefits to veterans meeting prescribed eligibility requirements. For the purpose of preventing encroachment of the traditional freedom of established educational processes, the exercise of any supervision or control by any department, agency, or officer of the United States in carrying out the program was prohibited. Elec-
tive rights were given to eligible veterans with respect to the selection of courses of instruction and their pursuit in approved institutions. Payment from Federal funds was authorized for tuition and other fees and provision was made for the payment of subsistence and dependency allowances to veterans.

(1) *Eligibility requirements*

Any person who served a minimum of 90 days in the active service who was discharged other than dishonorably and whose education was delayed or interfered with by reason of entrance into the service, or who desired a refresher or retraining course, was eligible for educational benefits. Persons who entered the service before the age of 25 were presumed to have had their education or training interrupted or hindered. The period for obtaining benefits was restricted to 7 years after the termination of the war and the course of training was to be instituted not later than 2 years after the date of release from service or the end of the war, whichever was later.

(2) *Definite periods of education and training were specified*

One year of education or training was made available to every eligible veteran. Upon satisfactory completion of the chosen course a further period of instruction was available up to the time of the veteran's active service but not to exceed a total of 4 years for all instruction received.

(3) *Payments to institutions were authorized*

Payment directly to the veteran of the cost of his training or instruction was not authorized. Instead, it was provided that the Administrator shall pay the institution the customary costs of tuition and other fees, and may pay for books, supplies, and equipment generally required for the successful pursuit of the course, provided that total payments were not to exceed $500 for an ordinary school year. It was further provided that the Administrator was authorized to set fair and reasonable rates of compensation if the institution had no established tuition fee or if its established fee was found to be inadequate compensation, but again a $500 limitation was imposed.

(4) *Payments to veterans were authorized*

Payment of a subsistence allowance of $50 per month or $75 per month with dependents was made upon application by the veteran to the Administrator. With respect to veterans attending a course on a part-time basis, or receiving compensation for productive labor performed as a part of their apprenticeship or other training on the job, provision was made for the payment of lesser sums to be determined by the Administrator.

(5) *The Administrator's powers*

Administrative powers to (a) make rules, (b) fix rates, (c) render decisions not subject to review, and (d) waive recovery of payments were vested in the Administrator. Of particular importance are the provisions of law incorporated by reference into the Servicemen's Readjustment Act of 1944 referred to in (c) above. The courts have ruled on the question and in the Slocom case it was held by the court of appeals that the regulations of the Veterans' Administration, as well as the decisions of the Administrator, are not subject to judicial scrutiny on the basis that a standard fixed by regulation constituted a
step in the decisional process of the Administrator and, therefore, is not open to judicial review. A later portion of this report will be devoted to the extensive and almost plenary power vested in the Administrator by the Congress.

**AMENDMENTS TO THE GI BILL**

Statutes amending or supplementing Public Law 346 have been enacted from time to time. Following is a brief summary of those which had a direct and important bearing on the educational and training program.

Public Law 268, Seventy-ninth Congress, December 28, 1945, eliminated the 1-year limitation for veterans whose education or training had not been interrupted or interfered with, so that practically every veteran was eligible for at least 1 year of training plus additional education or training equal to his period of service. The 2- and 7-year periods for entering and completing a course were changed to 4 and 9 years. Tuition payments of more than $500 were permitted if the veteran elected to have such charges paid by a corresponding reduction in his entitlement. The Administrator was authorized for the first time to enter into contracts with institutions giving short intensive courses of less than 30 weeks.

Public Law 679, Seventy-ninth Congress, August 8, 1946, permitted the Administrator to reimburse State and local agencies for necessary expenses incurred by them in connection with other training on the job for which 12 standards were established. Statutory ceilings were specified on the amount of money a veteran trainee could receive as compensation for productive labor plus subsistence.

Public Law 239, Eightieth Congress, July 25, 1947, established the date for the termination of the war as July 25, 1947.

Public Law 377, Eightieth Congress, August 6, 1947, required the Veterans' Administration to pay full subsistence to a veteran who was in training on his own farm or training in the employ of another and also set up national standards which the approving agency was required to consider. The Administrator was authorized to contract with approved institutions when the agreed costs were reasonable and fair.

Public Law 411, Eightieth Congress, February 14, 1948, increased subsistence allowance to the extent that participation in the program became financially attractive to certain veterans. Rates were increased to $75 a month for a veteran without a dependent, $105 for a veteran with one dependent and $120 a month for a veteran with more than one dependent.

Public Law 512, Eightieth Congress, May 4, 1948, also had the effect of making the subsistence allowance financially attractive to part-time trainees, institutional on-the-farm trainees and job trainees.

Public Law 862, Eightieth Congress, June 30, 1948, provided for the first time a restriction on the election by a veteran of a course of education or training. The act specifically provided that no part of the appropriation could be expended for tuition, fees or for subsistence allowance for any course which was determined by the Administrator to be avocational or recreational in character.

Public Law 266, Eighty-first Congress, August 24, 1949, repeated the avocational or recreational limitations, with a procedural change
permitting the use of affidavits for justification of courses of flight training. This act introduced the principle that a school must be in operation for a period of 1 year, provided for the payment of fair and reasonable costs to institutions which had no customary costs and established a Veterans' Tuition Appeals Board.

Public Law 610, Eighty-first Congress, July 13, 1950, established for the first time national standards for certain schools operated for profit. This amendment provided that the findings of the State approving agency as to whether a school meets the requirements of the standards would be final. The act also permitted the Veterans' Administration to reimburse the State and local agencies for reasonable expenses incurred by them in rendering necessary services in ascertaining the qualifications of proprietary institutions and in the supervision of such institutions. The act defined a full-time course for a trade or technical course offered on a clock-hour basis below the college level. It placed a statutory liability on the school for failing to report promptly excessive absences or discontinuances or interruptions of a course by a veteran. It defined a nonprofit institution and it confirmed the principles which had been covered in Public Law 266, Eighty-first Congress.

PROBLEMS INHERENT IN THE BASIC ACT

The basic act of 1944 did little other than establish the nature and scope of the benefit. The Administrator of Veterans' Affairs was given unlimited authority to promulgate regulations and administer the act. Shortly after passage of the basic act, Congress liberalized the law by removing the age restriction and extending the period of time during which a veteran could enroll in training. Subsistence benefits were also raised. The incentives created by these liberalizations stimulated millions of veterans to participate in the program. As the full impact of increased participation was felt, it was necessary for the Congress to curb excesses which developed. For the past 5 years Congress has passed one restrictive amendment after another. Standards have been established for on-the-job training, agricultural training, and vocational schools. Funds have been provided to the State approval agencies to intensify supervision. The Administrator has been given authority to determine fair and reasonable tuition rates, curb avocational courses, restrict course changes by veterans, and to deny approval to a school which had not been in successful operation for 1 year. This series of restrictive legislation has served to correct many of the abuses which developed; however, since these patchwork amendments were developed over a period of time, it is recommended that before benefits are extended to additional groups of veterans that the law be rewritten and certain other changes in addition to the ones described above incorporated.

FORMULA FOR ELIGIBILITY

The present act provides that a veteran who has 90 days service and who was discharged under conditions other than dishonorable shall receive 1 day of eligibility for each day of service, plus 1 year. In other words, a veteran with 91 days service can receive, under the present act, 15 months eligibility for training which under average conditions will cost $2,100. This provision allowed $700 in benefits
for each month of actual service. It is impossible to justify such a provision as a rehabilitation benefit, since obviously a person with 3 months service experienced little or no disruption in his civilian life. A veteran who is separated after a short period of service as a result of a service-connected disability is rightfully entitled to a rehabilitation training program as needed up to 48 months. It is recommended that eligibility for training be more closely aligned with actual service by establishing a formula for determining eligibility of nondisabled servicemen with over 90 days service based on 1½ days eligibility for training for each day of actual service. Under such a plan an individual with a reasonable amount of service would receive eligibility in accordance with his service. The present plan actually favors the person who contributed little or nothing and experienced no disruption in his civilian life. Another plan might establish 1 day of eligibility for training for each day of domestic service and 2 days of eligibility for training for each day of foreign service. It is believed that a maximum of 36 months of eligibility is sufficient, since 36 months will provide adequate time for four 9-month terms in college, which is sufficient time for a standard B. S. or B. A. degree. Most below-college-level courses are from 6 to 24 months in duration and statistics show that a majority of veterans are enrolled below the college level.

AUTHORITY OF ADMINISTRATOR AND STATE APPROVAL AGENCIES INADEQUATELY DEFINED

The relative authority and responsibility of the Veterans' Administration and State approving agencies is not clearly defined in the present act. The obligation and duty of the State approving agencies in approving and supervising schools and training establishments and veterans enrolled in training should be clearly stated. On the other hand, the Administrator should not be required to award benefits when the veteran's progress is not satisfactory or there is evidence of fraud.

STATISTICS ON COST AND SIZE OF PROGRAM

COST OF PROGRAM

The cost to the Government for subsistence, tuition, equipment (including tools), books, and supplies from the beginning of the training program to the end of July 1951 was $12,347,162,546.

Total expenditures for these items have increased each fiscal year through 1949 and then began decreasing. Unit costs have followed a similar trend, as shown by the following tabulation:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total cost during fiscal year</th>
<th>Cost per trainee per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>89,503,681</td>
<td>86</td>
</tr>
<tr>
<td>1946</td>
<td>359,018,789</td>
<td>77</td>
</tr>
<tr>
<td>1947</td>
<td>2,110,715,866</td>
<td>94</td>
</tr>
<tr>
<td>1948</td>
<td>2,591,603,991</td>
<td>94</td>
</tr>
<tr>
<td>1949</td>
<td>2,790,183,554</td>
<td>110</td>
</tr>
<tr>
<td>1950</td>
<td>2,565,720,372</td>
<td>109</td>
</tr>
<tr>
<td>1951</td>
<td>1,993,310,568</td>
<td>104</td>
</tr>
</tbody>
</table>
Subsistence payments through July 31, 1951, totaled $8,645,203,670. Subsistence expenditures reached a peak in fiscal year 1949 as the following tabulation shows:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total subsistence payment during fiscal year</th>
<th>Cost per trainee per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>$7,682,800</td>
<td>$54</td>
</tr>
<tr>
<td>1946</td>
<td>317,905,345</td>
<td>20</td>
</tr>
<tr>
<td>1947</td>
<td>1,500,706,114</td>
<td>69</td>
</tr>
<tr>
<td>1948</td>
<td>1,628,907,830</td>
<td>61</td>
</tr>
<tr>
<td>1949</td>
<td>1,865,901,490</td>
<td>76</td>
</tr>
<tr>
<td>1950</td>
<td>1,829,111,965</td>
<td>77</td>
</tr>
<tr>
<td>1951</td>
<td>1,363,678,577</td>
<td>73</td>
</tr>
</tbody>
</table>

The increase in monthly subsistence payments per trainee in fiscal year 1946 was due to the increase in rates authorized by Congress in December 1945. The decreases in fiscal year 1947 and 1948 were due primarily to the operation of the provisions of Public Law 679. The increase in fiscal year 1949 followed the increase in rates authorized by Congress in April 1948.

During the period March 1, 1945, through July 31, 1951, overpayments of subsistence allowance in the amount of $222,568,314 were discovered, including a small amount to veterans in training under the Vocational Rehabilitation Act. Studies made by the Veterans' Administration indicate that overpayments have been due principally to the failure of veterans and training institutions to notify the Veterans' Administration promptly when veterans drop out of training. Overpayments discovered represent 2.6 percent of the total amount of subsistence allowance expenditures up to July 31, 1951, under the Servicemen's Readjustment Act. On July 31, 1951, overpayments of subsistence allowance outstanding totaled $17,692,011 or 0.2 percent of total expenditures for subsistence.

**Tuition**

Tuition payments through July 31, 1951, totaled $3,276,046,930. Payments by fiscal year were as follows:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total tuition payment during fiscal year</th>
<th>Cost per trainee per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>$1,480,265</td>
<td>$11</td>
</tr>
<tr>
<td>1946</td>
<td>25,311,563</td>
<td>7</td>
</tr>
<tr>
<td>1947</td>
<td>495,320,111</td>
<td>31</td>
</tr>
<tr>
<td>1948</td>
<td>709,614,853</td>
<td>38</td>
</tr>
<tr>
<td>1949</td>
<td>735,390,304</td>
<td>36</td>
</tr>
<tr>
<td>1950</td>
<td>682,039,504</td>
<td>33</td>
</tr>
<tr>
<td>1951</td>
<td>523,140,279</td>
<td>31</td>
</tr>
</tbody>
</table>

1 Unit rates for fiscal year 1945-46 are not considered to be reliable. Some delays in vouchering, payment, and reporting of expenditures occurred and a great increase in the number of veterans in training took place, making it difficult to relate expenditures to the trainees for whom the expenditures were incurred.

A substantial part of the increase in the unit cost in fiscal years 1947–48 was due to the general increase in tuition charges by educational institutions after the war.
Tuition charges for 11.8 percent of all institutional courses as of May 31, 1951, were in excess of the rate of $500 for an ordinary school year. Ninety-eight percent of all flight courses involved tuition charges in excess of the rate of $500 compared to 28 percent of all courses in professional and technological schools, 24 percent of all courses in technical institutes, 24 percent of all courses in universities and colleges, and 9 percent of all courses in vocational and trade schools.

EQUIPMENT, BOOKS, AND SUPPLIES

Expenditures for equipment (including tools), books, and supplies through July 31, 1951, totaled more than $425,911,946. Expenditures by fiscal year were as follows:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total expenditures for books, etc., during fiscal year</th>
<th>Cost per trainee per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>$222,556</td>
<td>$1.55</td>
</tr>
<tr>
<td>1946</td>
<td>6,708,381</td>
<td>3.17</td>
</tr>
<tr>
<td>1947</td>
<td>71,618,833</td>
<td>3.88</td>
</tr>
<tr>
<td>1948</td>
<td>103,111,278</td>
<td>4.01</td>
</tr>
<tr>
<td>1949</td>
<td>99,919,569</td>
<td>5.54</td>
</tr>
<tr>
<td>1950</td>
<td>84,570,903</td>
<td>3.05</td>
</tr>
<tr>
<td>1951</td>
<td>56,815,742</td>
<td></td>
</tr>
</tbody>
</table>

1 Unit rates for fiscal years 1945-46 are not considered to be reliable. See preceding footnote.

A large part of the increase in costs of books, tools, and supplies per trainee has undoubtedly been due to the general price increase that has occurred since the end of the war.

ESTIMATED EXPENDITURES BY STATES

Estimated expenditures, by States, for subsistence, tuition, equipment, books, and supplies through June 30, 1951, follow:

<table>
<thead>
<tr>
<th>State</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>$354,588,000</td>
</tr>
<tr>
<td>Arizona</td>
<td>53,629,000</td>
</tr>
<tr>
<td>Arkansas</td>
<td>222,514,000</td>
</tr>
<tr>
<td>California</td>
<td>713,701,000</td>
</tr>
<tr>
<td>Colorado</td>
<td>152,130,000</td>
</tr>
<tr>
<td>Connecticut</td>
<td>120,952,000</td>
</tr>
<tr>
<td>Delaware</td>
<td>15,910,000</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>150,475,000</td>
</tr>
<tr>
<td>Florida</td>
<td>230,682,000</td>
</tr>
<tr>
<td>Georgia</td>
<td>332,783,000</td>
</tr>
<tr>
<td>Idaho</td>
<td>50,454,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>657,489,000</td>
</tr>
<tr>
<td>Indiana</td>
<td>245,725,000</td>
</tr>
<tr>
<td>Iowa</td>
<td>184,493,000</td>
</tr>
<tr>
<td>Kansas</td>
<td>102,752,000</td>
</tr>
<tr>
<td>Kentucky</td>
<td>197,003,000</td>
</tr>
<tr>
<td>Louisiana</td>
<td>321,332,000</td>
</tr>
<tr>
<td>Maine</td>
<td>56,214,000</td>
</tr>
<tr>
<td>Maryland</td>
<td>134,135,000</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>398,681,000</td>
</tr>
<tr>
<td>Michigan</td>
<td>350,266,000</td>
</tr>
<tr>
<td>Minnesota</td>
<td>222,502,000</td>
</tr>
<tr>
<td>Mississippi</td>
<td>277,021,000</td>
</tr>
<tr>
<td>Missouri</td>
<td>420,698,000</td>
</tr>
<tr>
<td>Montana</td>
<td>43,209,000</td>
</tr>
<tr>
<td>Nebraska</td>
<td>105,719,000</td>
</tr>
<tr>
<td>Nevada</td>
<td>87,169,000</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>40,013,000</td>
</tr>
<tr>
<td>New Jersey</td>
<td>249,196,000</td>
</tr>
<tr>
<td>New Mexico</td>
<td>55,662,000</td>
</tr>
<tr>
<td>New York</td>
<td>996,951,000</td>
</tr>
<tr>
<td>North Carolina</td>
<td>389,856,000</td>
</tr>
<tr>
<td>North Dakota</td>
<td>45,617,000</td>
</tr>
<tr>
<td>Ohio</td>
<td>506,872,000</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>261,100,000</td>
</tr>
<tr>
<td>Oregon</td>
<td>108,094,000</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>944,001,000</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>68,986,000</td>
</tr>
<tr>
<td>South Carolina</td>
<td>212,815,000</td>
</tr>
<tr>
<td>South Dakota</td>
<td>35,239,000</td>
</tr>
<tr>
<td>Tennessee</td>
<td>416,500,000</td>
</tr>
<tr>
<td>Texas</td>
<td>810,944,000</td>
</tr>
<tr>
<td>Utah</td>
<td>82,833,000</td>
</tr>
<tr>
<td>Vermont</td>
<td>28,455,000</td>
</tr>
<tr>
<td>Virginia</td>
<td>170,376,000</td>
</tr>
<tr>
<td>Washington</td>
<td>149,820,000</td>
</tr>
<tr>
<td>West Virginia</td>
<td>103,935,000</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>211,580,000</td>
</tr>
<tr>
<td>Wyoming</td>
<td>19,791,000</td>
</tr>
<tr>
<td>Possessions and foreign countries</td>
<td>213,309,000</td>
</tr>
</tbody>
</table>
**Total expenditures under Public Laws 16 and 346, as amended**

Public Law 16, 1943 to July 31, 1951 .......................... $1,413,031,573
Public Law 346, 1944 to July 31, 1951 .......................... 12,363,899,474
Salaries of vocational rehabilitation and education personnel, 1945 to July 31, 1951 .......................... 343,215,795
Reimbursements to State approving agencies, 1946 to July 31, 1951 .......................... 17,615,923

Grand total .................................................. 14,137,762,765

**Institutions participating in educational and training program under Public Law 346, as amended**

I. As of Oct. 31, 1950:

<table>
<thead>
<tr>
<th>Category of institution</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>College level 2</td>
<td>2,776</td>
<td></td>
</tr>
<tr>
<td>Below college level</td>
<td>15,457</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18,233</td>
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</table>

II. As of May 31, 1951:

<table>
<thead>
<tr>
<th>Category of institution</th>
<th></th>
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</thead>
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<tr>
<td>College level 2</td>
<td>2,667</td>
<td></td>
</tr>
<tr>
<td>Below college level 1</td>
<td>13,114</td>
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</tr>
<tr>
<td>Total</td>
<td>15,781</td>
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</tr>
</tbody>
</table>

1 This statistical summary pertains only to educational institutions with Public Law 346 veterans enrolled; however, it may be considered as a reasonable approximation for the entire program (both Public Laws 16 and 346) inasmuch as there were comparatively few institutions which enrolled Public Law 16 veterans only.
2 Includes colleges, universities, professional and technical schools, junior colleges, teachers colleges, institutions offering residence training to physicians, law-review schools, music schools, and other institutions offering specialized training at the college level.
3 Includes technical institutions, business schools, secondary and elementary schools, vocational and trade schools, and flight schools, including schools offering training to institutional on-farm trainees.

**Veterans' Administration, Office of Vocational Rehabilitation and Education, salaries and personnel, fiscal year 1946 through July 31, 1951**

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Average number of personnel</th>
<th>Expenditures for salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>9,705</td>
<td>$25,363,439</td>
</tr>
<tr>
<td>1947</td>
<td>26,385</td>
<td>87,792,572</td>
</tr>
<tr>
<td>1948</td>
<td>21,130</td>
<td>70,535,818</td>
</tr>
<tr>
<td>1949</td>
<td>16,556</td>
<td>61,210,802</td>
</tr>
<tr>
<td>1950</td>
<td>13,005</td>
<td>51,050,708</td>
</tr>
<tr>
<td>1951</td>
<td>10,116</td>
<td>42,600,953</td>
</tr>
<tr>
<td>July 1951</td>
<td>7,916</td>
<td>1,607,383</td>
</tr>
<tr>
<td>Total</td>
<td>343,215,795</td>
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</tr>
</tbody>
</table>

**Veterans' Administration reimbursements to State approving agencies, 1946 to July 31, 1951**

<table>
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<tr>
<th>Fiscal year ending--</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>$2,638,090</td>
</tr>
<tr>
<td>1948</td>
<td>4,579,420</td>
</tr>
<tr>
<td>1949</td>
<td>4,586,749</td>
</tr>
<tr>
<td>1950</td>
<td>3,181,031</td>
</tr>
<tr>
<td>1951</td>
<td>2,401,956</td>
</tr>
<tr>
<td>July 1951</td>
<td>1,228,677</td>
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<td>Total</td>
<td>17,615,923</td>
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1 Obligation.
### Direct expenditures under Public Law 16, as amended, 1944 to July 31, 1951

<table>
<thead>
<tr>
<th>Fiscal year ending</th>
<th>Subsistence</th>
<th>Tuition</th>
<th>Equipment</th>
<th>Supplies and materials</th>
<th>Counseling</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1911</td>
<td>560,406</td>
<td>93,515</td>
<td>3,697</td>
<td>558</td>
<td>0</td>
<td>664,468</td>
</tr>
<tr>
<td>1915</td>
<td>7,046,318</td>
<td>1,165,750</td>
<td>100,382</td>
<td>25,900</td>
<td>98,547</td>
<td>8,417,322</td>
</tr>
<tr>
<td>1916</td>
<td>37,993,477</td>
<td>5,761,622</td>
<td>1,061,699</td>
<td>2,171,021</td>
<td>1,167,705</td>
<td>46,706,595</td>
</tr>
<tr>
<td>1917</td>
<td>190,941,044</td>
<td>24,378,680</td>
<td>4,872,374</td>
<td>7,677,942</td>
<td>13,383,714</td>
<td>224,372,872</td>
</tr>
<tr>
<td>1918</td>
<td>205,298,221</td>
<td>50,101,131</td>
<td>9,820,088</td>
<td>2,051,657</td>
<td>11,273,922</td>
<td>335,605,092</td>
</tr>
<tr>
<td>1919</td>
<td>262,109,010</td>
<td>62,069,145</td>
<td>8,439,194</td>
<td>2,482,730</td>
<td>11,586,518</td>
<td>346,785,654</td>
</tr>
<tr>
<td>1920</td>
<td>215,619,529</td>
<td>31,065,877</td>
<td>6,061,406</td>
<td>1,540,011</td>
<td>11,971,728</td>
<td>273,361,621</td>
</tr>
<tr>
<td>1921</td>
<td>153,172,874</td>
<td>30,969,403</td>
<td>3,728,610</td>
<td>1,099,090</td>
<td>4,355,554</td>
<td>177,328,434</td>
</tr>
<tr>
<td>July</td>
<td>7,551,515</td>
<td>2,179,673</td>
<td>195,191</td>
<td>50,122</td>
<td>130,290</td>
<td>9,319,289</td>
</tr>
<tr>
<td>Total</td>
<td>1,129,634,069</td>
<td>293,758,527</td>
<td>34,344,193</td>
<td>8,183,766</td>
<td>10,929,127</td>
<td>1,443,031,573</td>
</tr>
</tbody>
</table>

1 Revised.
2 Obligation.

### Direct expenditures under Public Law 346, as amended, 1944 to July 31, 1951

<table>
<thead>
<tr>
<th>Fiscal year ending</th>
<th>Subsistence</th>
<th>Tuition</th>
<th>Equipment</th>
<th>Supplies and materials</th>
<th>Counseling</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915</td>
<td>7,802,860</td>
<td>1,419,265</td>
<td>1,162,702</td>
<td>53,851</td>
<td>9,408</td>
<td>9,515,179</td>
</tr>
<tr>
<td>1916</td>
<td>317,905,316</td>
<td>25,311,963</td>
<td>5,251,619</td>
<td>1,577,292</td>
<td>512,092</td>
<td>350,590,871</td>
</tr>
<tr>
<td>1917</td>
<td>1,550,796,114</td>
<td>498,320,114</td>
<td>60,701,676</td>
<td>10,914,157</td>
<td>3,557,381</td>
<td>2,122,292,439</td>
</tr>
<tr>
<td>1918</td>
<td>1,628,907,830</td>
<td>769,044,853</td>
<td>85,200,294</td>
<td>17,874,689</td>
<td>4,234,814</td>
<td>2,593,855,775</td>
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<tr>
<td>1919</td>
<td>1,693,904,409</td>
<td>733,400,301</td>
<td>77,663,175</td>
<td>21,155,014</td>
<td>13,178,550</td>
<td>2,793,362,163</td>
</tr>
<tr>
<td>1920</td>
<td>1,829,111,965</td>
<td>652,039,594</td>
<td>68,011,042</td>
<td>15,635,871</td>
<td>13,496,059</td>
<td>2,599,224,431</td>
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<tr>
<td>1921</td>
<td>1,365,078,577</td>
<td>523,446,279</td>
<td>43,595,891</td>
<td>11,210,848</td>
<td>1,562,271</td>
<td>1,914,002,872</td>
</tr>
<tr>
<td>July 1921</td>
<td>81,786,489</td>
<td>42,441,631</td>
<td>5,018,321</td>
<td>738,694</td>
<td>2,159,240</td>
<td>1,28,145,744</td>
</tr>
<tr>
<td>Total</td>
<td>8,615,293,670</td>
<td>3,276,016,930</td>
<td>346,743,745</td>
<td>79,168,281</td>
<td>16,730,928</td>
<td>12,363,899,474</td>
</tr>
</tbody>
</table>

1 Revised.
2 Obligation.
### Veterans in training under Servicemen's Readjustment Act, end of month, July 1944 to November 1949

<table>
<thead>
<tr>
<th>Fiscal year 1945:</th>
<th>Total</th>
<th>Institutions of higher learning</th>
<th>Schools below college level</th>
<th>Institutional on-the-job</th>
<th>On-the-job</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1944:</td>
<td>201</td>
<td>4</td>
<td></td>
<td></td>
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<tr>
<td>August 1944:</td>
<td>442</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>September 1944:</td>
<td>2,069</td>
<td></td>
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<tr>
<td>October 1944:</td>
<td>201</td>
<td></td>
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<tr>
<td>November 1944:</td>
<td>5,772</td>
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<tr>
<td>December 1944:</td>
<td>31,964</td>
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<td>January 1945:</td>
<td>15,002</td>
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<tr>
<td>February 1945:</td>
<td>17,591</td>
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<tr>
<td>March 1945:</td>
<td>21,201</td>
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<tr>
<td>April 1945:</td>
<td>23,592</td>
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<tr>
<td>May 1945:</td>
<td>21,164</td>
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<tr>
<td>June 1945:</td>
<td>22,335</td>
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<tr>
<td><strong>Average, fiscal year 1945:</strong></td>
<td><strong>11,950</strong></td>
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<td></td>
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<td><strong>460</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Fiscal year 1946:</th>
<th>Total</th>
<th>Institutions of higher learning</th>
<th>Schools below college level</th>
<th>Institutional on-the-job</th>
<th>On-the-job</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1946:</td>
<td>33,010</td>
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<tr>
<td>August 1946:</td>
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<tr>
<td>September 1946:</td>
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<tr>
<td>October 1946:</td>
<td>108,307</td>
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<tr>
<td>November 1946:</td>
<td>155,158</td>
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<tr>
<td>December 1946:</td>
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<td>January 1947:</td>
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<tr>
<td>February 1947:</td>
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<tr>
<td>March 1947:</td>
<td>758,599</td>
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<tr>
<td>April 1947:</td>
<td>819,419</td>
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<td>May 1947:</td>
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<tr>
<td>June 1947:</td>
<td>951,014</td>
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<tr>
<td><strong>Average, fiscal year 1946:</strong></td>
<td><strong>7,395,200</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Fiscal year 1947:</th>
<th>Total</th>
<th>Institutions of higher learning</th>
<th>Schools below college level</th>
<th>Institutional on-the-job</th>
<th>On-the-job</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1947:</td>
<td>1,052,285</td>
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<td>August 1947:</td>
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<td>September 1947:</td>
<td>1,251,514</td>
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<tr>
<td>October 1947:</td>
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<td>November 1947:</td>
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<td>December 1947:</td>
<td>2,300,206</td>
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<td>January 1948:</td>
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<td>February 1948:</td>
<td>2,214,401</td>
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</tr>
<tr>
<td>March 1948:</td>
<td>2,333,296</td>
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<td>April 1948:</td>
<td>2,414,755</td>
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<tr>
<td>May 1948:</td>
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<tr>
<td>June 1948:</td>
<td>1,883,551</td>
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</tr>
<tr>
<td><strong>Average, fiscal year 1947:</strong></td>
<td><strong>10,835,200</strong></td>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Fiscal year 1948:</th>
<th>Total</th>
<th>Institutions of higher learning</th>
<th>Schools below college level</th>
<th>Institutional on-the-job</th>
<th>On-the-job</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1948:</td>
<td>1,808,260</td>
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<tr>
<td>August 1948:</td>
<td>1,414,015</td>
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<td>September 1948:</td>
<td>1,704,319</td>
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<tr>
<td>October 1948:</td>
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<tr>
<td>November 1948:</td>
<td>2,516,103</td>
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</tr>
<tr>
<td>December 1948:</td>
<td>2,515,792</td>
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<tr>
<td>January 1949:</td>
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<tr>
<td>February 1949:</td>
<td>2,044,013</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>March 1949:</td>
<td>2,322,265</td>
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</tr>
<tr>
<td>April 1949:</td>
<td>2,200,925</td>
<td></td>
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</tr>
<tr>
<td>May 1949:</td>
<td>2,335,756</td>
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<td></td>
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</tr>
<tr>
<td>June 1949:</td>
<td>1,966,281</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Average, fiscal year 1948:</strong></td>
<td><strong>12,482,500</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>11,890</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Fiscal year 1949:</th>
<th>Total</th>
<th>Institutions of higher learning</th>
<th>Schools below college level</th>
<th>Institutional on-the-job</th>
<th>On-the-job</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1949:</td>
<td>1,701,101</td>
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<td></td>
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</tr>
<tr>
<td>August 1949:</td>
<td>1,552,918</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>September 1949:</td>
<td>1,563,076</td>
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<td></td>
</tr>
<tr>
<td>October 1949:</td>
<td>2,185,092</td>
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<td></td>
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</tr>
<tr>
<td>November 1949:</td>
<td>2,302,120</td>
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</tr>
<tr>
<td>December 1949:</td>
<td>2,302,021</td>
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</tr>
<tr>
<td>January 1950:</td>
<td>2,210,377</td>
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<td></td>
</tr>
<tr>
<td><strong>Average, fiscal year 1949:</strong></td>
<td><strong>12,482,500</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>11,890</strong></td>
</tr>
</tbody>
</table>

*See footnote at end of table, p. 26.*
### Veterans in training under Servicemen's Readjustment Act, end of month, July 1944 to November 1949—Continued

<table>
<thead>
<tr>
<th>Months</th>
<th>Veterans in training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Fiscal year 1949—Continued</td>
<td></td>
</tr>
<tr>
<td>February 1949</td>
<td>2,247,308</td>
</tr>
<tr>
<td>March 1949</td>
<td>2,325,030</td>
</tr>
<tr>
<td>April 1949</td>
<td>2,341,877</td>
</tr>
<tr>
<td>May 1949</td>
<td>2,277,237</td>
</tr>
<tr>
<td>June 1949</td>
<td>1,631,780</td>
</tr>
<tr>
<td>Average, fiscal year 1949</td>
<td>2,054,410</td>
</tr>
<tr>
<td>Fiscal year 1950:</td>
<td></td>
</tr>
<tr>
<td>July 1950</td>
<td>1,659,601</td>
</tr>
<tr>
<td>August 1950</td>
<td>1,517,841</td>
</tr>
<tr>
<td>September 1950</td>
<td>1,607,039</td>
</tr>
<tr>
<td>October 1950</td>
<td>2,141,297</td>
</tr>
<tr>
<td>November 1950</td>
<td>2,288,083</td>
</tr>
<tr>
<td>Average, fiscal year 1950</td>
<td>1,775,877</td>
</tr>
<tr>
<td>(5 months to date)</td>
<td></td>
</tr>
<tr>
<td>December 1950</td>
<td>2,256,501</td>
</tr>
<tr>
<td>January 1950</td>
<td>2,223,293</td>
</tr>
<tr>
<td>February 1950</td>
<td>2,170,446</td>
</tr>
<tr>
<td>March 1950</td>
<td>2,188,038</td>
</tr>
<tr>
<td>April 1950</td>
<td>2,177,032</td>
</tr>
<tr>
<td>May 1950</td>
<td>2,065,190</td>
</tr>
<tr>
<td>June 1950</td>
<td>1,492,968</td>
</tr>
<tr>
<td>Average, fiscal year 1950</td>
<td>1,900,143</td>
</tr>
<tr>
<td>Fiscal year 1951:</td>
<td></td>
</tr>
<tr>
<td>July 1951</td>
<td>1,502,725</td>
</tr>
<tr>
<td>August 1951</td>
<td>1,371,313</td>
</tr>
<tr>
<td>September 1951</td>
<td>1,355,114</td>
</tr>
<tr>
<td>October 1951</td>
<td>1,765,656</td>
</tr>
<tr>
<td>November 1950</td>
<td>1,750,621</td>
</tr>
<tr>
<td>December 1950</td>
<td>1,746,051</td>
</tr>
<tr>
<td>January 1951</td>
<td>1,614,282</td>
</tr>
<tr>
<td>February 1951</td>
<td>1,570,144</td>
</tr>
<tr>
<td>March 1951</td>
<td>1,604,027</td>
</tr>
<tr>
<td>April 1951</td>
<td>1,616,587</td>
</tr>
<tr>
<td>May 1951</td>
<td>1,518,570</td>
</tr>
<tr>
<td>June 1951</td>
<td>1,122,891</td>
</tr>
<tr>
<td>Average, fiscal year 1951</td>
<td>1,552,010</td>
</tr>
<tr>
<td>Fiscal year 1952:</td>
<td></td>
</tr>
<tr>
<td>July 1952</td>
<td>1,191,497</td>
</tr>
<tr>
<td>August 1952</td>
<td>1,213,340</td>
</tr>
</tbody>
</table>

1 Includes all veteran students under jurisdiction of institutions of higher learning regardless of academic level. Also includes residency training in hospitals.

Source: Data obtained from the Department of Labor's data on training and loan guaranty programs. Revised figures for fiscal year 1949 are based on a revised breakdown between schools below college level and higher education institutions.

Yearly average of number of veterans in training under Public Laws 19, 346, as amended (July 1944–June 30, 1951)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total in all types of training</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td>922</td>
</tr>
<tr>
<td>1945</td>
<td>21,120</td>
</tr>
<tr>
<td>1946</td>
<td>2,100</td>
</tr>
<tr>
<td>1947</td>
<td>2,100</td>
</tr>
<tr>
<td>1948</td>
<td>2,100</td>
</tr>
<tr>
<td>1949</td>
<td>2,100</td>
</tr>
<tr>
<td>1950</td>
<td>2,100</td>
</tr>
<tr>
<td>1951</td>
<td>2,100</td>
</tr>
</tbody>
</table>

1 Complete data on various categories of training not available for this period.
### Veterans in institutional on-farm training under Public Laws 16 and 346

<table>
<thead>
<tr>
<th>Date</th>
<th>Total</th>
<th>Public Law 16</th>
<th>Public Law 346</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948—Mar. 31</td>
<td>252,830</td>
<td>25,879</td>
<td>226,960</td>
</tr>
<tr>
<td>June 30</td>
<td>200,045</td>
<td>31,545</td>
<td>268,500</td>
</tr>
<tr>
<td>Sept. 30</td>
<td>301,794</td>
<td>34,654</td>
<td>267,140</td>
</tr>
<tr>
<td>Dec. 31</td>
<td>303,714</td>
<td>30,981</td>
<td>277,323</td>
</tr>
<tr>
<td>1949—Mar. 31</td>
<td>316,758</td>
<td>35,700</td>
<td>278,058</td>
</tr>
<tr>
<td>June 30</td>
<td>340,283</td>
<td>42,229</td>
<td>298,057</td>
</tr>
<tr>
<td>Sept. 30</td>
<td>345,403</td>
<td>43,181</td>
<td>302,282</td>
</tr>
<tr>
<td>Dec. 31</td>
<td>346,721</td>
<td>43,148</td>
<td>303,395</td>
</tr>
<tr>
<td>1950—Mar. 31</td>
<td>349,054</td>
<td>42,841</td>
<td>307,213</td>
</tr>
<tr>
<td>June 30</td>
<td>361,452</td>
<td>42,919</td>
<td>318,533</td>
</tr>
<tr>
<td>Sept. 30</td>
<td>341,745</td>
<td>40,307</td>
<td>301,438</td>
</tr>
<tr>
<td>Dec. 31</td>
<td>377,423</td>
<td>30,106</td>
<td>285,417</td>
</tr>
<tr>
<td>1951—Mar. 31</td>
<td>293,075</td>
<td>30,840</td>
<td>262,235</td>
</tr>
</tbody>
</table>

### Veterans in on-the-job training under Public Laws 16 and 346

<table>
<thead>
<tr>
<th>Date</th>
<th>Public Law 16</th>
<th>Public Law 346</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948—Mar. 31</td>
<td>101,001</td>
<td>470,002</td>
</tr>
<tr>
<td>June 30</td>
<td>96,661</td>
<td>421,308</td>
</tr>
<tr>
<td>Sept. 30</td>
<td>89,849</td>
<td>395,307</td>
</tr>
<tr>
<td>Dec. 31</td>
<td>84,150</td>
<td>384,102</td>
</tr>
<tr>
<td>1949—Mar. 31</td>
<td>75,471</td>
<td>335,927</td>
</tr>
<tr>
<td>June 30</td>
<td>65,907</td>
<td>223,129</td>
</tr>
<tr>
<td>Sept. 30</td>
<td>60,825</td>
<td>205,507</td>
</tr>
<tr>
<td>Dec. 31</td>
<td>53,497</td>
<td>207,933</td>
</tr>
<tr>
<td>1950—Mar. 31</td>
<td>43,725</td>
<td>228,903</td>
</tr>
<tr>
<td>June 30</td>
<td>35,587</td>
<td>195,757</td>
</tr>
<tr>
<td>Sept. 30</td>
<td>29,011</td>
<td>171,251</td>
</tr>
<tr>
<td>Dec. 31</td>
<td>21,185</td>
<td>147,747</td>
</tr>
<tr>
<td>1951—Mar. 31</td>
<td>19,506</td>
<td>126,925</td>
</tr>
<tr>
<td>June 30</td>
<td>16,074</td>
<td>113,620</td>
</tr>
<tr>
<td>Aug. 31</td>
<td>14,380</td>
<td>111,625</td>
</tr>
</tbody>
</table>

### Veterans taking flight training

Veterans taking flight training: Practically all flight trainees are enrolled in schools below college level. The number of flight trainees in such schools reached a peak of 118,400 on November 1, 1947. The number decreased somewhat during the winter months of fiscal year 1948 and began to decline very sharply soon after passage of legislation which prohibited the Veterans' Administration from awarding training benefits to veterans who are enrolled in courses for recreational or avocational purposes. Enrollment in flight training at various dates was as follows:

#### Flight trainees

<table>
<thead>
<tr>
<th>Date</th>
<th>Total vet as</th>
<th>Number of veterans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 1, 1946</td>
<td>70,772</td>
<td>31,700</td>
</tr>
<tr>
<td>Nov. 1, 1947</td>
<td>124,249</td>
<td>30,950</td>
</tr>
<tr>
<td>Apr. 30, 1948</td>
<td>87,512</td>
<td>23,209</td>
</tr>
<tr>
<td>Sept. 30, 1948</td>
<td>74,203</td>
<td>20,114</td>
</tr>
<tr>
<td>Dec. 31, 1948</td>
<td>55,543</td>
<td>18,115</td>
</tr>
<tr>
<td>May 31, 1949</td>
<td>39,346</td>
<td>16,138</td>
</tr>
<tr>
<td>June 30, 1949</td>
<td>36,745</td>
<td>14,998</td>
</tr>
</tbody>
</table>

#### Veterans taking training by correspondence only

<table>
<thead>
<tr>
<th>Date</th>
<th>Total</th>
<th>Number of veterans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 30, 1947</td>
<td>158,625</td>
<td>198,403</td>
</tr>
<tr>
<td>Apr. 30, 1948</td>
<td>160,455</td>
<td>183,246</td>
</tr>
<tr>
<td>Nov. 30, 1948</td>
<td>177,161</td>
<td>210,291</td>
</tr>
<tr>
<td>May 31, 1949</td>
<td>203,228</td>
<td>254,916</td>
</tr>
<tr>
<td>Oct. 31, 1949</td>
<td>198,094</td>
<td></td>
</tr>
</tbody>
</table>
Number of veterans of World War II: Number who have entered training under Servicemen's Readjustment Act and number in training, June 30, 1951, by States

<table>
<thead>
<tr>
<th>State</th>
<th>Living veterans of World War II 1</th>
<th>Total entered</th>
<th>In training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13,200,000</td>
<td>7,532,732</td>
<td>1,152,891</td>
</tr>
<tr>
<td></td>
<td></td>
<td>132,901</td>
<td>663,711</td>
</tr>
<tr>
<td></td>
<td></td>
<td>263,256</td>
<td>113,020</td>
</tr>
<tr>
<td>Alabama</td>
<td>262,000</td>
<td>108,555</td>
<td>40,521</td>
</tr>
<tr>
<td>Arizona</td>
<td>67,000</td>
<td>36,510</td>
<td>4,426</td>
</tr>
<tr>
<td>Arkansas</td>
<td>101,000</td>
<td>106,767</td>
<td>21,484</td>
</tr>
<tr>
<td>California</td>
<td>1,140,000</td>
<td>511,314</td>
<td>58,470</td>
</tr>
<tr>
<td>Colorado</td>
<td>141,000</td>
<td>81,099</td>
<td>9,478</td>
</tr>
<tr>
<td>Connecticut</td>
<td>214,000</td>
<td>83,359</td>
<td>8,588</td>
</tr>
<tr>
<td>Delaware</td>
<td>32,000</td>
<td>13,371</td>
<td>1,168</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>103,000</td>
<td>91,546</td>
<td>8,140</td>
</tr>
<tr>
<td>Florida</td>
<td>265,000</td>
<td>157,013</td>
<td>27,595</td>
</tr>
<tr>
<td>Georgia</td>
<td>292,000</td>
<td>186,115</td>
<td>16,274</td>
</tr>
<tr>
<td>Idaho</td>
<td>56,000</td>
<td>31,854</td>
<td>5,690</td>
</tr>
<tr>
<td>Illinois</td>
<td>923,000</td>
<td>432,509</td>
<td>46,132</td>
</tr>
<tr>
<td>Indiana</td>
<td>301,000</td>
<td>150,326</td>
<td>23,537</td>
</tr>
<tr>
<td>Iowa</td>
<td>228,000</td>
<td>107,485</td>
<td>16,350</td>
</tr>
<tr>
<td>Kansas</td>
<td>182,000</td>
<td>70,455</td>
<td>11,482</td>
</tr>
<tr>
<td>Kentucky</td>
<td>255,000</td>
<td>111,182</td>
<td>21,026</td>
</tr>
<tr>
<td>Louisiana</td>
<td>236,000</td>
<td>130,067</td>
<td>43,433</td>
</tr>
<tr>
<td>Maine</td>
<td>38,000</td>
<td>38,812</td>
<td>3,176</td>
</tr>
<tr>
<td>Maryland</td>
<td>233,000</td>
<td>113,985</td>
<td>14,512</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>514,000</td>
<td>235,099</td>
<td>21,240</td>
</tr>
<tr>
<td>Michigan</td>
<td>688,000</td>
<td>296,187</td>
<td>42,537</td>
</tr>
<tr>
<td>Minnesota</td>
<td>300,000</td>
<td>142,285</td>
<td>21,314</td>
</tr>
<tr>
<td>Mississippi</td>
<td>170,000</td>
<td>119,736</td>
<td>35,056</td>
</tr>
<tr>
<td>Missouri</td>
<td>383,000</td>
<td>254,050</td>
<td>31,960</td>
</tr>
<tr>
<td>Montana</td>
<td>58,000</td>
<td>27,611</td>
<td>5,552</td>
</tr>
<tr>
<td>Nebraska</td>
<td>119,000</td>
<td>61,418</td>
<td>12,355</td>
</tr>
<tr>
<td>Nevada</td>
<td>15,000</td>
<td>6,907</td>
<td>778</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>55,000</td>
<td>22,038</td>
<td>2,098</td>
</tr>
<tr>
<td>New Jersey</td>
<td>535,000</td>
<td>196,012</td>
<td>27,400</td>
</tr>
<tr>
<td>New Mexico</td>
<td>570,000</td>
<td>35,615</td>
<td>6,629</td>
</tr>
<tr>
<td>New York</td>
<td>1,540,000</td>
<td>757,541</td>
<td>92,651</td>
</tr>
<tr>
<td>North Carolina</td>
<td>315,000</td>
<td>193,673</td>
<td>46,794</td>
</tr>
<tr>
<td>North Dakota</td>
<td>39,000</td>
<td>19,010</td>
<td>4,104</td>
</tr>
<tr>
<td>Ohio</td>
<td>580,000</td>
<td>309,279</td>
<td>80,884</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>228,000</td>
<td>131,826</td>
<td>22,938</td>
</tr>
<tr>
<td>Oregon</td>
<td>103,000</td>
<td>71,816</td>
<td>8,041</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>1,140,000</td>
<td>505,281</td>
<td>81,092</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>70,000</td>
<td>36,471</td>
<td>3,918</td>
</tr>
<tr>
<td>South Carolina</td>
<td>170,000</td>
<td>93,616</td>
<td>27,000</td>
</tr>
<tr>
<td>South Dakota</td>
<td>70,000</td>
<td>23,801</td>
<td>6,299</td>
</tr>
<tr>
<td>Tennessee</td>
<td>386,000</td>
<td>227,757</td>
<td>37,657</td>
</tr>
<tr>
<td>Texas</td>
<td>763,000</td>
<td>435,018</td>
<td>75,076</td>
</tr>
<tr>
<td>Utah</td>
<td>71,000</td>
<td>45,917</td>
<td>5,561</td>
</tr>
<tr>
<td>Vermont</td>
<td>13,000</td>
<td>15,771</td>
<td>1,809</td>
</tr>
<tr>
<td>Virginia</td>
<td>301,000</td>
<td>102,814</td>
<td>16,883</td>
</tr>
<tr>
<td>Washington</td>
<td>228,000</td>
<td>105,189</td>
<td>10,312</td>
</tr>
<tr>
<td>West Virginia</td>
<td>201,000</td>
<td>66,673</td>
<td>9,521</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>390,000</td>
<td>128,922</td>
<td>15,245</td>
</tr>
<tr>
<td>Wyoming</td>
<td>27,000</td>
<td>13,729</td>
<td>2,821</td>
</tr>
<tr>
<td>Outside of the United States: Territories and possessions</td>
<td>102,000</td>
<td>61,617</td>
<td>9,990</td>
</tr>
<tr>
<td>Foreign</td>
<td>21,000</td>
<td>20,921</td>
<td>9,710</td>
</tr>
</tbody>
</table>

1 Estimated cumulative number of living veterans who participated in World War II, including a limited number of participants who remained in service. Geographic distribution estimated on basis of Census Bureau sample survey April 1950, payments to veterans under Armed Forces Reserve Acts 1940, VA program statistics and local information.

2 Veterans who have trained in more than 1 State are included only in the State in which veterans' records were located on May 31, 1951.
The mass demobilization of World War II veterans in 1944 and 1945 and liberalization of the Servicemen's Readjustment Act of 1944 by removing the 1-year limitation and the age restriction established eligibility for education and training for millions of veterans. These veterans enrolled in all types of training and the enrollment peak was reached in 1948 with a yearly average of 2,450,764 veterans enrolled. All types of training experienced a great expansion; enrollment in many colleges was doubled or tripled; the apprentice training program which was very small prior to World War II was greatly expanded; an on-the-job training program was created; and a large program for farm trainees came into existence. The greatest expansion in all fields of training was in trades and industrial schools below the college level. This field of training was least prepared to absorb great numbers of additional trainees, since trades and vocational school facilities of the Nation were largely restricted to public schools which maintained vocational shop facilities for a limited number of high-school students, and a few well-established trades and technical schools scattered throughout the country specializing in vocational and technical courses. The tremendous demand in the field of trades and vocational education brought about large expansions by public schools as well as a great expansion of proprietary schools. During the period June 22, 1944, which was the date of enactment of Public Law 346, Seventy-eighth Congress, and October 31, 1949, there came into existence 3,687 of 5,635 proprietary schools operated for profit. The rapid growth of these schools is demonstrated by the table below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of new schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td>35</td>
</tr>
<tr>
<td>1945</td>
<td>233</td>
</tr>
<tr>
<td>1946</td>
<td>1,808</td>
</tr>
<tr>
<td>1947</td>
<td>1,812</td>
</tr>
<tr>
<td>1948</td>
<td>970</td>
</tr>
<tr>
<td>1949</td>
<td>1,687</td>
</tr>
</tbody>
</table>

1 To Oct. 31, 1949.

The vast majority of these schools had exclusive enrollments of veteran students, had no nonveterans at any time and no previous experience in training nonveterans.

Public Law 346, Seventy-eighth Congress, and the policy of the Veterans' Administration, was based on the philosophy that the Veterans' Administration would pay in behalf of the veteran student the same fees, tuition, and other charges which were required of a nonveteran student enrolled in the same course. The Veterans' Administration committed itself to the policy of observing for veteran students those policies and regulations of the school which were customarily required for nonveterans. This plan did not prove satisfactory, since the great influx of new schools had no previous experience or nonveteran enrollment upon which to base a customary policy for tuition, fees, and other charges. These schools, in contracting with the Veterans' Administration, usually stated that their customary charges were approximately $500 a year, which allowed the school to take advantage of the maximum tuition of $500 per school year provided by Public Law 346, Seventy-eighth Congress. Many of these
schools also stated that it was the customary policy to require that the student furnish large amounts of individually owned hand tools, books, and consumable instructional supplies. The Veterans' Administration was bound to accept these claimed "customary charges" so long as it observed the philosophy of "customary charges."

By the end of 1946, 2,166 privately owned schools operated for profit had come into existence and under the policies of the Veterans' Administration these schools were allowed to virtually write their own charges against the Treasurer of the United States without regard to the amount, type, and quality of service rendered. In an effort to cope with this problem the Veterans' Administration arrived at the conception of requiring schools with no experience prior to 1944 to substantiate their claims for tuition, fees, and supplies on the basis of a fair and reasonable tuition formula prepared by the Veterans' Administration. This system required that a new school submit estimated cost data to the Veterans' Administration, which the Veterans' Administration used in arriving at a fair and reasonable tuition rate. Schools were allowed one-ninth of their allowable costs as profit under the Veterans' Administration formula. After the school had operated for a period of time under the projected cost data, the school was required to submit "actual cost data" based on actual operating expenses. The Veterans' Administration adjusted the tuition rate of the school, based on its actual operating expenses. This form of a contract, which was in fact a cost plus allowable profit contract, created a great incentive for a proprietary school to pad its cost figures in an effort to establish a high tuition rate. While it is apparent that it was necessary for the Veterans' Administration to institute some sort of control over the tuition rates charged by schools without prior nonveteran experience, it is equally apparent that the system of cost plus an allowable profit created an intolerable burden upon the Veterans' Administration in negotiating "fair and reasonable" contracts and created a great area of dissension between the Veterans' Administration and the schools as to allowable costs under the formula. The system created an incentive on the part of the schools to pad their cost figures, falsify their cost data and many school operators were successful in their attempts to influence contract officers and Veterans' Administration officials to allow excessive tuition rates which naturally resulted in higher profits to the school. The effect of these conditions on Veterans' Administration operations are reflected in another section of this report entitled "Veterans' Administration Personnel."

The General Accounting Office Report of Survey—Veterans' Education and Training Program, submitted to this committee and the Eighty-second Congress as a result of the survey conducted by the General Accounting Office into the operation of the veterans' training program in six States provides an insight into the wide variety of abusive and illegal practices to which privately owned schools resorted in an effort to secure excessive profits at the expense of the Federal Government. Quoted below is a section of the General Accounting Office Report of Survey:

Prior to the promulgation of the fair and reasonable cost formulas, the VA exercised little or no control over the tuition rates charged by privately operated trade and vocational schools. The establishment of tuition rates was left entirely to the school operators and inevitably there soon developed a tendency to charge the maximum amount permitted under the law (generally $500 per year).
Some schools never operated under normal competitive conditions

The majority of the schools were new in their field, and had never operated under normal competitive conditions. Many of these schools were organized for the specific purpose of attracting veterans to their courses of study, and it is doubtful whether they could have existed had they been required to depend upon what the general public was willing to pay for the courses offered. Their economic existence depended upon the payments made by the VA on behalf of veteran students. In order to promote and perpetuate the existence of these newer schools various promotional plans and extensive advertising campaigns, which were often misleading and laden with extravagant, unjustifiable claims, were conducted for the express purpose of attracting veterans. These methods, which were generally avoided by old established institutions in the belief that they were unethical, increased the over-all operating costs of the training program.

Result of establishment of cost limitations

The application of cost limitations imposed by the VA on profit schools lowered the over-all cost of the program through a general reduction of training costs. However, many excessive costs in the form of exorbitant charges are still being borne by the Government. Various schemes have been devised by school operators to obtain rates higher than those contemplated by regulation or justified by the facts, and some have been very successful in this respect.

Increased enrollment—evening classes

Many increases in enrollment have been approved by the State agencies for evening classes. These classes ordinarily cost less to conduct by reason of the evening use of existing day-school facilities, the additional expense of operation being generally confined to the cost of teaching personnel and supplies for instruction. Evening classes, therefore, presented an attractive means of increasing enrollments with little additional cost, and the opportunity was not overlooked. Employed veterans were thus in a position to enroll; problems of employment and housing were practically nonexistent; the instruction did not interfere with the students' day-time employment; and the students were able to supplement their income with subsistence allowances in exchange for a few hours spent in evening classes.

Inaccuracies in cost data submitted by schools

Instances were common where school operators furnished inaccurate or inflated cost statements; salaries were improperly allocated; the nature of duties of officials and employees and the time devoted to school operations have been misrepresented; and other matters pertinent to the establishment of tuition rates have been misstated. As a result, excessive tuition rates were awarded and the cost of the entire program considerably increased.

Failures on the part of the VA

There were also disclosed inadequacies or failures on the part of the VA in connection with the computation of tuition rates, such as the acceptance of cost data based on comparatively short periods resulting in the award of higher rates; the failure to give proper consideration to credits reflected in cost data; and the practice of contract and reviewing officers of increasing amounts shown in cost data submitted by the schools. The examinations made by representatives of the General Accounting Office disclosed many improper and questionable practices on the part of school operators apparently calculated to obtain payments in excess of that authorized under the applicable statutes and regulations. There were disclosed, also, many instances indicating failure on the part of responsible VA personnel to take the action required to make the determinations justified by the facts and circumstances under consideration. In some cases, the record indicated collusion between school operators and VA personnel to defraud the United States. Irregularities reported with respect to tuition payments include the following:

1. Improper allocation of salaries of corporate officials to direct teaching costs.
2. Cost figures submitted by schools misrepresented or overstated.
3. Failure to exclude from cost data items for which reimbursement had been received.
4. Information withheld with respect to anticipated material increase in enrollment.
5. Failure to disclose unusual or nonrecurring items of expense in cost data submitted.
6. Listing as expenses during base period items that should have been amortized over the period of school operations.
7. Incorrect classification of school employees and failure to disclose true nature of duties.
8. Inclusion in cost statement of equipment transferred at inflated values between schools under the same ownership, and not involving cash payments.
9. Use of incorrect enrollment figures in computing costs.
10. Failure to renegotiate contracts when it became known that enrollment had increased materially.
11. Failure to consider credits reflected in cost data in determining costs of operation.
12. Practice of contracting and reviewing officers of increasing amounts reflected in cost data submitted by schools.
13. Acceptance by VA of cost data covering operations for short periods whereas data based on one year’s experience would have more accurately reflected operating costs.
14. Failure of schools to maintain adequate records from which costs may be verified.
15. Failure of VA to accumulate and maintain adequate and complete negotiation records.
16. Profits realized in excess of amounts authorized by VA regulations.
17. Contract tuition rates based on estimated costs rather than most recent actual cost data.
18. Tuition paid at rates in excess of those provided in contract.
19. Tuition billed for periods prior to enrollment and subsequent to date of interruption of students’ training.
20. Charges made for vacation and holiday periods when schools were closed, and for periods of excessive absence.
21. Charges made for periods when no instruction was given.
22. Tuition paid in amounts exceeding statutory limitations.
23. Tuition paid for unapproved courses and in amounts in excess of those approved by appropriate State agencies.
24. Charges made for tuition at rates in excess of those charged nonveteran students.
25. Charges for tuition not supported by attendance records.
26. Charges for tuition not prorated over period of attendance.
27. Duplicate payments of tuition.
28. Tuition payments made for veterans pursuing unauthorized courses.
29. Tuition paid for period subsequent to completion of course.
30. Tuition paid for period prior to effective date of contract.
31. Tuition paid for period in excess of approved length of course.
32. Tuition payments made for instruction given non veteran students.
33. Full tuition paid to schools for veterans enrolled in full-time courses who made repairs and alterations to school during class hours.
34. Charges made for tuition for periods in excess of maximum hours provided by contract.

Widespread incidence of excessive payments
There follow typical examples depicting conditions disclosed by the examination of records at various schools.

Cost figures materially overstated
1. A technical institute was awarded a tuition rate based on certified costs that were found, upon examination of records, to have been materially overstated, resulting in increased cost to the Government of approximately $50,000. Substantial excess costs were noted in the item for consumable instructional supplies, occasioned by the failure of the school to deduct from the cost data the costs of materials and supplies used on live projects (actual construction projects), for which the school was reimbursed by students and private customers.

The handling charges received from the VA in connection with the issuance of tools and supplies to veteran students were not credited against cost figures used to determine the cost of operations. Since the enrollment consisted entirely of veterans, and costs of the entire school operation were used for negotiation purposes, it is obvious that all income received should have been applied against charges.

Information contained in the income tax return for 1949 (included with cost data submitted to the VA) reflected a profit of almost 33 per cent of the tuition income. While indicative of an excessive tuition rate, VA regulations provide for a profit: lower of approximately 10 percent of tuition income.

1 VA R & P-R-10530 (II) (2) (I).
There were also disclosed overpayments representing a mark-up and profit on tools and supplies furnished veteran students, which should have been billed to the VA at net cost to the institution (plus the allowed 10 percent for handling) as contemplated by contract and VA regulations. In addition, overpayments of subsistence resulting from the failure of the school to notify the VA of unauthorized absences were noted. An informal inquiry was issued by the Audit Division of the General Accounting Office on December 6, 1950, in the total amount of $53,265.19. The matter is still under consideration in the VA.

Oversated costs and unrealistic enrollment figures

2. Examination of records at a tailoring school disclosed that certified cost records submitted by the school for use in the determination of tuition rates for the calendar years 1949 and 1950 contained misstatements with respect to expenses and, in addition, failed to reveal information to the effect that material increases in enrollment were expected. Although the tuition rate per veteran was based on an average of from 44 to 88 students, higher enrollments were permitted at intervals during the first 7 months of the contract period culminating in an actual, authorized enrollment of 162 as of August 1, 1949, without adjustment downward of the tuition rate.

The use of overstated costs and unrealistic enrollment figures in computing the tuition rate resulted in the school realizing a net profit of $88,357, or about 16 percent of the total tuition income of $1,88,891.05. As stated hereinafter, the normal allowance for profit is approximately 10 percent of tuition income. 6 Informal inquiries were issued by the General Accounting Office Audit Division in the total amount of $76,644.11. The matter is still pending in the VA.

Examination by the General Accounting Office of records at a school for training in electricity and refrigeration in the Middle West disclosed that cost data submitted by the school did not agree with school records; that inaccurate enrollment figures were used in the computation of costs; and that certain fixed charges paid for handling books and supplies were not allowable. Findings were reported to the VA and a complete audit was made which resulted in the lowering of the tuition rate and the recovery of overpayments totaling $68,738.68.

In another case examination of records in a woodworking school disclosed that cost data submitted by the school did not reflect income from commercial sales amounting to approximately $25,000, and that there were other discrepancies in cost figures. The matter was likewise reported to the VA with the result that a complete audit was made and overpayments totaling $34,265.35 recovered, of which approximately $28,000 represented tuition overpayments.

Records in another tailoring school disclosed that cost data submitted to the VA relating to teaching personnel, consumable instructional supplies, administrative salaries, and advertising expense were in excess of the amounts reflected in the school's records. A complete audit resultd in the reduction of yearly tuition rates per student from $190.28 to $303.80, and in the recovery of tuition overpayments totaling $31,272.50.

A southern vocational school was awarded monthly tuition rates of $43.60 per student for an automobile mechanic's course and $40.90 monthly per student for a body and fender repair course for the year ending June 30, 1950. Based on actual operating costs from August 1, 1948, to June 30, 1949, a composite rate of $32.48 per student per month appeared to be fair and reasonable for both courses. The matter was referred to the VA for corrective action.

Another example is that of a dry-cleaning institute where a tuition rate of $43.55 per student was awarded after consideration of cost data submitted by the school. A comparative statement reflecting amounts that could be reasonably substantiated and classified from the meager records available indicated that the monthly rate should have been $33.50 per student or a monthly reduction of $10.05 per student. The matter was also referred to the VA for corrective action.

Several interesting features with respect to payments of tuition follow:

A number of cases were noted where schools had billed the VA for tuition covering periods outside enrollment dates, and for periods during which training was

1 VA R. & P. R-10539.
2 An informal inquiry is the General Accounting Office audit procedure by which the administrative office, in this case the VA, is notified that doubt exists as to the validity of a payment. In many cases additional information is promptly furnished, thereby clearing up the matter. In other cases the information furnished is not adequate and it is necessary to refer the matter to appropriate authority for collection action.
4 VA R. & P. R-10359.
not authorized. In one instance, the school billed for private lessons scheduled but not given. Corrective action has been taken in each instance.

Length of courses and tuition rates vary

In a business school an examination disclosed that, although several courses were offered, all veteran students were enrolled in the longest of the advanced courses. Some of the veterans actually received instruction in shorter courses. Nearly all nonveterans were enrolled in the shorter courses.

Some examinations have disclosed that the same course was offered at more than one tuition rate, usually by allowing discounts for cash. Where this condition existed, the VA seems always to have been charged the higher rate for instruction furnished veteran students. Along the same lines, a secretarial school received the same amount for a 540-hour night course as for a 900-hour day course with the same training objective.

Charges increased more than 25 percent

VA regulations provided that subsequent to July 1, 1948, profit schools whose enrollment was composed primarily of veterans and whose total charges had increased more than 25 percent since June 22, 1944, submit cost data for determination of a fair and reasonable rate to be agreed upon by contract. Records at various schools disclosed instances where inaccurate information had been furnished apparently for the purpose of circumventing the administrative requirements.

As an example, a secretarial school increased total tuition charges from $315 to $560 (77.7 percent) as of July 1, 1948. Submission of cost data and execution of a contract were not required since the monthly tuition rate (increased only 24.4 percent from $22.50 to $28) was used instead of the course rate (increased 77 percent from $315 to $560); however, the course was simultaneously extended from 14 to 20 months. Another school increased course charges from $450 to $900 by changing from a clock-hour to a credit-hour basis and extending the course from 14 to 20 months.

Examination of records at a flight school disclosed that flight logs were preinitialed and signed in advance. In the absence of students' original flight receipts, or other information evidencing that training had been furnished, an informal audit inquiry was forwarded to the VA for the total amount of $88,516.55. The matter is still pending in the VA.

Effect of attendance on tuition payments

The matter of attendance requirements and adequate reporting of absences, which affects not only tuition but subsistence payments as well, has given rise to some of the most common abuses of the veterans' education program.

Under regulations issued in 1949, schools were required to report unauthorized absences, interruptions, or discontinuance of training. The maintenance of attendance or leave records by the regional offices of the VA was not required; reliance being placed upon the schools and veterans to prevent abuses.

Overpayments have been due principally to the failure of the training establishments, and of the veterans, to notify the VA regional offices promptly of interruptions in training and of unauthorized absences. Unscrupulous schools frequently failed to report absences for which subsistence allowances should have been adjusted. In such cases it would appear that adjustments also should have been made in the tuition payments to the schools. Attendance records at many schools have been found to be incomplete and unreliable, and in some cases were found to have been altered. Some of the worst conditions have been found in flight schools. Instances were noted where schools have received payment for hundreds of hours' flight time not actually furnished. Bills have been submitted covering "solo" flight training of two or three veterans in the same plane at the same time.

Regulations have been liberal

Regulations relating to attendance requirements have been liberal, each school following its own regular attendance and leave policies. This, coupled with the

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1 VA R. & P. R-10570.
2 Information Bulletin No, DA7-116 issued July 2, 1947, by Branch Office No. 10.
3 VA R. and P. R-10096.
5 Decision of the Commissioner, July 8, 1949, B-76547.
fact that the VA has been unable to audit school attendance records, has contributed to abuses by schools that had no set policies and those failing to report excessive absences.

A regulation was promulgated April 26, 1951, setting forth the policy of the VA for determining the maximum payment that may be made to a profit educational or training institution operating on a clock-hour basis for a part VII or part VIII veteran where the veteran does not receive training because of absences or holidays.10

Some schools had no attendance policies

Many privately operated schools did not have attendance policies prior to the start of the veterans' educational program, and therefore had no unauthorized absences. This was particularly true in beauty and barber schools, or other schools in which tuition was paid on a clock-hour basis. Failure to report absences in such schools would have no effect on tuition charges, which are based on clock hours of attendance, but would result in subsistence overpayments.

Except for special examinations, the VA does not verify attendance records at schools on the theory that such work is the duty of the State approval groups. Inquiry has disclosed, however, that in many instances State approval agencies do not have sufficient personnel available to make examinations of records at the various trade schools; hence verifications of attendance records in those instances are rarely made. There follow several examples of practices at schools with respect to attendance.

Attendance records inadequate or not maintained

An examination of records at a drafting school in the Midwest disclosed that no attendance records were maintained. It was stated that when a student was absent the manager made notes in a pocket memorandum and later informed his wife, who was supposed to maintain some sort of a record at home. The record at home was found to be in chaotic condition, and there was no way of definitely ascertaining the extent of absences. The policy of the school, as submitted to the VA, contained a clause to the effect that three consecutive days of unauthorized absence warranted interruption.

An audit of records at a business college resulted in the recovery of a substantial sum on the basis that attendance records disclosed that tuition was charged for periods when the trainees should have been interrupted, and that there had been intermittent absences in excess of the number of unexcused absences permitted by school policy. The statement of policy submitted to the VA provided that three unexcused absences during one month, whether consecutive or at intervals, warranted interruption of training for at least two weeks, and that chronic absenteism would be handled "as each case merits," usually by placing the student on probation for a period during which no absences were permitted.

Examination of another business school disclosed that a time-clock system was used for recording time in and out for each student. Time cards were retained by the individuals and were supposed to be presented to the business office at the end of each month. Efforts were made to accumulate time cards for comparison with records, but it was found that many had been lost, misplaced, or destroyed. It was, therefore, impossible to accurately verify attendance or determine whether interruptions were in order.

During the examination of records at a trade school it was noted that payments of tuition to the institution, and of subsistence allowances to veterans, were made in cases where the veterans interrupted their training and had taken, or were granted, leave in excess of that accrued. Action has been initiated to effect recovery of the amounts involved.

There follows a listing of undesirable attendance practices observed during the examination of 415 trade schools. One or more of the listed items were in effect at each of 49 schools:

1. No attendance records to support charges for instruction.
2. Attendance records altered.
3. Signatures of veterans secured on blank reenrollment forms with no evidence to show that students had reenrolled training.
4. Veterans enrolled twice for identical subjects under different course titles.
5. Failure to interrupt students for nonattendance.
6. Erroneous dates of interruption reported to VA.
7. Absences in excess of maximum allowed by contracts.
8. Charges made for periods in excess of actual hours of attendance.

10 VA R, and P, R-10530.
Miscellaneous cases

Numerous cases were noted during the course of the survey in which two or more of the questionable matters referred to in the preceding pages were involved. Since these matters could not be separated in such a manner as would reflect only one questionable item which could be listed under the appropriate heading without considerable repetition of facts, several representative cases are included under this heading.

Enrollment figures affect tuition rates

Due to the failure of responsible personnel in the VA to give effect to information furnished as to anticipated increases in enrollment, and the failure to renegotiate the tuition rate when substantial increases became a matter of record, tuition rates based on subnormal enrollments were awarded to a trade school resulting in excess tuition paid by the Government of approximately $45,000. Failure to offset the handling charges received from the VA against charges for tools and supplies issued to veteran students likewise resulted in excess costs to the Government in the total amount of $7,397.05. The matters were called to the attention of the VA for corrective action.

A radio service school obtained unduly high tuition rates based on erroneous enrollment figures and on certain costs of doubtful propriety which were allowed or increased by the VA. Included in the allowable costs were long-term expenses of a nonrecurring nature.

Cost data overstated, resulting in higher tuition rates

An additional increased cost to the Government resulted from the failure to apply income from the handling charges on books, tools, and supplies as a credit against costs used for computing the tuition rate.

The record shows that tuition rates proved very profitable to the institution. Corporate officers were given increases in salaries and, in addition, a net profit of more than 14 percent of the amount received for tuition was realized for the fiscal year ending August 31, 1950. There were also disclosed overpayments totaling more than $7,000, representing profits realized by the school in connection with the issuance of tools, books, and supplies. Audit exceptions were issued in the total amount of $33,206.45. The matters are still pending the in VA.

Cost data submitted by an automotive trade school for use in determining the tuition rate, were found to have been distorted with respect to items of consumable instructional supplies and building repairs, neither of which are representative of normal operating costs. The claim for consumable supplies in the amount of $8,007.44 was inflated by the inclusion of an item of $5,956.06 representing a bookkeeping adjustment and the item of building repairs was distorted by the inclusion, as a direct expense, of costs in the nature of leasehold improvements which should have been amortized over the period of intended use. The VA contracting personnel accepted the claims substantially as submitted, and, in addition, increased the item of depreciation by approximately 400 percent without (so it is reported) consultation with the school. An informal audit exception was issued in the estimated amount of $49,000. The matter is still pending in the VA.

Inadequate and inaccurate records

A survey of a business college disclosed that financial records were inadequate and inaccurate, and that attendance records appeared to be questionable. Subsequent investigation indicated that attendance records, as maintained, were fraudulent. In January 1950, the State officials were notified of existing conditions and requested to make an investigation. No action was taken by the State at that time. Audits conducted by the VA indicated sizable overpayments due to overstatements of cost, and all payments to the school were suspended during February 1950. Although the State was advised of this matter, no action was taken to withdraw approval of the school.

On December 9, 1950, the State notified the school that the approval to operate was canceled effective December 1, 1950. The failure of the State to take prompt action when first notified of conditions at the school, and the failure of the VA to withhold benefits from the veterans enrolled but not attending, has resulted in a sizable loss to the Government in subsistence overpayments. The case was referred to the United States attorney for prosecution.
Increasing enrollment—Promotional schemes

Many promotional schemes have been followed in efforts to secure a larger enrollment of veterans in various profit trade schools. As an example, an organization called Hall Associates has been procuring veteran trainees for flight schools in the Middle West. The modus operandi is as follows:

(a) Hall Associates contacts an approved flight school and offers to furnish the school the names of 100 veterans eligible for flight training, for $1,500, or (b) Hall Associates agrees to furnish the names of from 1 to 100 eligible veterans for which they would be paid $15 per name, and an additional $15 for each veteran approved or enrolled in the school, or (c) Hall Associates receives 8 percent commission on gross income received by the school for all veterans procured by them.

An employee of Hall Associates stated that he is in charge of obtaining veterans for approved flight schools; that he is paid a salary of $50 a week plus $5 for each veteran who files an application; that he recruits veterans by attending meetings of veterans' organizations, speaking at various schools, stopping likely looking veterans on the street, and by making contacts with veterans almost anywhere; that he helps the veterans file their applications (but only legally) and gives them reasons or excuses for learning to fly.

Investigation disclosed that some of the schools using these promotional schemes are charging the expense to advertising, which is prohibitive by VA regulations.

In a school of radio broadcasting, records disclosed billings for absences as having been made up, where no evidence was available to support the statement that make-up instruction had been given; billings for tuition subsequent to discontinuance of the veterans' training; billings for absences in excess of maximum allowable under the contract; and billing for repetition of portions of the course that had been previously paid for. Informal audit inquiries were issued in the total amount of $13,128.93, and collection was effected in that amount.

Examination of records at a dancing school disclosed instances where eligibility of veterans had not been established; tuition was paid for veterans who were absent; tuition payments were made in advance of actual attendance; and errors in computation were made. Informal audit inquiry was issued in the total amount of $34,571.72, of which $4,657.88 has been recovered, the balance remaining outstanding.

Records at a radio and television school disclosed supplies billed in excess of costs, no accounting for supplies turned back by students, and payments made for handling charges not provided for in the contract. Informal audit inquiries were issued in amount of $10,722.73 and that amount was recovered. Since all records covering attendance had been destroyed, thereby preventing any determination as to the correctness of tuition payments, question was raised with respect to the total of tuition payments, looking toward the development of adequate procedures to record future attendance and other measures to verify past payments.

Examination of records at a school of art disclosed instances where tuition payments were not supported by attendance records; tuition rates were based on erroneous cost statements; and supplies were furnished veterans at prices in excess of cost. Informal audit inquiries were issued in the total amount of $160,120.65. The case is still pending in the VA.

Informal inquiries in the total amount of $352,895.19, were issued in connection with the audit at a meat cutters' school. Records disclosed that erroneous enrollment dates were used; the school was not eligible to accept veteran trainees as it had not been in existence a full year; tuition was paid for veteran-trainees employed by the school during all or part of enrollment period, and who did not attend classes; tuition payments were not supported by accurate attendance records; tools were furnished although not considered necessary for the successful pursuit and completion of the course; and tools were furnished veteran-trainees employed by the school. The matters outlined have been turned over to the United States attorney for action.

Partial examination of records at a school of upholstering disclosed that tuition payments had been made for periods in excess of the actual hours of attendance by veterans, and that payments of subsistence had been made for periods subsequent to the date of interruption of training. Informal audit inquiries were issued in the total amount of $42,053.92.

Similar conditions were disclosed at an auto-body repairing school which resulted in the issuance of informal audit inquiries in the total amount of $43,854.10. A complete audit of records is contemplated in each case.

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ii VA R, and P. R. 10530, July 1, 1948, as revised May 5, 1950, subpar. (B) (2) (l) (2).
As a result of the examination of records at a diamond-setting school, informal audit inquiries were issued in the total amount of $43,265.23, representing overpayments resulting from an erroneous tuition rate; billing for supplies in amounts exceeding their cost; payments of tuition and subsistence for periods subsequent to the actual date of interruption of training; payments of tuition for periods of absence; and issuance of supplies without proper itemization on receipts. Of the total amount questioned, $29,338.45 has been recovered by deduction from subsequent payments, and it is contemplated that the balance will be recovered in the same manner.

In a theatrical school, examination of records disclosed that billings for tuition were not supported by records evidencing attendance. Informal inquiries were issued in the total amount of $88,633.33, of which $5,040.48 has been collected so far.

Billings were made by a school of photography for books and supplies at a price which included 20-percent mark-up and 10-percent handling charges, whereas the contract provided such material should be furnished at cost. Informal audit inquiries were issued in the total amount of $16,188.63, which was recovered by deduction from subsequent payments.

Audit of records at a school for watchmaking disclosed payments of handling charges on tools in excess of contract provisions; billings for tools in excess of actual cost; and overpayments of tuition based on a questionable rate. Informal inquiries were issued in the total amount of $102,752.20, of which a small part has been recovered. Action toward recovery of the outstanding balance is still pending.

Examination of records at another watchmaking school disclosed payments where the eligibility of veterans had not been established; tuition payments were made for periods of absence; and overpayments of subsistence were made due to the interruption date being reported as later than the actual date. Informal inquiries were issued in the total amount of $98,975.25. The VA has withheld payment of approximately $50,000 pending completion of the audit.

The Report of Survey of the General Accounting Office provides a variety of examples of irregular practices on the part of privately owned trades and vocational schools which led to overpayments by the Veterans' Administration. Investigations by this committee revealed further examples of such abuses and illegal practices on the part of the privately owned trade schools.

THE PROFIT POSSIBILITIES OF A PRIVATELY OWNED TRADE SCHOOL

The committee examined the operation of a private trade school in Wheeling, W. Va., which was owned by the chief of the division of private trade-school registration, Pennsylvania State Department of Public Instruction, three university professors of the University of Pittsburgh, and a private trade-school operator from Pittsburgh, Pa. An examination of the school's accounts reflected that during the first 2 years of operation as a partnership the school paid the four partners—namely, the chief of the Pennsylvania division of private trade-school registration and the three university professors—approximately $17,402.20 in salaries, dividends, and expenses. During the next 2 years of operation as a corporation, with the promotional services of the private trade-school operator, the school paid the five stockholders approximately $119,468.86 in salaries, dividends, and expenses. The trade school was established on an initial investment of $4,000 and paid approximately $136,871.06 in salaries, dividends, and expenses to its owners over a 4-year period.

Investigation into this case disclosed that the Veterans' Administration had allowed salaries allocated to "teaching" for persons not actually engaged in those activities and that although this point and others was questioned by the contract officer who negotiated the contract, the Veterans' Administration contract supervisor overruled the
contract officer and approved the excessive tuition rate. This same contract supervisor was hired by the Pittsburgh school operator, who owned part interest in the school in question, a few months later at a salary considerably in excess of the salary the Veterans' Administration contract supervisor received from the Veterans’ Administration.

The Boone-Higgins Enterprises, which operated several privately owned trade schools in Tennessee and Arkansas, were investigated by this committee and a number of interesting points were disclosed. The points at issue were (1) excessive profits from school operations; (2) a dummy tool-supply corporation; (3) an attempt to write off an investment in a school building; and (4) the submission of inflated costs due to alleged administrative and teaching duties of the corporate officials. The Veterans’ Administration testified regarding (1) the signing of a contract after it was known that an audit had revealed inflated costs; (2) the participation by a Veterans’ Administration employee in the ownership of a school; and (3) the repudiation of contracts and a 2-year retroactive reduction in tuition rates from $48 to $28. The schools involved were the Boone-Higgins College of Watchmaking, Inc., Memphis, Tenn.; Boone-Higgins Trade School, Inc., Memphis, Tenn.; Boone-Higgins Trade School of Tennessee, Inc., Chattanooga, Tenn.; the Hamilton Training School, Inc., of Chattanooga, Tenn.; and the Arkansas Trade School, Inc., Pine Bluff, Ark.

Dr. W. F. Rachels received $73,178.92 during the period 1947 to 1950 from the two Memphis schools and the Boone-Higgins Trade Schools of Tennessee, Inc., of Chattanooga, in all of which he served as president. Mr. Ed B. Hudgens served as secretary-treasurer of the Memphis schools, the Boone-Higgins Trade School of Tennessee, Inc., in Chattanooga and the Hamilton Training School, Inc., of Chattanooga. His withdrawals amounted to $70,563.34. Joseph W. Patzsch, who succeeded Mr. Hudgens as secretary-treasurer, received $19,083.57 during the period March 1950 to March 1951. David L. Harrison, a Veterans’ Administration employee, served as vice president of the Boone-Higgins Trade School of Tennessee and received $10,000 in 1948. His wife received $22,666.70 for the years 1949 and 1950. The five corporate officials mentioned received a total of $204,664.63 in salaries from 1947 to 1950.

In May of 1948, Ed B. Hudgens, and W. F. Rachels established the Boone-Higgins Tool Co. for the purpose of purchasing tools and equipment for the various schools. Items were purchased at a discount which was not passed on to the Veterans’ Administration. Since the operation of a tool company contravened Veterans’ Administration regulations, it was sold in November 1948 to John P. Freeman, an employee of the Memphis school system, and the name was changed to the Tick Tock Tool Co. Mr. Patzsch was hired as general manager, a position which he kept until March of 1950, when he purchased Mr. Hudgens’ interest in the Boone-Higgins schools. In May 1950, Mr. Patzsch persuaded Mr. J. Richard Cox to purchase the tool company, and its name was subsequently changed to the Shelby Equipment & Supply Co. It appears that the sole business of the tool companies was limited to purchases for and sales to the various Boone-Higgins schools and that Dr. Rachels and Mr. Hudgens continued to take an active interest in the companies, although they claim to have severed their connections.
In an attempt to write off an investment in real property by the Boone-Higgins Trade School, Inc., of Memphis, Dr. Rachels and Mr. Hudgens purchased the property for $27,460.43 and then rented it back to the corporation for $640 per month. If the Veterans' Administration had allowed the charge, the investment would have been written off in less than 4 years, at the end of which time Mr. Hudgens and Dr. Rachels would have owned a valuable piece of property paid for in its entirety by the Government.

In cost data submitted to the Veterans' Administration, Dr. Rachels was listed as receiving $15,200 per year for administrative services in two full-time and one part-time position in each of three schools, Mr. Hudgens' salary was also $15,200, prorated between teaching and administrative functions. Since both of these school officials were occupied with full-time jobs, Hudgens as an employee of the Memphis school system and Dr. Rachels as a practicing dentist, and since one of the schools was located 325 miles from the other two, the branch office of the Veterans' Administration objected to the duplication in personnel and stated that the salaries were not reasonable even if the alleged functions were actually performed.

The Veterans' Administration conducted an audit of school records in April and May of 1950. On October 21, 1950, a contract was delivered to school officials which apparently did not take into consideration the excessive cost revealed in the audit and the objections of the Veterans' Administration branch office. It was then necessary to repudiate the contract.

A Veterans' Administration employee in the Memphis office was also the vice president of a school located in Chattanooga at a salary of $10,000 per year. Although the employee testified he was not informed of Veterans' Administration regulations prohibiting such a practice, correspondence supplied by the Veterans' Administration regional office indicates he was so informed.

Although the Veterans' Administration had information that costs were excessive, nevertheless a contract was signed and delivered to the Boone-Higgins Trade School, Inc., of Memphis. The contract remained in force and was never canceled, but no payments were made. On the contrary, when the audit referred to above was finally given consideration, it was determined that a lower rate should have been negotiated. An overpayment was set up based on a 2-year retroactive application of the lower rate and as a result the school closed its doors.

IRREGULARITIES FOUND IN THE FRANKLIN MEAT CUTTING INSTITUTE AND THE MEAT BONING ANNEX, PHILADELPHIA, PA.

This committee investigated the activities of Franklin Meat Cutting Institute and its auxiliary, the Meat Boning Annex, in Philadelphia, Pa. These schools were proprietary profit schools, operated under partnership form of business enterprise. Partners, whom we will call partner A and partner B, were, for the most part, the sole partners in the Franklin Meat Cutting Institute. In the Meat Boning Annex, partners A and B also were associated with parties C, D, and E. Partners A, B, and E also were sole stockholders of the Meat Cutting Institute of Baltimore.
The actual managerial responsibility for the operation of these three institutions was as follows: Partner A was the director of both the Franklin Meat Cutting Institute and the Meat Boning Annex. However, although he actually managed the former school, he was director in name only of the latter school, and partner C actually managed the latter school with the title of assistant director, since he did not have the necessary qualifications to be approved as director. Partner B managed the Baltimore school.

As a result of investigations conducted in the field by the committee and through testimony adduced at public hearings conducted by the committee, the following irregular practices in connection with the operations of the Franklin Meat Cutting Institute and the Meat Boning Annex were discovered:

The schools' contracts with the Veterans' Administration permitted them to charge for tools at cost to the school but not to exceed a specified amount per student per course for prescribed items. The allowed maximum cost varied anywhere from $16.60 to $17.20 per set. The testimony disclosed that the two schools involved were guilty of vouchering the Veterans' Administration for the payment of tools in amounts in excess of the actual cost of the tools. Two specified instances of this are as follows:

(a) The school ordered 200 sets of tools from the supplier and requested that the supplier invoice them for 100 sets at $16.95 per set. A check in the amount of $1,695 was issued by the school and given to the supplier, who, in turn, refunded $575 by Western Union money order to partner B. Thus, in effect, the tools per set actually cost the school approximately $5.60. However, the Veterans' Administration was vouchedered on the basis of the cost per set of tools at $16.90.

(b) In a second instance the school ordered 100 sets of tools from the supplier and had him furnish the school with an invoice indicating a unit cost of $16.95 per set. A check in the amount of $1,695 was issued by the school, but it was never given to the supplier. The supplier endorsed the check and the school owner took the check to the bank, cashed it, and paid the supplier $525 in cash and the supplier testified that $525 was all he ever received from this transaction.

The supplier testified that his dealings in these two instances were with partner A, except for the refund by money order to partner B. However, he further testified that he had dealt on the same basis with partner B, for the Baltimore school.

Knowledge of the situation described in situation (a), above, was denied by the school operator, and he also denied that he had ever engaged in the practices set forth in situation (b), although the supplier testified that the reason he prepared false invoices was that the school operator requested him to do so in order that the office personnel of the school would not know the true picture concerning the operating costs of the school.

It should be noted that the Veterans' Administration requires schools, training veterans under contract, to retain invoices to support the billings submitted for tools. These false invoices, furnished by the tool company at the request of the school owners, could have been used for this purpose and in no way would they reflect the rebates which the schools allegedly received as a result of these transactions.
The schools' dealings with another supplier were checked, and the same pattern of procuring tools was followed. The supply company owner and the school owners categorically denied any irregularities in their dealing. The supplier's records could not be checked, since they were "lost" during a move to a new location.

An audit of the schools' accounts disclosed that the school records showed that tools had been issued to practically all veterans, and the Veterans' Administration billed the full price of approximately $15 to $17 per set. Investigation disclosed that many of these veterans did not receive a set of tools. From the testimony of a representative number of students and from the testimony of the finance officer of the Veterans' Administration regional office, it was disclosed that, although the students never were furnished with tools, nevertheless the school submitted vouchers to the Veterans' Administration claiming payment for the furnishing of tools to these students.

Testimony from a representative number of students and from employees who were engaged in this scheme disclosed that there was a regular preconceived scheme devised to falsify the attendance records kept at one of these schools. This was done, of course, in order that the school would receive greater sums of money as tuition payments than they would have received had the true condition of attendance been reflected in their records. Testimony disclosed that a considerable number of students were paying amounts ranging from $10 to $15 a month to various employees and instructors in order to be carried on the rolls as present when actually they were not in attendance. In some cases, students who were enrolled in an 8-month course attended no more than 1 week of this entire time, and yet the records of the school reflect that they were in regular attendance during the 8-month period. The Government was defrauded by virtue of the fact that subsistence payments were made to these students when they, in reality, were not entitled to such payments because of their failure to attend.

In one instance, a witness testified that while he was employed by the Veterans' Administration he was also employed by the school and was enrolled as a student in the same school at the same time. He further testified that he never attended classes, but continued to mark himself present, since he allegedly had been instructed to do so by the assistant director of the school, not only in his own case but in all cases of other students as well. He also testified that the owner of the school paid him $20 on each of 10 occasions to expedite the processing of certain forms which were required to be filled out when a student desired to change from one school to another. The school operator denied ever having paid this person any money, stating that he had merely requested him to do this as a favor.

The Meat Boning Annex processed meat during practice periods and the hearings disclosed that one of the partners of the school operated a wholesale meat-supply house and that shipments of meat were brought in in the morning, processed by the students, and hauled away by the company trucks. This process in itself is not illegal. However, students of the school testified that the school became a production line, with a few of the skilled students and instructors doing the work to get the meat out and leaving the remainder of the students with little instruction and nothing to do. Students testified that the tools which they were issued were so inferior that a satisfactory
job of cutting meat could not be done and that the school kept a few sets of good tools for production work.

This case has been referred to the Department of Justice for possible prosecution.

THE PROBLEM OF "LIVE PROJECTS" IN TRADES AND VOCATIONAL SCHOOLS

The nature of trades and vocational training requires an emphasis on shop or laboratory instruction, and it is necessary that the school provide great quantities of work material and supplies in order that the trainee may practice on "live projects" or assigned projects which closely resemble actual work done in the trade. Since thousands of private and public schools came into existence all over the United States offering such trades and vocational courses as automotive mechanics, automobile body and fender repair, cabinetmaking, furniture repair and upholstery, shoe repair, building trades such as carpentry, bricklaying, painting, and paperhanging, and dozens of courses leading to other common trades and occupations, it is apparent that, if these schools were to operate satisfactorily and provide full work experience to the veteran trainee and accomplish their objective, it would be necessary that great quantities of consumable instructional supplies be furnished and that the hundreds of thousands of trainees enrolled be allowed to work on projects closely resembling the actual jobs done in the trades or occupation for which they were training. The Veterans' Administration usually furnished the school an allowance for consumable instructional supplies. In average circumstances, this allowance varied from a few cents a month to $15 per month. The cost of furnishing sufficient consumable instructional supplies for adequate training in some courses was prohibitive and the amount furnished by the Veterans' Administration was not sufficient to provide thorough training. The schools secured additional training supplies by allowing a veteran to furnish material to be used in projects for himself and his immediate family. Other schools broadened the scope of their operation and undertook to do work for the general public. The practice of the schools varied in these cases. In some instances the school required the person furnishing the job to furnish the material needed in the project, and no additional charge was made. In other cases, the schools operated an auxiliary supply company, and the person who was to receive the project was required to buy supplies through the school-owned supply company, thus creating an additional profit for the school. In other cases schools required the individual to pay the cost of supplies and added a mark-up for a profit to the school. This practice is common among barbering and cosmetology schools.

Veterans' Administration regulations required that the school report profits and earnings in order that they might be considered in arriving at a fair and reasonable tuition rate. In other cases the school attempted an evasion by adding a 25-to-30-percent mark-up to the job or project and collecting from the customer or person receiving the project on the basis of cost of supplies involved.

The committee, in its investigation of the Tennessee Automotive Trade School, Inc., Nashville, Tenn., found that the school was resorting to this practice. The school offered courses in automobile
mechanics and auto body and fender repair, and had a large enrollment which during most of the school's period of operation exceeded 300 students. Tentative examination of the school's records by the General Accounting Office disclosed that in a 9-month period the school processed over 1,200 live projects, adding a mark-up of 20 to 30 percent in excess of the cost of supplies. However, the investigation disclosed that the school was representing to the customer that the charge was based on cost of supplies. It is obvious that this school made large profits from live work done for the public. None of these profits were shared with the trainees who did the work. Investigation by the committee indicates that the earnings were not reported to the Veterans' Administration in cost data. However, the matter is under further consideration, and the General Accounting Office is making a complete audit of the school's accounts.

There were two other schools in the city of Nashville, Tenn., offering courses in the automotive field—namely, automobile mechanics and automobile upholstery—which were following practices similar to those employed by the Tennessee Automotive Trade School. In view of the size of the schools and the volume of live work being done for the public, an intolerable situation was created which resulted in the local automobile dealers and garage owners making vigorous protests against the operation of the schools. These protests were obviously justified, since it was apparent that at least two of these schools were operating primarily for production, with training receiving secondary consideration.

The problem of schools competing with privately owned businesses and doing productive work for the public has arisen all over the United States and has become acute in cases where the school owners had no regard for public opinion or the reputation of their schools and were seeking to enlarge their profits by doing live work for the public, thereby capitalizing on the free labor available to them through veteran trainees enrolled in the schools. This problem was controlled in many other schools where there existed a desire on the part of the school operator to maintain good public relations and operate a school primarily for the sake of training without regard to production. There were many protests concerning schools offering courses in building trades doing live work for the public, and these complaints reached intense proportions by 1948 when the Veterans' Administration made rulings which greatly curtailed the operation of building-trades courses.

**RECORDS OF TRADE SCHOOLS FOUND TO BE ERRONEOUS**

Investigations of the Murfreesboro Practical Trade School, Murfreesboro, Tenn., disclosed that the school operated under a provision in their contract which required interruption of a veteran trainee after accumulating a specified number of absences in a month. Veteran trainees attending the school testified before the committee that they were not actually in attendance and that they were paying a school clerk to be marked present. These trainees continued to receive full subsistence payments from the Veterans' Administration during the periods when they were not actually in attendance. The committee examined the records of the school and found that a school clerk had prepared "make-up slips" for students who were not actually
in attendance and that the names of instructors had been forged to these make-up slips for the purpose of creating a record indicating that students were in school. This same school had previously been audited by the Veterans' Administration. Forty-nine thousand dollars in overpayment resulting from overcharges by the school for supplies and equipment, tuition claimed for students not actually in attendance, and other overcharges had been recovered. The Veterans' Administration is auditing the accounts of the school for the period not covered by the first audit to determine the extent of falsification of records and cost data.

Convictions and indictments of persons connected with veterans' training schools reported by Veterans' Administration

ALABAMA
Montgomery regional office:
2. Southern Watchmaking School, Ensley, Ala., and Eugene O. Bernard. Do.

ARIZONA
Phoenix regional office:

CALIFORNIA
San Francisco regional office:
2. Walter T. Flick and William G. Butler (former employees of Veterans' Administration indicted for connection with Sky Lane Flying School). Do.

DISTRICT OF COLUMBIA

FLORIDA
Pass-a-Grille Beach regional office:
1. Shipp's Business College, Jacksonville, Fla. --- Information filed.

GEORGIA
Atlanta regional office:
1. Macon Airmotive Service, Inc. --- Do.

ILLINOIS
Convictions and indictments of persons connected with veterans' training schools reported by Veterans' Administration—Continued

KANSAS


KENTUCKY

Louisville regional office: 1. Kenneth M. Pierce, Charlotte Bizer, and Idell Bizer, officials of the Kentucky School of Trades, Inc. Do.

LOUISIANA

New Orleans regional office:
1. Southern School of Mechanical Dentistry, New Orleans, La. Indicted.
2. Dr. Alfred V. Curtis, Southern School of Mechanical Dentistry. Convicted.

Shreveport regional office:

MARYLAND


MASSACHUSETTS


MICHIGAN

Detroit regional office:

NEW MEXICO


NEW YORK


New York regional office (southern district):
4. Steven M. Serafin, of Lincoln-Gregory Trade School, Inc. Indicted.
Convictions and indictments of persons connected with veterans' training schools reported by Veterans' Administration—Continued

NEW YORK—continued

Rochester regional office (western district):
1. Benjamine Daitz, Maurice Rosenstreicher, Isadore Rosenstreicher, and Angelo L. Montagiano of Rochester School of Radio & Television, Inc. Indicted.
   (Note.—No information received as to disposition of indictment against five others who were indicted.)
3. Robert Herzog, vice president, Universal General Corp. of New York City, N. Y. Indicted.

NORTH DAKOTA

Winston-Salem regional office:
1. Mrs. Ola Mae Forte Hill, d. b. a. LaMac Beauty College. Convicted.
7. R. A. Evans & Southern Vocational Institute, a corporation. Indicted.

NORTH DAKOTA


OHIO

Cincinnati regional office:
2. Daioio Sales, Inc., Dayton, Ohio, and Eejay Lauterbach. Do.

OKLAHOMA

Muskogee regional office:
2. Earl Penn Flying Service, Pawhuska, Okla., and Earl Penn. Do.

OREGON


PENNSYLVANIA

Philadelphia regional office:
### Wilkes-Barre regional office:

13. Charles H. Popky, partner, Auto Mechanics School of West Hazleton,
15. John J. Barni, partner, Coal Township Auto Body and Fender School.
16. Ralph Gitz and Dominick Petruzzi, d. b. a. The Electrical Training School of Hazleton, Pa.
17. Schenckkill Diesel & Equipment School, Inc., and Louis Schiavo and George L. Namona (or Yamona).
18. Louis Schiavo, Robert P. Hoff, James Dezagottis, Sr., Julius Mastrota, and George L. Namona (or Yamona), Rock Glen School of Woodworking, Inc.
19. Louis Schiavo, Gordon Schaub, George Schaub, Stanley Gennetti, George L. Namona (or Yamona), Freehold School of Woodworking, Inc.
21. Louis Schiavo, Anthony Namona (or Yamona), George L. Namona (or Yamona), Pottsville Electric & Radio School, Inc.

### SOUTH DAKOTA

TRAINING AND LOAN GUARANTY PROGRAMS

Convictions and indictments of persons connected with veterans' training schools reported by Veterans' Administration—Continued

TENNESSEE

Nashville regional office:
2. John G. Sims, vice president; W. J. Towler, vice president; and O. T. Frith, secretary-treasurer of Southern Training Institute, Inc.
3. J. W. P. Fleming, president, Chattanooga Vocational School, Inc.

TEXAS


VIRGINIA


WISCONSIN

Badger Flying Service of Munroe, Wis.

WYOMING

(Note.—Indictment against Lewis G. Ryun dismissed.)

CONTROL OF COSTS THROUGH AUDIT PROGRAMS

VETERANS' ADMINISTRATION AUDITS

In view of the rapid increase in the number of veterans participating in the educational program with attendant increase in costs which occurred in 1946 and 1947, it is surprising that an audit program was not put into effect until September of 1949. Prior to that time the appropriation requests of the agency did not include an allowance for the salaries and expenses of auditors and the comparatively few audits conducted were made by employees with other duties to perform.

In September 1949 positions were authorized in regional offices for finance accountants (auditors) and a uniform program was put into effect with the central office exerting supervision. The following table lists the accomplishments for the period September 12, 1949, through August 31, 1951.

| 1. Number of audits completed | 1,164 |
| 2. Recovery statistics: | |
| A. Adjusted excess charges developed on completed audits to date | $9,585,888 |
| B. Actual amount of recoveries to date | 3,870,088 |
| C. Amount for which satisfactory arrangements have been made to recover | 2,018,875 |
| D. Amount reported to GAO as uncollectible | 166,763 |
| E. Amount for which further recovery efforts at station level are in process (A minus B, C, D) | 3,530,162 |
3. Estimated costs incurred in audit program:
   A. Personal services ........................................... $1,445,568
   B. Travel expenses .............................................. 146,734
   
   Total estimated costs ........................................ 1,592,302

4. Difference between costs and excess charges developed through
   Aug. 31, 1951 .................................................. 7,993,586

GENERAL ACCOUNTING OFFICE AUDITS

Although the primary responsibility for the control of costs rests
with the Veterans’ Administration, the General Accounting Office
has conducted a series of audits during the past several years. House
Committee Print No. 160, Eighty-second Congress, first session,
summarizes the findings which resulted from a fiscal survey covering
operations in seven States. Six hundred and forty-two out of a total
of approximately 5,700 profit trade schools in the country were
examined. Payments were questioned in 415 schools, or 65 percent
of those audited. $1,354,679.85 has been recovered; $5,635,209.15
remains outstanding.

Forty-eight institutions of higher learning were examined, the
propriety of payments totaling over $10,000,000 was questioned, and
collections have amounted to $1,250,000.

A number of audits have been made of nonprofit schools below
the college level, those participating in the institutional on-the-farm
program and firms engaged in on-the-job training. Although the
results of the audits were not summarized, widespread abuses and
misinterpretations of regulations have resulted in millions of dollars
of questionable payments. There is ample reason to believe that
further audits are justified.

COMMITTEE OBSERVATIONS

Veterans’ Administration procedures now require yearly inspection
of nonprofit schools, semiannual inspection of profit schools by con-
tracting personnel. Audits are authorized by the regional manager,
usually as a result of unfavorable inspection reports.

There is considerable doubt that—

This procedure provided an effective means of detecting irregularities in
charges to the Veterans’ Administration * * * 12.

Testimony of the Assistant Administrator for Vocational Rehabilita-
tion and Education revealed insufficient personnel to make the annual
and semiannual inspections. Confirmation that an unsatisfactory
condition exists is found on pages 120 and 121 of House Committee
Print No. 160:

In a memorandum dated May 4, 1950, from a VA central office employee
stationed in New York to the Director, Training Facilities Service, for Voca-
tional Rehabilitation and Education, it was noted that, as the result of a survey
in an eastern regional office, “the progress of the (Form) 1965, Review of Profit
and Nonprofit Institutions, was found to be unsatisfactory. For the period
July 1, 1949, through February 28, 1950, no 1965 reviews were made.” Reduc-
tions in force during this period were blamed, with the resultant personnel read-
justments. The memorandum further stated that since March 1, 1950, 81 out
of a total of approximately 770 Form 1965 reviews were undertaken, leaving a

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12 Annual Report of the Administrator of Veterans’ Affairs for fiscal year 1949, p. 70.
balance of 689 to be completed. Further inquiry at this regional office as of November 30, 1950, revealed that the condition was only slightly improved and only a small percentage of schools had been visited in the interim. The inquiry disclosed that not only are the required number of visits to institutions not made in accordance with regulations but that most reviews are of a cursory nature.

Prolonged delays occur as an institution contests overpayments set up as the result of audits. For example, the records of a southern trade school for the period November 1947 through March of 1950 were audited by the Veterans' Administration in April and May of 1950. After certain adjustments were made, the school filed a petition for review and lifting of exceptions with the General Accounting Office on November 3, 1950. The petition was forwarded to the Veterans' Administration on December 15, 1950, with the request for a report on the various issues involved. Three months later the Veterans' Administration initiated a second audit to ascertain the validity of the contentions raised by the school. The audit, which consumed another 3 months, was forwarded to the central office for final review and answer to the Comptroller General. The central office then entered into a 3-month process of coordination between its fiscal, legal, and educational divisions and finally, on September 14, 1951, 10 months after the petition had been received from the Comptroller General, a report was rendered.

Although the school in this instance was able to continue operations, an acute financial burden was imposed on it by the contested withholdings of payments and an almost interminable process of reaudit and administrative review was necessary before the issues could be defined.

The committee believes that emphasis should be placed on the audit program with two objectives in mind; to collect overpayments and to provide reasonably prompt decisions on controversial fiscal matters. The Administrator should be prepared to give a detailed justification for an appropriation which will enable him to employ sufficient personnel to carry out these objectives.

Institutional on-the-Farm Training Program

The Servicemen's Readjustment Act of 1944 contained no specific provisions for agricultural training. Courses in practical agriculture were started in many States soon after the passage of Public Law 346, Seventy-eighth Congress. These programs followed no standard pattern until August 6, 1947, when the Congress passed Public Law 377, Eightieth Congress. Public Law 377 established minimum criteria for agricultural training and defined full-time training in institutional on-the-farm courses. The veteran was required to own or control his own farm and was required to attend organized classes and was to be visited on his farm not less than twice per month by his instructor.

Public Law 377 also provided training for the farm veteran in the employ of another. The veteran was required to receive not less than 50 hours per year individual instruction with at least one visit per month on the farm by his instructor. The veteran's employer was required to agree to instruct him in various aspects of farm management. The law required no wage agreement and no progressive wage scale. The on-the-job farm program has not been widely used and has proved unsatisfactory in many instances since it has become a
labor subsidy for large farm and plantation owners with little emphasis on training.

On August 27, 1946, Veterans' Administration instructions were issued, which in effect reduced institutional on-the-farm training for self-employed veterans from full-time to part-time training with a corresponding reduction in tuition and subsistence. Subsistence was reduced from $65 and $90 per month to $16.25 and $22.50 per month, depending on the dependency status of the veteran. This ruling brought widespread complaint and on August 6, 1947, the Congress passed Public Law 377, Eightieth Congress. Institutional on-the-farm training was defined as full-time training by Public Law 377 and trainees were authorized full subsistence payments.

The General Accounting Office conducted a survey of the institutional on-farm training program and reported to the Congress as follows:

**Problems and Difficulties in Administering Program**

Numerous problems and difficulties arose in the administration of the institutional on-farm training program during its early days. Determination of the value of room and board furnished to the employee-trainees and the like valuation of living expenses in the case of the self-employed veteran on his own farm were subject to wide interpretation. The amount of subsistence to be allowed by the VA is reduced as the income value received in the form of living expenses increases. Father-son and other similar family relationships resulted in many undesirable situations especially with respect to ascertaining the actual income received by trainees from their fathers or other family members. Determination of net farm income in the case of self-employed veterans has been more or less haphazard; most veterans reported only a nominal farm income. These factors had an important bearing on the amount of subsistence allowance drawn by trainees, and it is an established fact that most veterans (87 percent as of May 31, 1919) received the maximum subsistence allowance. As of May 31, 1919, subsistence payments for on-farm trainees averaged $89 a month as compared to $68 a month for all other trainees.

Probably the most difficult question and the one which caused the most concern was the extent of VA supervision of trainees. Many conflicting interests were involved, particularly States' rights, as it was questionable whether close supervision of trainees by the VA would be construed as interference with State educational policies. This issue was avoided when the VA limited supervision to only those trainees enrolled under Veterans Regulation No. 1 (a), part VII (i.e., those under physical disability).

These problems and difficulties were aggravated rather than overcome by the passage of Public Law 377. The changes provided by this act resulted in a considerable influx of veterans into institutional on-farm training, attributable in part to the fact that provision was made for full-time courses carrying full subsistence allowances.

The program was, at best, a difficult one to administer principally because close supervision over the trainees' activities on the farm was not practicable. Personal contact with the trainee by State and VA representatives, school instructors, and others was limited to but a few hours each month. During the larger part of his training period, the veteran was more or less left to his own devices with the exception of employee-trainees who could, and no doubt did in most cases, receive some supervision from their farmer-employers. Other than the monthly visits made by VA training officers to part VII trainees for the purpose of observing their progress, the only control over activities of individual veterans was exercised by instructors through their periodic farm visits which enabled them to observe the veterans' accomplishments and progress. No personal contacts with trainees under part VIII was made by VA personnel. The VA relied upon school instructors to see that veterans were devoting full time to their training;

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were maintaining adequate farm and home accounts; were preparing accurate annual reports of income and expense for submission to the VA; were obtaining the training necessary for their type of farming; and were complying with other requirements of the laws and regulations.

Interruptions and discontinuances resulted in loss of training value

Many veterans when originally enrolled in on-farm training courses had the sincere intention to become farmers but, because of inadaptability, lack of interest, unsatisfactory progress, aversion to long hours and hard work, illness, and many other reasons, their training was interrupted or discontinued prior to attaining their objective. The program also attracted many other veterans who saw an opportunity for "easy money" (subsistence allowances) and these veterans remained in training only so long as it was to their financial benefit to do so. Probably the greatest loss of training value in the institutional on-farm training program resulted from interruptions and discontinuances in training before reaching the objective. Accurate data is not available, but it is conservatively estimated that over 100,000 veterans interrupted or discontinued their training to follow vocations other than farming and that Federal funds in excess of $100,000,000 were expended on training benefits for such veterans, without attaining the educational benefit goals sought.

A typical example concerns a former Marine Corps major in his early forties who apparently used his entitlement to institutional on-farm training for purposes other than the objective of becoming a farmer. He obtained employment on a sheep ranch and immediately enrolled in an institutional on-farm training course. After spending 17 months in a 2-year livestock-raising course, he wrote to a VA regional office highly praising the course, the instructors, the school, and practically everyone else connected with the program and expressed his appreciation for the benefits derived by him. Less than a month later he was enrolled in a secretarial school taking a 2-year course in report writing. The regional office approved this new course and, as requested by this veteran, started sending his monthly subsistence checks to his new address. More than $2,200 paid for tuition, books, and supplies, and subsistence allowances for this veteran during the time he was training on the farm seems largely to have been wasted. A few months later this same veteran turned up at a junior college in the same State, taking a course in newspaper writing (he indicated that he was a newspaperman before the war) where he was still enrolled in 1951. The VA approved this change of course, too. The major took great interest in his various training programs; his letters were devoted primarily to the subject of subsistence allowances, particularly how much he was entitled to, why his subsistence checks were being delayed, how desperately he was in need of funds, and how happy he was since his checks were coming in regularly. He will soon exhaust his entitlement pursuing the objective of becoming again what he once was, a newspaperman at an expenditure of from $6,000 to $7,000, largely a waste of his effort and of Government funds.

Laxity of local officials

To some extent controls could be established to prevent such waste by carefully screening initial applications for institutional on-farm training. However, the VA relied almost entirely upon local veterans’ advisory committees, instructors and other school officials to determine whether applicants met the prescribed requirements. It is recognized that local sympathies naturally were with the veteran, which probably exerted an influence on many local officials particularly those who were inclined to follow the line of least resistance when under public pressure.

In a Midwestern State, many instructors interviewed stated that proper screening of veteran trainees as to their prior education and experience in agriculture was impracticable because of pressure from local veterans’ organizations. The chairman of a veterans’ advisory committee in a far Western State admitted that all applications for training as well as other documents in connection therewith were approved by his committee as a matter of course. He also indicated that his main interest in the program was to obtain every possible benefit for every veteran in his community and that he was not particularly concerned whether the methods used were slightly extralegal. As a result, veterans who were not qualified under the laws and regulations were enrolled in institutional on-farm training courses. Following are illustrative cases where veterans were automatically disqualified under the regulations, yet were permitted to enroll for training:

18 VA R. & P. R. 10453 (F) July 1, 1948, provided that “No course of institutional on-farm training will be approved for a veteran who is already qualified by training and experience for the course objective.”
A graduate of a college of agriculture, who was a former, high school teacher in agriculture for 4 years, attended high school (in the same State in which he had previously taught) for 2 years as a veteran-student under part VIII. During this time he was employed on his father's farm, and upon completion of the basic course, he attempted to enroll as a self-employed farmer for two more years, but this was denied by VA because of the early training. The veteran stated that he thought he was entitled to "a 'refresher' in agricultural training and benefits accruing through subsistence payments." This training which the veteran apparently did not need cost the Government approximately $3,000.

A veteran who had been enrolled in a college of agriculture for about two years prior to his military service, attended high school from May 1 to December 31, 1946, under part VIII. The instructor was also the manager of the veteran's farm. This veteran enrolled in on-farm training because of a stated desire to familiarize himself with farming practices and to obtain subsistence payments. This training for which the veteran had little apparent need, cost the Government over $1,000.

Another veteran completed a 4-year institutional on-farm training course on May 6, 1950, under part VII. His educational attainments at time of enrollment follow:

- High-school graduate.
- Business college, 3 months.
- College, 1-year course in literature and arts.
- University, 1 semester in horticulture.

Since the inception of his on-farm training, he had been connected with his father and brother in the apple orchard business in which the family had been engaged for the past 20 years. They had approximately 233 acres planted in apple trees and employed an average of eight persons a year. No crops other than apples were produced and no changes were contemplated. According to the veteran the course of instruction was not applicable to his type of farming and was of very little value to him with the possible exception of soil conservation. He further stated that individual monthly instruction on the farm, by the class instructor, was of approximately 30 minutes' duration and of no value because the instructor was not versed in orchard farming. The veteran's training which was of little benefit to him has cost the Government approximately $6,000. Under the regulations the veteran apparently should never have been enrolled in this course.

Part-time trainees draw full subsistence allowances

Although veterans were required to devote full time to training (school and farm work) or be dropped, many were only part-time trainees yet drew full subsistence allowances. Some typical cases where veterans did not devote full time to their training or drew full subsistence allowances for merely attending classes while a hired hand, sharecropper, tenant, or a close relative received the practical farm experience and training, follow:

A veteran who owned a 25-acre farm, 23 acres of which were planted in grapes, submitted a statement showing a net loss of $2,197.21 for 1949, and an expected income of $250 for 1950. It was noted, however, that included among items of expense for 1949 was an amount of $1,065.52 for labor. No other viticulturist in the training program at his school had a comparable labor expense. It appears that this veteran hired someone to do the work on his farm while he pursued other activities. From June through September 1949 he earned $807.40 working part time for a gravel and cement company, and from January through September 1950 earned $1,507.32 from the same employer. He also worked at his father's winery under a family partnership arrangement (see comment on case immediately following) but his earnings there were not disclosed. He worked for his father only while unable to accomplish anything at his own place or when not working for the gravel and cement company. He worked also as sales agent for an antifrost machine manufacturer. Institutional on-farm training was commenced at the high school on July 1, 1949, and he received monthly subsistence allowances of $97.50. He stated that only five visits were made to his farm by school instructors during the entire training period of 17 months. Instruction in viticulture was received from his father and not from the school instructors. The fact that he was not devoting full time to his farm was known by the instructors; however, the VA made no attempt to discontinue his training.

A veteran worked in his father's vineyard and continued to be in training under the institutional on-farm training program at a high school on July 1, 1949; training had not been discontinued by the VA. He received $97.50 per month subsistence during the entire training period. The father had what appeared and was
reputed to be a prosperous business—the largest independent winery in the area (the 100-acre vineyard provides but a small part of the grapes used in the winery). The father operated the winery and vineyard for many years and was considered an expert on the subject. The veteran stated that the work for his father included caring for the vineyard (50 percent of his time), working in the winery (25 percent of his time), and "on the road" selling wine (25 percent of his time). He stated that all the work was somewhat seasonal except the selling of wine, and that the estimated allotment of time between the vineyard and winery was based on an annual average. He did, however, spend about 1 week out of every month selling wine.

He and three brothers were in the process of taking over the active operation and management of the wine business under a family partnership arrangement. He did not receive a regular fixed salary but took from "the family pot" whatever was needed, averaging $150 per month.

When interviewed, the veteran stated that he had not been visited by instructors for the past 8 or 9 months, and that the visits made were very brief and no instruction had been given. When asked what the reaction would be to any such instruction that might be offered, he stated that his father knew more about grapes than the instructors would ever know, and that if they attempted to recommend any changes in operation of the vineyard they would probably be "kicked off the place." The instructors were interviewed with regard to the matter and admitted that they had not made visits to the farm and that instruction and advice had not been well received. Apparently, the trainee was interested only in subsistence payments, not in the educational and training benefits; obviously tuition payments to the school and subsistence payments to the veteran should have been stopped.

A veteran who was regularly employed by a jewelry company rented about 16 acres of land from his father-in-law on a share-crop agreement, and planted the acreage in cotton. The father-in-law furnished equipment and seed and the veteran hired labor to plant, cultivate, and harvest the crop. The trainee had a half holiday each Thursday and usually took the morning off also to inspect and supervise the cultivation of the cotton crop. The veteran stated that he was not visited personally by the agriculture teacher as required by State criteria.

A veteran who was the owner-operator of a grocery store also owned a 101-acre farm adjacent thereto. The veteran stated that he was advised by a member of the county committee that it did not make any difference whether he worked on the farm. He also stated that the farm was operated by a sharecropper who furnished all the labor but since it was located near his store, he was able to make frequent inspections as to progress in its cultivation. He then added that all subsistence payments received from the VA had been applied toward the purchase of the farm.

A veteran who was a practicing lawyer in a Southern State owned a farm operated by a tenant. The veteran stated that he did not believe he was eligible to receive on-farm training but that he was approached by a school official to enroll in the program. It would appear that inasmuch as the veteran devoted full time to his law practice and did not participate in the farm operations, he was not entitled to training and subsistence allowance.

A veteran who invested his savings in fire-fighting equipment had arranged with a group of farmers to pay him $25 each per month for fire protection. The fire-fighting service was operated jointly by the veteran and his brother. The veteran stated that while enrolled as an on-farm trainee he spent one-half of each day on his rented acreage, the other half on duty at the fire station. Labor was hired to cultivate and harvest the cotton crop. He added that he did not give any thought to applying for on-farm training until requested to do so by a member of the county committee who needed "two or three" more veterans to fill out the quota for the county.

A veteran who owned and operated a pool room stated that after consulting with the county agricultural teacher, he rented 25 acres from his brother on a share-crop basis and hired labor to plant, cultivate and harvest a cotton crop. He further stated that the county committee was well aware of the operation of the pool room as well as the arrangements under which his farming activities were conducted. Nevertheless, his application for on-farm training was approved and, in view of such action, the veteran said that he had no misgivings about accepting subsistence payments.

A veteran engaged in the practice of law and operation of an insurance agency was a partner with his brother in the cultivation of a 930-acre farm. In 1916 he was elected mayor of the town in which he resided, for a 3-year term. He stated
that the insurance agency and law practice, together with mayoralty duties, occupied all of his time and that the farming operations were more or less under the supervision of his brother. The veteran also stated that he was advised by agriculture teachers, members of the county committee, and even by the agriculture director of the State department of education that he was eligible to receive on-farm training, even though all those individuals were personally acquainted with the manner in which he and his brother operated their farm.

A veteran, while enrolled in the on-farm training program, substituted for his father as a mail carrier. In addition he was employed at a sales barn keeping records and acting as an anecloeer. He stated that since he was engaged in these activities and farming operations were being handled by hired labor, he had discussed the matter of eligibility with several instructors but was told that since he had the necessary acreage under cultivation he had met the requirements of the program.

General Accounting Office questions value of some individual instruction

While not within the scope of this survey, much information was developed incidentally which cast considerable doubt on the value of individual instruction on the farm. Interviews with instructors and veteran-trainees disclosed many abuses in connection with this phase of the program; generally instructors were not making the required number of visits and the veterans were not receiving the required number of hours of individual instruction.

Contacts made in one State with 71 students and various instructors of six schools selected at random disclosed that, in many instances, the instructor averaged only one visit to the farm per month for self-employed veterans and in some cases visits were less frequent. The duration of the visits ranged from 30 minutes to 3 hours depending upon the problems discussed. Several veterans stated that they were unable to spend any appreciable amount of time for individual instruction on the farm during rush seasons, while other self-employed veterans, who were reared on farms and familiar with farming enterprises, stated that one visit per month by the class instructor, 1½ to 2 hours, was sufficient unless there was some specific problem to be discussed.

Employed veterans, other than blood relatives of farmer-trainers, were expected to be visited once each month on the farm where they were working. Many veterans stated that instructional visits were only for approximately 30 minutes' duration.

One veteran in the apple orchard business with his father and brother stated that he received approximately 30 minutes of individual instruction each month and that it was of no value because the instructor was not versed in orchard farming.

Instructors at four high schools stated that they made the required number of visits and spent the required number of hours in individual on-farm instruction, but such statements were found to be at variance with information supplied by veteran students in many instances. One veteran stated that he received only seven visits in 1 year; another, that he was visited only once every 2 months; and 17 other self-employed veterans stated that they were visited once a month whereas the law required at least two on-farm visits each month.

Instructors at two high schools admitted that they were not making the required number of visits, nor were they spending the required amount of time for individual instruction.

One instructor stated that the annual report filed for each veteran, showing the number of farm visits made, hours spent, and subjects discussed, as submitted to the State board for vocational education by instructors, was for the most part "nothing but a pack of lies." He also stated that the instructors had to report the required number of visits and hours spent on the farm or lose their jobs.

Instructors were of the opinion that two farm visits per self-employed student each month for a total of 8½ hours of individual instruction were too frequent and impracticable for the following reasons:

A. During rush seasons of the year, the veteran-student frequently cannot devote the required time to the instructor;

B. Frequently, the veteran-student is absent from his farm at time of visit; and

C. Veteran-students reared on large black-dirt farms do not have sufficient individual problems to warrant two visits per month for a total of 8½ hours.

The instructors were of the opinion also that one 2-hour visit each month was sufficient with the possible exception of occasional problems requiring special treatment.

Veterans Regulation 1 (a), par. 11 (c) 2a, 38 U. S. C., ch. 12, notes.
In a western high school, a veteran stated that he had not been visited by his instructor for a period of 8 or 9 months and that those made at other times were very brief with no individual instruction being given. The instructor admitted this to be true. Another veteran stated that during an 18-month period of training he remembered only five visits by instructors. Some veterans stated that although they were regularly visited by instructors at 1-, 2-, or 3-week intervals, the visits were considerably less than 2 hours. These veterans had no complaint as to the lack of individual instruction because, for the most part, they indicated that they would not have received any benefit from a longer visit. The record of on-farm visits maintained by the instructors did not indicate the length of time of these visits; however, the quarterly reports submitted by instructors showed that the required hours of on-farm instruction had been furnished.

Similar conditions with respect to individual instruction on the farm were found to exist in other States.

Cost data not verified by VA

VA regulations contain no provisions requiring the verification of the cost data and the computations of surpluses and deficits forming the bases for the determination of tuition rate adjustments. Cost data was reviewed and analyzed in the VA but it was found that with few exceptions no examination was made of the accounts and records of individual schools to determine the accuracy of the data submitted.

**Subsistence allowances**

Subsistence allowances have been paid to veterans enrolled in classroom and on-farm training courses as follows:

<table>
<thead>
<tr>
<th>Public Law No.</th>
<th>Date approved</th>
<th>Amount paid per month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Without dependents</td>
</tr>
<tr>
<td>346</td>
<td>June 22, 1944</td>
<td>$50.00</td>
</tr>
<tr>
<td>208</td>
<td>Dec. 29, 1945</td>
<td>65.00</td>
</tr>
<tr>
<td>512</td>
<td>May 4, 1948</td>
<td>67.50</td>
</tr>
</tbody>
</table>

Currently, the subsistence allowance, plus compensation received for productive labor (including farm income) must not exceed $210 per month for a veteran without a dependent, $270 per month for a veteran with one dependent, or $290 per month for a veteran with two or more dependents. Maximum subsistence allowances, consistent with the veterans' dependency status, were paid to the vast majority of institutional on-farm trainees. The program apparently did not attract many of those who had sufficient farm income to disqualify them from drawing substantial subsistence allowances.

**Farm income earned by veteran difficult to determine**

The most variable factor, and that most difficult to ascertain in determining the amount of subsistence allowances payable to a veteran during his training period, was his earned income. VA regulations required veterans to submit an annual report on or before March 1 of each year showing the compensation received for productive labor for the preceding calendar year and the anticipated income for the succeeding calendar year, this information to be based on the veteran's farm and home accounts. This report which was submitted in support of the claim for subsistence allowance was certified as correct by the veteran and the institution (generally the veteran's instructor). These certifications have been accepted at face value by the VA. Institutional on-farm training courses required, among other things, the keeping of farm and home accounts; however, examination of such accounts disclosed that record keeping was left to the discretion of the veterans, and that most of them kept inaccurate records or none at all.

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19 Veterans Regulation No. 1 (a), as amended, par. 6 (a), 38 U. S. C., ch. 12, notes.
Many veterans report small farm income

The required annual income reports are very important for two reasons: (1) Of the total number in training under this program, 9 out of 10 were self-employed (whose income is not subject to convenient verification), and this proportion was even higher as of June 30, 1950, when approximately 95 percent were self-employed,20 and (2) 87 percent of the veterans receiving institutional on-farm training as of May 31, 1949, drew full subsistence allowances which averaged $80 a month as compared to $68 under other programs.21

Of 29 veterans enrolled in one high school on November 1, 1950, only 18 had submitted certified statements of earnings for the calendar year 1949, the remaining 11 veterans having been in training less than a year. The average annual income of these 18 veterans was approximately $231.50, or $19.30 a month; 9 were in an advanced class and showed an average annual income of $362.40; whereas, the other 9 in the elementary class, showed an average annual income of $100.65. The highest income, $1,800, was reported by an employee-trainee receiving wages of $150 a month; the largest loss, $2,197.21, was reported by a self-employed trainee.

Little consideration was given to the requirement of the regulations that account be taken of income representing the value of family living furnished by the farm in the form of food, fuel, and shelter.22 For instance, one veteran recorded the sale of half a beef carcass as cash income. The other half which was consumed by his family was not reflected in the farm and home accounts. It was disclosed by examination in other instances, that rent deducted as an expense actually represented installment payments (principal and interest) on farm mortgages.

In view of the low annual income reported by so many self-employed veterans, there was doubt as to whether the farms were of a size and character that would assure a satisfactory income under normal conditions, one of the eligibility requirements provided by the amendment of August 6, 1947. No instance was observed where the VA questioned the reports from this standpoint.

In another section of the country, the annual reports were to the effect that the value of family living furnished by the farm ranged from nothing to $265, the average being $126.59. Two instructors interviewed, who were themselves engaged in farming activities in this area, stated that in almost all cases the value of farm products consumed by the family should be in excess of $500 a year. It seems obvious that such reports were not accurate nor acceptable at face value.

SUMMARY OF CASES INVESTIGATED BY THE VETERANS' ADMINISTRATION

Alleged irregularities in the operation of the institutional on-farm training program, public school district No. 18, Thief River Falls, Minn.

Investigation disclosed that a Public Law 16 trainee, David F. Wilde, had been employed and performed as a special instructor in electric and acetylene welding, simultaneous with the continuation of his trainee status; and that the school received tuition, and the trainee both subsistence allowance and salary as an instructor, during the tenure of his dual status. Charles S. Shelgren, the regular institutional on-farm instructor, was instrumental in the trainee’s employment as an instructor, and endeavored to conceal the circumstances from the Veterans’ Administration. Mr. Stanley W. Nelson, former Veterans’ Administration training specialist, responsible for Wilde’s supervision, had knowledge of the circumstances, acquiesced in the irregularity, and failed to make any report thereof to his superiors. False monthly reports of training were executed and certified by Wilde, Shelgren, and Nelson, reporting the trainee as having received the identical training which he was instructing. Although the

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monthly reports reflected to the contrary, it was established that Wilde did not receive the required minimum of 100 hours individual instruction during the last year of this training.

It was established that school officials had been negligent in verifying the accuracy of monthly reports of training, and had made inconsistent and improper reports pertaining to individual (group) instruction. Forty-one trainees received, during the particular 12-month periods involved, less than 100 hours individual instruction from the instructor responsible for their institutional instruction, as required by Public Law 377, Eightieth Congress. However, no irregularities of any consequence were revealed in connection with class attendance, financial records, or travel of instructors, and the inquiry disclosed that the over-all aspects of the program had been bona fide.

Data pertaining to the operation of the institutional on-farm training programs in the States of North Dakota and Minnesota, developed during the course of the investigation, disclosed some disagreement among Veterans' Administration and State officials, particularly Minnesota, concerning the maintenance of minimum standards, and as to what constitutes compliance with Public Law 377, Eightieth Congress, and other applicable regulations.

*Irregularities in the institutional on-farm training program, Lake County, Tenn.*

The Lake County institutional on-farm training program was inaugurated July 1, 1946. On January 27, 1949, Mr. Ernest Huffstutter, Chief, Education and Training Unit, Veterans' Administration office, Jackson, Tenn., who was supervising veteran trainees in Lake County, reported certain irregularities on the basis of which the entire program was interrupted effective February 15, 1949, although subsequently reorganized and reopened April 1, 1949. As a result of Mr. Huffstutter's report, 14 trainees were retroactively interrupted, 8 of whom appealed. Investigation of these eight claims cases revealed that trainees were enrolled in the institutional on-farm training program while gainfully employed in other professions; that they were not receiving the minimum classroom and individual instruction required by law; that income from such sources was not reported to the Veterans' Administration; and that their farm work was being done by tenants or day laborers.

In conjunction with the investigation into the eight claims cases, an administrative investigation was conducted into the irregularities in the administration of the program, both prior and subsequent to February 15, 1949. This investigation developed the following facts:

(a) That a full-time year-round program had not been provided or required, and the average share-crop trainee who was purportedly pursuing his training on a farm under his own control did not exercise actual managerial control of the farming unit.

(b) The trainees were not receiving the minimum amount of individual or classroom instruction, nor any shop instruction.

(c) The instructors were treating the performance of their teaching duties as secondary to the operation of their own farms or business ventures.

(d) The instructors were never given indoctrination or training in the performance of their teaching duties and were keeping no daily record of classroom attendance, farms visited, and mileage traveled,
but were preparing their monthly activity reports and travel vouchers from memory.

(e) All of the instructors were submitting fraudulent monthly activity reports and mileage vouchers to the Tennessee State Department of Education, which was in turn billing the Veterans' Administration on the basis of these reports.

(f) The Lake County supervisory committee was not functioning, its duties being performed by the assistant vocational agriculture instructors.

(g) The Superintendent of Education, Lake County, Tenn., who was directly responsible for administering the program in the county, had made no effort to properly administer the program and evidenced little interest in or knowledge of the program.

(h) Mr. Ernest Huffstutter, who was the Veterans' Administration training officer (agriculture) from Lake County, Tenn., from the inception of its program July 1, 1946, until sometime during the latter part of 1950, misinformed instructors and trainees concerning computation of income from productive labor, had knowledge of the irregularities existing in the program, and yet took no action to report such irregularities over a period of 30 months.

(i) The names of the 14 trainees who were retroactively interrupted were submitted by Mr. Huffstutter as representative of the irregularities in the program, yet no action was taken by the officials of Vocational Rehabilitation and Education, Veterans' Administration regional office, Nashville, Tenn., to cause a comprehensive survey of the entire program to determine if all trainees improperly enrolled had been included in the report. Upon being apprised of the conditions in Lake County, the Tennessee State Director of Vocational Education conducted an independent survey of the conditions and interrupted the program in Lake County, effective June 30, 1951.

AGRICULTURAL TRAINING PERFORMED BY A VETERAN IN THE EMPLOY OF ANOTHER PROVED UNSATISFACTORY

Public Law 377, Eightieth Congress, made the following provisions for a veteran who performs part of his agricultural course as the employee of another:

2. If the veteran performs part of his course as the employee of another—

   (a) he shall receive, on his employer's farm, not less than fifty hours of individual instruction per year (with at least one visit by the instructor to such farm each month). Such individual instruction shall be given by the instructor responsible for the veteran's institutional instruction;

   (b) his employer's farm shall be of a size and character which (1) together with the group instruction part of the course, will occupy the full time of the veteran, and (2) will permit instruction in all aspects of the management of a farm of the type for which the veteran is being trained;

   (c) his employer shall agree to instruct him in various aspects of farm management in accordance with the training schedule developed for the veteran by his instructor, working in cooperation with his employer. If it is found by the Administrator of Veterans' Affairs or the State approving agency that any approved course of institutional on-farm training has ceased to meet the requirements of this Act, the Veterans' Administration shall cut-off all benefits under this part as of the date of such withdrawal of approval. Where it has been found that a variation in the proportion of hours of group instruction and individual instruction on the farm will better serve the conditions in a certain area, any program acceptable to the State approving agency which meets the total number of training hours called for in this Act (including assembled instruction, individual instruction, and assigned and supervised
related home study and supervision in operational skills by the farmer trainer under the direction of the institution) shall be recognized as complying with the requirements of this Act; and

(d) the Administrator of Veterans' Affairs is authorized to contract with approved institutions for such courses where the Administrator finds that the agreed cost is reasonable and fair.

A large majority of the agricultural training programs in the United States are for veterans who perform part of their course on a farm under their own control. Only a few States attempted to implement the program for the veteran who performs part of his course in the employ of another. The program for veterans in the employ of another has not proven to be satisfactory, since it provides a medium for labor subsidy and its value as a training program is doubtful.

The law required no wage commitment or wage guarantee by the employer for the veteran as is required by Public Law 679, Seventy-ninth Congress, in the case of other training on the job. It was possible for an employer to hire the veteran and agree to a training program and keep the veteran in training for several years without raising his wages. During this period of time he would receive subsistence on the basis of full-time training from the Veterans' Administration. Public Law 679, Seventy-ninth Congress, requires that periodic wage increases be granted veterans in other training on the job and these periodic wage increases requiring the employer to evaluate the trainee's services from time to time creates an incentive for the employer to train a veteran to become a more valuable employee, since the employer is committed to periodic wage increases throughout the duration of the training program, culminating in the objective wage upon completion of training.

In the agricultural training program, where the trainee performs part of his course as the employee of another, large plantation and farm owners were able to place their farm hands on the training program without agreeing to raise their wages as their training program progressed, while at the same time the trainee received full-time subsistence. Such a plan, in effect, created a labor subsidy for the large plantation and farm owner and did not improve the position of the veteran at the same time. These weaknesses are inherent in Public Law 377, Eightieth Congress. Agricultural training for a veteran who performs part of his course as the employee of another should be eliminated or trainees in the employ of another should be required to secure their training as on-the-job training and meet the criteria of Public Law 679, Seventy-ninth Congress. However, the latter solution is of doubtful value in many instances due to the unskilled nature of a great deal of agricultural labor.

PUBLIC LAW 377, EIGHTIETH CONGRESS, DOES NOT PROHIBIT RETRAINING

Public Law 679, Seventy-ninth Congress, contains the following requirement with regard to retraining a veteran enrolled in on-the-job training.

Appropriate credit is given the veteran for previous job experience, whether in the military service or elsewhere, his beginning wage adjusted to the level to which such credit advances him and his training period shortened accordingly. No course of training will be considered bona fide if given to a veteran who is already qualified by training and experience for the job objective.
Public Law 610, Eighty-first Congress, contains the following requirement for granting credit for previous training for veterans enrolled in proprietary schools.

Appropriate credit is given for previous training or experience, with training period shortened proportionately. No course of training will be considered bona fide as to a veteran who is already qualified by training and experience for the course objective.

Public Law 377 does not contain a similar provision which prohibits retraining a veteran who is already qualified as a farmer by virtue of previous education and experience. Public Law 377 contains the following proviso:

To be approved, such a course shall be developed with due consideration to the size and character of the farm on which the veteran is to receive his supervised work experience and to the need of the veteran, in the type of farming for which he is training, for proficiency in planning, producing, marketing, farm mechanics, conservation of resources, food conservation, farm financing, farm management, and the keeping of farm and home accounts.

The above-quoted proviso might be construed to mean that the veteran would be given credit for previous education and training; however, the law does not clearly require that veterans enrolled in agricultural training be given credit for previous education or training and their training program shortened proportionately as is required by Public Law 679, Seventy-ninth Congress, for on-the-job training and Public Law 610, Eighty-first Congress, for training below the college level in proprietary schools.

There has been a tendency on the part of the administrators of the institutional on-the-farm training program to consider that, regardless of the veteran's previous farm experience and formal education in agriculture, there is an additional area for improvement, therefore his enrollment would be justified. It is probably this conception that has resulted in the enrollment in institutional on-the-farm training of thousands of veterans who had years of farm experience or who had completed college courses in agriculture and presumably were well qualified as farmers prior to enrolling for training under the Servicemen's Readjustment Act of 1944.

Local schools were sometimes lenient in enrolling veterans who did not control a farm of sufficient size and quality to provide them with full-time occupation.

Public Law 377, Eightieth Congress, clearly requires that the veteran who performs part of his course on a farm under his own control will control a farm which is sufficient in size to provide him with full-time employment. This requirement is subject to interpretation in light of local conditions and the authority to determine whether a veteran controlled a farm of sufficient size and character to provide him with full-time training was usually vested in a board of local citizens. In many cases these boards were apparently influenced by excessive sympathy for the veteran or desired to increase the income of the community and approved veterans for institutional on-the-farm training when these veterans did not operate their own farms on a full-time basis or did not in fact own or control their own farms. The cases investigated by the General Accounting Office and the Veterans' Administration which are cited in this report show
ample evidence of these conditions. This committee has received many complaints from private citizens citing the case of particular veterans who were receiving subsistence for full-time institutional on-the-farm training and were not participating in the training program on a full-time basis. This condition can be corrected by closer supervision of local administration by State officials; however, the law should be strengthened to more clearly define the nature of a farming operation which might be construed as a full-time training program in institutional on-the-farm training.

INSTITUTIONAL ON-THE-FARM TRAINING PROGRAM PROVES TO BE OF GREAT VALUE IN SOME STATES

After approximately 5 years of operation, the Texas Educational Agency, which administers the institutional on-the-farm training program in the State of Texas, made an effort to survey and evaluate the institutional on-the-farm training program. The results of the survey indicate without question that the veterans of the State and the State's economy as a whole benefited substantially from the institutional on-the-farm training program. It is obvious that all the improvements cited in the survey cannot be attributed directly to the institutional on-the-farm training program, since a number of these improvements undoubtedly would have been made without the institutional on-the-farm training program; however, it is equally apparent that the program has been highly successful in stabilizing thousands of farm veterans and encouraging improved practices in their farm operation. Appearing below are portions of the survey conducted by the Texas Educational Agency of the Texas institutional on-the-farm training program. This survey is representative of surveys conducted in other States and it is believed that the accomplishments in Texas are typical of the accomplishments of other States.

In January 1950 the State board published a study of some of the results of the agricultural program based on the first 3 years of its operation. This study included results up to July 1, 1949. A questionnaire containing some 35 questions was sent to each of the 196 schools under contract with the State board on the above date. These schools were asked to submit the requested information on veterans who had completed or who were then taking agricultural instruction under the supervision of the county vocational schools. The responses to these questionnaires were tabulated by the State board staff and released the following January.

In this study 32,039 veterans were interviewed who had had or were having training in agriculture under the benefits of Public Laws 16 and 346. The study shows 25,395 veterans enrolled in agriculture as of July 1949. This means that approximately 6,644 veterans who were not then enrolled were included in the study. The study revealed some very fine results. These results were concerned with community stability, conservation practices, ownership of farm machinery, home improvements, livestock and poultry programs, and socio-economic betterment.

In the matter of ownership and care of the land, the bulletin states:

1. (Irrelevant.)
2. Number of veterans owning farm homes ........................................ 11,539
3. Number of farms purchased .................................................. 5,664
   Acres purchased ......................................................... 750,003
   Value of farms purchased ................................................ $25,378,062
4. Number of farms having Soil Conservation Service agreements ......... 7,471
5. Number of farms carrying out approved AAA (PMA) soil conservation or soil restoration practices in 1949 .......... 18,127
From the above quotation, the 11,539 veterans shown as home owners constitute 36 percent of the 32,039 veterans surveyed by the State board. From item 3 in the quotation, it is seen that during the first 3 years of the program, 5,664 veterans purchased their own farms. The total acres purchased by these men were 750,063 at a cost of $25,378,062, or an average expenditure per veteran of $4,500 for 131 acres of land. In item 4 in the above quotation, 7,471 veterans are shown to be operating programs of soil conservation under agreements with the Soil Conservation Service. The import of this statement is that of the 32,039 veterans studied, 24 percent are now farming under Soil Conservation Service agreements. These agreements in general cover long-term programs for the individual farmer in drainage, terracing, water storage, and erosion. Item 5 in the above quotation states that 18,127 veterans are carrying out PMA practices. This means that 57 percent of the 32,039 veterans are practicing soil restoration according to the recommendations of the Production and Marketing Authority. This Federal agency is concerned primarily with leading financial assistance to the farmer for improved practices of all kinds. It is especially interested in the economic rotation of cover crops. These cover-crop programs have as their main objective the retention of soil productivity. In detail the magnitude of these soil-restoration practices is reflected in the following table:

**Soil restoration practices among Texas veterans in county vocational schools, 1949**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Acres</th>
<th>Veterans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terracing</td>
<td>346,536</td>
<td>8,696</td>
</tr>
<tr>
<td>Cropland retired and seeded to pasture</td>
<td>109,948</td>
<td>8,229</td>
</tr>
<tr>
<td>Phosphate fertilizer applied</td>
<td>327,441</td>
<td>10,417</td>
</tr>
<tr>
<td>Legumes planted</td>
<td>330,466</td>
<td>11,466</td>
</tr>
<tr>
<td>Wind erosion control</td>
<td>292,885</td>
<td>13,810</td>
</tr>
<tr>
<td></td>
<td>641,391</td>
<td>15,710</td>
</tr>
</tbody>
</table>

The above table shows the participation of the 32,039 veterans in soil-conservation practices after the first 3 years of the agriculture program under the administration of the State board. Due to overlapping of acreage and the duplication of individual veterans, totals for the two columns in the table would have no validity. Consequently, such totals are not shown. However, the true magnitude of participation is shown in the individual items of the six practices in soil improvement.

In the matter of farm equipment purchased by trainees during the first 3 years, the bulletin shows 21,404 tractors now owned by these veterans. This represents a total investment of $14,212,043. The State board bulletin also shows 72,501 items of equipment other than tractors purchased by these same men. The investment in farm machinery and equipment other than tractors is estimated at $13,558,378. These two items give a total investment in farm machinery and equipment of $27,770,421.

In the matter of home improvements, the bulletin shows a widespread practice among the veterans to build new homes, to improve old residences, and to maintain a continuous program of home maintenance. The details of these practices are shown in the following table:

**Home-improvement practices of agricultural trainees in the Texas County vocational schools, 1949**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Completed programs</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>New homes built</td>
<td>3,394</td>
<td>10,550,190</td>
</tr>
<tr>
<td>Homes, major repairs</td>
<td>11,453</td>
<td>2,961,968</td>
</tr>
<tr>
<td>Homes, wired for electricity</td>
<td>14,660</td>
<td></td>
</tr>
<tr>
<td>Homes, piped for water</td>
<td>8,570</td>
<td></td>
</tr>
<tr>
<td>New bathrooms</td>
<td>5,224</td>
<td></td>
</tr>
<tr>
<td>Homes, repainted</td>
<td>8,450</td>
<td></td>
</tr>
<tr>
<td>Gardees, 1949</td>
<td>30,349</td>
<td>19,996</td>
</tr>
<tr>
<td>Vegetables, home freezing and canning</td>
<td>29,592</td>
<td></td>
</tr>
<tr>
<td>Meats, home freezing and canning</td>
<td>24,461</td>
<td></td>
</tr>
</tbody>
</table>

1 Acres.
The above table shows the participation of the 32,039 veterans in home-improvement practices after 3 years in the county vocational schools. The table shows that 85 percent of the veterans in agriculture maintain family gardens. The table further shows 82 percent of the veterans maintaining definite programs of freezing and processing vegetables. The table also shows 77 percent of all veterans following a home program for the freezing and curing of meats. In addition, the table reflects the magnitude of actual home ownership and improvement among the agricultural trainees.

That livestock is a factor in the program for agricultural trainees in their practice for a well-diversified farm program is shown in the same release from the State board. The details of this phase of the program are shown in the following table:

Livestock and poultry enterprises of agricultural trainees in Texas County vocational schools as of 1949

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Number</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>New barns and sheds</td>
<td>19,777</td>
<td>$3,951,375</td>
</tr>
<tr>
<td>New poultry buildings</td>
<td>11,201</td>
<td>$1,719,525</td>
</tr>
<tr>
<td>Dairy cows and bulls purchased</td>
<td>20,601</td>
<td>$8,595,175</td>
</tr>
<tr>
<td>Beef cows and bulls purchased</td>
<td>114,190</td>
<td>$17,600,000</td>
</tr>
<tr>
<td>Chickens and turkeys</td>
<td>2,051,541</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Hogs</td>
<td>155,829</td>
<td>$4,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>37,859,075</strong></td>
</tr>
</tbody>
</table>

*Estimated.

With an unusually conservative estimate on the value of the beef cattle, the poultry, and the hogs, the value of the livestock and poultry programs of the agricultural trainees was $37,859,075 in 1949. This ownership of livestock among the 32,039 veterans gives an average livestock or poultry enterprise valued at $1,180.

The Training Program at the College Level

This committee has not conducted field investigations into the operation of the college level training program for veterans. The conclusions of this report are based on information obtained from the following sources:

2. Report of survey conducted by the Association of Land Grant Colleges and Universities;
3. Report of survey conducted by the American Council on Education;
4. Report of survey conducted by American Association of Junior Colleges;
5. Reports received from college officials in answer to a questionnaire of the committee;
6. Report on Education and Training Under the Servicemen's Readjustment Act, as amended, from the Administrator of Veterans' Affairs to the Senate Labor and Public Welfare Committee; and
7. Administrative hearings conducted by the committee with representatives of the Veterans' Administration where college problems were discussed in their general relation to the program as a whole.

This committee has expended a majority of its time and funds investigating problems arising in the veterans' training program below the college level, since it was in this area that most of the serious
abuses occurred. The Nation's public and private colleges were better prepared to absorb the great influx of veteran trainees than other types of schools, particularly trades and vocational schools. There are probably no cases where the tuition received by the college was sufficient to cover the total cost of the veterans' education. The remaining portion of the cost of the veteran's course not covered by Veterans' Administration payments was supplemented by State appropriations, in the case of public schools, or endowments or other income in the case of private schools.

The major areas of difficulty in the college program have not resulted from a failure on the part of colleges to furnish worth-while education and training. On the contrary, there is little question that the colleges and universities of this country have rendered outstanding service in educating veterans and have performed their task under many adverse conditions. The troubles that have arisen have resulted largely in the field of books, equipment and supplies, and the development of reasonable regulations governing payment of tuition to universities and colleges. In 1945 the Veterans' Administration promulgated regulations which allowed four alternate choices for the purpose of establishing a tuition rate:

Alternate 1: Customary charges.
Alternate 2: $15 per month, $45 per quarter, $60 per semester.
Alternate 3: Tuition based on nonresident tuition rate.
Alternate 4: Tuition based on the estimated cost of teaching personnel and supplies for instruction.

Numerous administrative questions have arisen in the application of Veterans' Administration formulas designed to establish a fair and reasonable tuition rate. These questions have been particularly acute in the case of colleges which chose alternate 4 as a method of establishing a tuition rate for veterans. It must be pointed out, however, that regardless of the amount of tuition which the college or university may have received from the Veterans' Administration that, in most instances, tuition paid by the Veterans' Administration was not sufficient to pay the total cost of the veteran's course and the State, or the supporting organization of the college in the case of private schools, bore the remaining cost.

The General Accounting Office Report of Survey—Veterans Education and Training Program, cites certain typical cases encountered by the Veterans' Administration and the General Accounting Office in dealing with the training program at the college level:

The matters discussed hereinafter are based primarily upon the application of the Vocational Rehabilitation Act of 1913, and the Servicemen's Readjustment Act of 1944, and amendments thereto, insofar as they pertain to the Veterans' Administration vocational, educational, and training program at the college level.

In accepting the task of educating returning veterans, schools and colleges were faced with the problem of adjusting programs to meet the needs of hundreds of thousands of new students. Existing facilities, such as dormitories, classrooms, equipment, and teaching staffs, were crowded far beyond their normal limits. Single students were housed in gymnasiums, warehouses, and quonset huts, while married veterans frequently occupied trailers parked in vacant lots near the schools. Temporary structures, and in some instances permanent buildings, were erected to accommodate the overflow from crowded classrooms. Additional instructors were employed. By herculean efforts such as these, the schools and colleges were
able to absorb the great influx of veteran students, and give them an education. Their accomplishments along this line, while facing rising operating costs, chaotic conditions, and an inflated national economy, deserve the highest commendation. However, in meeting the changed conditions, schools and colleges were forced to increase tuition and other charges in order that educational standards might be maintained at or near the prewar level.

As may have been expected, when the abnormality of the times is considered, some institutions increased their charges more than operational costs warranted. In addition, other undesirable practices developed during the course of the educational program. A résumé follows of some of the undesirable elements disclosed as a result of the audit and other examinations made by the General Accounting Office.

In administering the law, regulations were promulgated by the VA governing the payments of tuition to schools and colleges for resident courses. The regulations promulgated in 1945 with respect to tuition charges payable to colleges may be summarized in condensed form as follows: 23

Alternative 2. $15 per month, $45 per quarter, $60 per semester.
Alternative 3. Tuition based on nonresident tuition rate.
Alternative 4. Tuition based on the estimated cost of teaching personnel and supplies for instruction.

It was determined administratively 24 (a blanket determination) from reports submitted and studies made that the payment of other than customary tuition charges to nonprofit institutions on either the basis of alternatives 2 or 3 above did not exceed the estimated cost of teaching personnel and supplies for instruction prescribed in paragraph 5, part VIII, as amended. In addition, regulations were issued prescribing the method of determining fair and reasonable compensation and cost of teaching personnel and supplies for instruction and for determining adjustments of tuition charges under which there were included expenses of depreciation on equipment used for instruction of students, actual rental paid for building space used for instructional purposes, the cost of heat, light, power, water, janitor service and building maintenance, taxes and insurance, and expenses of administration and supervision. 25

At a majority of schools and colleges and VA regional offices examined, the records disclosed that many payments apparently did not conform to the requirements of law and regulation. The problems thus encountered are outlined under six general categories, with variations:

1. Nonresident tuition rates increased to amounts in excess of fair and reasonable charges based on cost of teaching personnel and supplies for instruction;
2. Nonresident tuition rates charged for the education of resident veterans, who, by reason of State law, were entitled to education, tuition free, at State Colleges;
3. Salaries of teachers paid from Federal funds included as an element of cost upon which credit hour charges were based;
4. Payments of tuition and related fees (other than tuition involved under items 1, 2, and 3 above);
5. Charges for books, supplies, and equipment; and
6. Overpayments of subsistence resulting from leave policy adopted by the VA.

The above-listed items are discussed in detail in the following pages of the report.

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23 See the following table:

<table>
<thead>
<tr>
<th>School year</th>
<th>Number of colleges</th>
<th>Nonveteran enrollment</th>
<th>Veteran enrollment</th>
<th>Increase due to program</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913-44</td>
<td>1,650</td>
<td>a 1,155,272</td>
<td>102,079</td>
<td></td>
<td>27.0</td>
</tr>
<tr>
<td>1915-46</td>
<td>1,788</td>
<td>1,676,851</td>
<td>1,122,738</td>
<td></td>
<td>48.0</td>
</tr>
<tr>
<td>1917-48</td>
<td>(9)</td>
<td>2,016,292</td>
<td>(9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1919-50</td>
<td>(9)</td>
<td>(9)</td>
<td>(9)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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24 Including 277,755 full-time military students. (Based on Reental Survey of Education in the United States published by the Federal Security Agency, Office of Education.)

25 Statistics not yet published.

26 38 C.F.R., 1915 supp., 30, 216; also 1916 supp., 21, 471.

27 VA R. & P., R-10176, July 1, 1918.

28 VA R. & P., R-10530 and R-10531, July 1, 1918, 38 C.F.R., 1919 Ed., 21, 550, 21, 531,
Item 1. Nonresident tuition rates increased to amounts in excess of fair and reasonable charges based on cost of teaching personnel and supplies for instruction

Examinations of records indicated that, at some schools and colleges, the nonresident tuition rates charged for the education of veteran students (whether resident or nonresident) had been increased to amounts in excess of the "cost of teaching personnel and supplies for instruction."

As an example, during the examination of records at one college, it was noted that on April 28, 1947, the State board of education increased the nonresident fee from $25 to $100 a quarter for veteran students, effective with the fall quarter of 1947. The new rate was charged for the training of all veteran students during the school year 1947-48, notwithstanding that the former rate had been computed on the basis of the estimated cost of teaching personnel and supplies for instruction. The Comptroller General held that the amount of $340,514.30 thus overpaid should be recovered. Steps have been taken toward collection.

A somewhat similar situation was found to exist at another college. During the school year 1944-45, the nonresident rate of tuition was $15 a year. A substantial portion of the school's income was received from the Federal Government, thus accounting for the low rate. For the school year 1945-46 the rates were increased to coincide with alternative 2.26 "$15 a month, $45 a quarter, or $60 a semester." The rates were again increased for the school year 1946-47 to a nonresident rate of $100 a semester. The total increase of tuition charged for the education of veteran students, therefore, was from $15 to $200 a school year, plus the miscellaneous charges paid by all students. In contrast, the cost of teaching personnel and supplies for instruction, as indicated in records examined at the college, averaged from $60 to $65 per student per school year after deduction of Federal grants. Summer sessions and terminal trades courses likewise disclosed charges for tuition far in excess of teaching costs. Final action in this matter is under consideration in the General Accounting Office.

A variation of item 1, is as follows:

During the 1945-46 school year the university examined charged the VA the established nonresident tuition rate for all veteran students. However, during the 1946-47 and subsequent school years the university elected to contract with the VA on the basis of an adjusted tuition rate, that is, the estimated cost of teaching personnel and supplies for instruction pursuant to Public Law 268, Seventy-ninth Congress.

During the 1946-47 school year and prior thereto, the university had a "fixed charge" of $145 which was paid by all students in addition to incidental fees termed Infirmary, Post Office, Student Activity, etc. In the 1947-48 school year the "fixed charge" was increased to $165.

During the 1945-46 school year, the VA not only paid the customary charges ("fixed charge" and incidental fees) but also paid the nonresident tuition charge for all students. In the 1946-47 school year, the VA paid both the "fixed charge" (also incidental fees) and the credit hour fee, the latter of which amounted to an average of $174.90 per veteran student based on 30 credit hours at the contract rate of $5.83 per credit hour. (A credit hour charge is made for one semester hour of classroom work per student and is arrived at by dividing the total cost of teaching personnel and supplies for instruction by the total number of credit hours of instruction furnished.) Thus, it appears that the university received from the Government payments covering charges under both alternative No. 1 (customary charges) and alternative No. 4 (cost of teaching personnel and supplies for instruction). This apparently resulted in charges in contravention of the applicable statutes 27 and regulations.28

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26 See VA regulations, ante.
27 Par. 5, pt. VIII, and VA regulations cited above.
There follows a comparative chart showing that charges made for the education of veteran students exceeded those made for nonveteran students:

<table>
<thead>
<tr>
<th></th>
<th>School year 1946-47</th>
<th>School year 1947-48</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nonveteran</td>
<td>Veteran</td>
</tr>
<tr>
<td>Fixed charge</td>
<td>$145.00</td>
<td>$145.00</td>
</tr>
<tr>
<td>Athletic fee</td>
<td>15.00</td>
<td>15.00</td>
</tr>
<tr>
<td>Special fee</td>
<td>10.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Student activity fee</td>
<td>10.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Library fee</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Post office fee</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Resident rates</td>
<td>188.00</td>
<td>188.00</td>
</tr>
<tr>
<td>District of Columbia nonresident fee</td>
<td>150.00</td>
<td>150.00</td>
</tr>
<tr>
<td>Nonresident fee, other States</td>
<td>125.00</td>
<td>125.00</td>
</tr>
<tr>
<td>Credit hour fee</td>
<td>1174.90</td>
<td>1174.90</td>
</tr>
<tr>
<td>Excess veteran over nonveteran nonresident</td>
<td>56.00</td>
<td>56.00</td>
</tr>
<tr>
<td>Excess veteran over nonveteran resident</td>
<td>174.90</td>
<td>174.90</td>
</tr>
</tbody>
</table>

1 30 credit hours, at $5.83 (computation of costs from which this was figured included also numerous teachers' salaries paid from Federal funds).
2 30 credit hours, at $6.12 (computation of costs from which this was figured included also numerous teachers' salaries paid from Federal funds).

A VA branch office questioned the duplication arising from payment of both the $145 fixed charge and the credit hour fee of $174.90 on the basis that at least a part of the fixed charge represented tuition. The Administrator referred the matter to his Special Advisory Committee on Vocational Rehabilitation, Educational and Training Problems, and subsequently advised the branch office that since there was no evidence to the contrary, the fixed charge neither took the place of nor performed a function normally attributable to tuition, and that vouchers in favor of the university should be certified for payment.

Records at the university disclosed that United States Treasury checks paid to the university were journaled and cash receipt tickets posted to the following accounts:

- Tuition—Veterans' Administration (includes fixed charge and incidental fees)
- R-15—Credit hour fee (credit hour fee of $5.83 per semester hour)
- Books and supplies
- R-30—Reimbursement for overhead Veterans' Administration (breakage in chemistry laboratory, etc.)

Thus, while the university allegedly had no resident tuition fee, as such, in fact a tuition account was credited with the payment by the VA of the "fixed charge" of $145 (later increased to $165) and a separate account was established for recording payment of the credit hour fee.

Examination of records at other land-grant colleges failed to disclose the inclusion of any fee in the nature of the "fixed charge" here involved.

While the foregoing has dealt with the "fixed charge" as an item of tuition, the university has contended that it was, in fact, a fee covering administrative and other costs charged to all students. When requested by the VA to define the basis of the charge, the comptroller of the university addressed a letter to the VA explaining the fee in the following language:

"This fee is designed to cover administration cost, cost of plant maintenance, operation and development. It also covers related university activities, such as official university publications, the university library, the division of student welfare, the alumni office, and such indirect academic costs as are directly related to teaching, but not considered as part of the cost thereof."

In connection with fees the statute provides, in pertinent part, as follows:

"The Administrator shall pay such laboratory, library, health, or faculty, and other similar fees as are customarily charged."

[Italics supplied]

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[a] The committee consisted of 12 representatives of educational institutions and 1 publisher.
While the General Accounting Office reports cast some doubt on the question as to whether such item of "fixed charges" does not in fact constitute to some degree a "tuition" charge, nevertheless, assuming, as contended by the university, that such is not the case there still appears serious question as to the propriety of the allowance of such charge. Under the referred-to legislation payment is authorized to educational institutions for the customary cost of tuition, or in lieu thereof, such fair and reasonable compensation as will not exceed the estimated cost of teaching personnel and supplies for instruction, and "such laboratory, library, health, infirmary and other similar fees as are customarily charged." Under the well-known canon of construction, ejusdem generis, the phrase, "and other similar fees as are customarily charged," referring as it does to a classification which immediately precedes it, reasonably may be interpreted as including only things of a like or similar kind. The fees expressly designated in the statute—library, health and infirmary fees—naturally fall into a classification covering the usual services furnished to college students. It seems apparent that the item here involved, "fixed charges", admittedly comprising, at least for the most part, administration costs, and costs of plant maintenance, operation and development, may not be viewed as falling even generally within such classification. In fact, the context of the statute when read in its entirety would seem to negative any intent on the part of the Congress that such class of expenses represents a proper part of the cost of educating and training veterans, for which payment would be made by the Government. And this view appears to be supported by Administrator's Decision No. 820, dated August 8, 1949, wherein, it was held in effect that the cost of administration, such as the cost of utilities, maintenance, and depreciation, could not be included in determining fair and reasonable rates chargeable by nonprofit institutions. It was stated in that decision that:

"** There are those in the institutions concerned who insist that the Federal Government should pay the entire cost of educating and training veterans. The Congress, however, has never seen fit to authorize the Administrator to do so insofar, at least, as concerns nonprofit institutions maintained at public expense.

Also see generally Administrator's Decision No. 812, dated April 22, 1949.

Contracts between the university and the VA for the 1946-47, 1947-48, and 1948-49 school years contain copies of financial statements by the university for the fiscal years ended June 30, 1946, June 30, 1947, and June 30, 1948, respectively. The financial statement for the year ended June 30, 1946, reflected expenditures in excess of income at the university in the total amount of $37,205; whereas, the financial statements for the years ended June 30, 1947, and June 30, 1948 (by which time the credit-hour fee in addition to fixed charges was in effect), reflected income in excess of expenditures in the total amounts of $756,943, and $1,208,888.18, respectively.

In view of the amounts mentioned, it is worthy of note that a building program was being considered, and has subsequently been partially completed. With reference to the construction of a swimming pool, chapel, stadium, etc., a letter dated June 29, 1947, was addressed by the president of the university to the State board of public works wherein it was stated:

"The reason for our ability to finance these projects without cost to the State is the favorable outcome of our negotiations with the Federal Government in regard to charges the university might make to Veterans' Administration students and the ability of the athletic board to provide further funds."

Relative thereto, page 1 of the 1947-48 budget of the university contains the following statement:

"In addition to the income estimated and allocated in the above, arrangements have been effected under which there should have been a considerable surplus which the board of regents has organized as a method of defraying a part of the cost of a chapel, swimming pool, a stadium, and a combination auditorium and physical education building."

In this connection letter dated August 27, 1947, from the president of the university to Mr. G. M. Heiss, Vocational, Education, and Rehabilitation Division, VA, requesting increased tuition charges for the school year 1947-48, contained the following certification:

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32 See the cases collected in 14 Words and Phrases, Permanent Edition, p. 135.
33 Statements attached to contract VA 12 r-ve 232 dated September 22, 1947.
34 Statement attached to contract VA 12 r-ve-234 dated June 18, 1948.
"I hereby certify that the customary tuition charges are inadequate compensation to permit the university * * * to furnish education or training to eligible veterans."  35

This letter was subsequently supported by statistics used to establish an increase in the credit hour rate from $5.83 (prior year charge) to $6.1229. 36

As a result of the favorable contracts (above), the duplications caused by the payment of both the "fixed charges" and the credit hour fee amounted to over $2 million during the three school years beginning in 1946 and ending in 1949.

Item 2. Nonresident tuition rates charged for the education of resident veterans, who, by reason of State laws, were entitled to education, tuition free, at State colleges

Payments for the education of veterans were based on the procedure outlined in VA regulations 37 quoted, in part, as follows:

"a. Institutions which have nonresident tuition.—If they so desire, institutions which have nonresident tuition may be paid for each veteran under part VIII such customary tuition as is applicable to all nonresident students, provided that the charges are not in conflict with existing laws or other requirements. Managers will obtain evidence from the institution or proper official that such charges are legal. * * *"

The statute provides that the Administrator shall pay to the educational or training institution the customary charges for instruction to veterans with a further provision that the institution may apply to the Administrator for an adjustment of tuition if such charges are insufficient to permit the institution to furnish the required education or training to eligible veterans. 38

Examination of records in the light of the regulation cited disclosed that, in some instances, colleges operating on a customary charge basis were being paid tuition at nonresident rates for resident veteran students despite the fact that, by State law, the schools were prohibited from charging tuition to residents of the State, or a certain preferred rate of tuition was specified for residents of the State.

The matter was called to the attention of the VA for corrective action. The Administrator stated that "* * * nonresident rate of tuition, as such, is never paid for residents. It is, however, and has been ever since 1944, sometimes paid as a fair and reasonable rate. * * * 39

It was held by the Administrator that—

"The fact that an institution has no tuition, or that it is prohibited by law from charging tuition, or restricted as to the amount it may charge, for students enrolled therein, does not preclude it from applying for a fair and reasonable rate of tuition adjusted pursuant to paragraph 5, part VIII, Veterans Regulation No. 1 (a) as amended, nor from receiving payment of the tuition determined by the Administrator to be fair and reasonable for the instruction of veterans."

It was held further that—

"State laws have no bearing whatsoever on the authority of the Administrator to determine and pay such adjusted tuition, and the regulations promulgated by the Administrator pursuant to, and implementing, said paragraph 5, do not require that such State laws be taken into consideration in contracting for such instruction pursuant to said Regulations (opinion of the Solicitor dated December 20, 1949, approved December 21, 1949)." 35

The Comptroller General held that in view of the explanation furnished by the VA and the fact that the nonresident rate, as such, is not paid in the case of resident veteran students, no further question would be raised by the General Accounting Office by reason of the payment of such nonresident rates on the basis that they constituted fair and reasonable rates not exceeding the estimated cost of teaching personnel and supplies for instruction. 40

A slightly different situation was noted at a military institute. The Board of Visitors at the institute, in accordance with State law, stipulated that resident students, known as "* * * cadets," should be admitted to the institute tuition free. The State legislature annually appropriates funds necessary for the operation of the school over and above the income from tuition and other charges, thereby defraying the tuition costs of resident students.

39 Par. 5, Title 2, Public Law 346 (66 Stat. 284), 38 U.S. 1, 633.
40 Administrator's Decision No. 837, dated December 21, 1949.
41 Decision B-9140, dated March 29, 1950.
The institute, as a matter of policy, required advance payments from all students approximating the term charges for tuition, board, lodging, etc. The accounts of resident veteran students were thereafter credited with the full amount of tuition allowed by the State. Subsequently, the amount received from the VA was also applied against other charges payable by the students such as board, lodging, uniforms, etc., and in many cases resulted in credit balances which were refunded to the students upon graduation. In this connection it was stated by an executive officer of the school that, in his opinion, the institute was not entitled to the tuition paid by the Federal Government for the education of resident veterans, and that he believed the proper thing to do was to pass the amount involved on to the veterans.

It was noted that the double credit of tuition (i.e., credit for tuition as allowed by the State and also nonresident tuition received from the VA), applied to part VIII trainees only. Prior to examination of the records at the institute, the VA regional office determined that tuition payments at nonresident rates for resident students would not be made by the Government for veterans in training under part VII (disabled veterans), on the premise that such students were not enrolled in sufficient numbers to require expansion of facilities; e.g., additional classrooms, instructors, supplies, etc. This resulted in the unique situation under which each nondisabled veteran received benefits totaling $300 more annually than the disabled veteran. It was stated that facilities had not been expanded by reason of the enrollment of part VIII veterans.

The matter was referred to the VA for comment and corrective action if deemed necessary. In letter dated January 20, 1950, from the Administrator of Veterans Affairs to the Comptroller General, decision was rendered that an amount of $53,519.99 improperly credited to the accounts of students would be recovered by reversing such improper credit entries (the school, and not the Federal Government, benefiting thereby); that a total of $39,385.20 (paid to graduating students) would not be recovered; that the payments made by the VA were valid; and that there is no legal means of requiring the institution to repay such amount to the VA. This action resulted in increased costs to the United States of approximately $93,000, for the period involved.

Item 3. Salaries of teachers paid from Federal funds included as an element of cost upon which credit hour charges were based

With respect to this item, the following regulation was issued by the VA:

"When the total cost of instruction is paid from Federal funds, the VA will not approve any payments of tuition. When a portion of the cost is covered by grants from the Federal Government (i.e., Smith-Hughes or other laws), due consideration to such subsidy will be given in determining the proper charge to the VA." 42

Examinations at various land-grant colleges disclosed that the salaries of teachers paid from Federal funds in the form of grants under one or more of several acts, 43 were included as one of the elements of cost upon which credit hour charges were based.

Recomputation of the items of cost used in determining estimated cost of teaching personnel and supplies for instruction (as outlined in the Servicemen's Readjustment Act of 1944), excluding therefrom funds received as Federal grants, resulted in the establishment of lower credit hour charges, and disclosed that overpayments had been made totaling many hundreds of dollars, a large portion of which was recovered by the Government.

At the instance of organizations primarily interested in land-grant colleges several drafts of a bill designed to give relief to such institutions were presented to Congress, including H. R. 7057, which was enacted into law. 44 This act provided that the estimated cost of teaching personnel used in determining the amount of tuition to be paid to land-grant colleges should not be reduced by reason of Morrill-Nelson and Bankhead-Jones grants.

The result of the above legislation (which both the General Accounting Office and the VA recommended should not be enacted) is that the colleges involved may reclaim the duplicate payments recovered from them as a result of the General Accounting Office examinations and, in addition, will be entitled to double payments in the future. Likewise the numerous land-grant colleges which originally

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41 Letter from VA regional office to the military institute, dated December 27, 1948.
44 Public Law 571, 81st Comp., approved June 23, 1950.
compiled with VA regulations by avoiding this duplication of charges are now authorized to be paid amounts which would have accrued had these funds not been deducted in the computation of credit hour charges. With respect to the other Federal-aid laws cited, some cases have been noted where the schools duplicated their charges by including as costs items already paid from such Federal funds. These have been corrected in many instances, and in others are included in General Accounting Office reports of investigation which have been transmitted to the Administrator of Veterans' Affairs for his use and consideration in effecting adjustments when the schools involved make claim for amounts previously deducted in computing credit-hour charges.

The VA in reporting on the above-mentioned legislation, estimated that the enactment thereof would result in an increased cost of the program of $10,000,000.

**Item 4. Payments of tuition and related fees**

Examination by the General Accounting Office of records at various institutions and VA regional offices have disclosed overpayments of tuition and related fees and in most instances overpayments of subsistence allowances to the veteran students involved, under circumstances outlined below:

(a) Payments of tuition, etc., subsequent to the actual dates of last attendance;
(b) Payments of tuition, etc., after the veteran students' entitlement (period of school). authorized by law, based on the length of service in the Armed Forces had been exhausted;
(c) Payments of tuition and related fees where veterans had registered but did not attend classes;
(d) Payment of tuition and fees where veteran students were attending school under scholarships, fellowships, grants-in-aid, etc.;
(e) Overpayments of tuition based on erroneous or excessive cost data; and
(f) Payment of fees apparently not contemplated by the statutes.

The Servicemen's Readjustment Act of 1944, as amended, provides that—

"The Administrator shall pay * * * the customary cost of tuition, and such library, library, health, infirmary, and other similar fees as are customarily charged * * * * * ."

In addition to customary tuition payments, the military institute, mentioned above, charged a flat fee of $35 per student for "new construction." This amount represented a portion of the annual interest and the amortization for liquidating a loan acquired about 15 years ago for the construction of new buildings.

The matter was referred to the Administrator of Veterans' Affairs for his consideration as to its propriety on the basis that approximately 45 percent of the original cost of construction was borne by the Federal Government. In addition, it was noted that the fee did not appear to come within the class of those "customarily charged" as prescribed by the statute quoted above; i.e., "laboratory, library, health, infirmary, and other similar fees."

The Administrator held that the fee in question was a proper charge under existing regulations.

A claim in the amount of $20,770.08 was submitted to the General Accounting Office by a State teachers' college representing activity and health service fees charged for veteran students. Payments of such fees had been withheld by the VA on the premise that under State law the fees were optional rather than required. The first contract between the VA and the college expressly excepted the Government from payment of said fees, while the second contract was silent on the subject. The claim was disallowed for the reason that payment of such fees was precluded by the provisions of the State law and the terms of the contracts involved.

The total involved for the schools listed above (item 4a to f) is well in excess of $1,500,000. Based on the small number of institutions examined, it can readily be seen that when all schools are considered the payments of the type referred to above may well amount to many millions of dollars.

**Item 5. Charges for books, supplies, and equipment**

The Servicemen's Readjustment Act of 1944 provides, among other things, that "The Administrator * * * may pay for books, supplies, equipment, and other necessary expenses * * * * ." Surveys at the various institutions of higher learning disclosed that many undesirable practices had arisen in connec-

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44 Letters to Administrator dated August 21 and December 1, 1949.

tion with the furnishing of these items, resulting in overpayments or erroneous payments illustrated as follows:

(a) Erroneous approvals were given to veteran students for the purchase of scientific equipment not required by nonveteran students taking the same courses;

(b) Payments were made for rental of lockers furnished veteran trainees, whereas lockers were not required for the courses studied;

(c) Overcharges and duplicate charges for books, supplies, and equipment were made;

(d) Flat rates charged for small supplies regardless of amount issued. No record maintained of items issued to veteran students;

(e) Handling charges of 10 percent on books, supplies, and equipment increased the cost of educating veteran students above the statutory limitation of $500 a year per student;

Since payment of the 10 percent handling charge resulted in total expenditures, in individual cases, in excess of $500 per school year, the General Accounting Office referred the matter to the VA 48 with request that determination be made as to the amount of overpayments and that action be taken to effect recovery. In reply 49 the Administrator stated that it had been administratively determined that the 10-percent handling charge was an administrative expense and not applicable to the $500 statutory limitation and that he had been unable to discover any legal authority for burdening a veteran's eligibility with purely administrative costs imposed or incurred by the VA.

(f) Charges were made for books, supplies, and equipment without taking into consideration discounts received.

There is involved here (item 5a to f) approximately $250,000. However, it must again be stated that this amount is based on examination of only a small percentage of the approximately 1,800 institutions of higher learning.

Item 6. Overpayments of subsistence resulting from leave policy adopted by the VA

Section 6 (a) of Public Law 346, provides that, "while enrolled in and pursuing a course under this part * * * such person upon application to the Administrator, shall be paid a subsistence allowance * * * including regular holidays and leave not exceeding 30 days in a calendar year." [Italics supplied.]

An inquiry into the general leave policies adopted by the VA by a sub-committee of the House Committee on Expenditures in the Executive Departments 50 disclosed that veteran students were granted leave—and paid subsistence—for a period of 15 days between semesters and for 15 days after completion of a course, or after graduation, or to the end of the month in the instance where a course is discontinued. Such leave is in addition to any normal absences granted by the institution for any reason, including sickness, which absences are not considered as leave. In response to a request from the subcommittee the Comptroller General under date of August 1, 1950, expressed the view that the statute authorized leave only during a period of enrollment and that the instructions and regulations of the VA, to the extent that they provided for the payment of subsistence to veterans after their courses had been discontinued or after such courses had been completed, were at variance with statutory law. 51

The House report contains the statement that subsistence payments made solely because of leave extensions after completion of courses and after periods of enrollment during the school years 1947-48, 1948-49, and 1949-50, approximated conservatively $41,074,000.

In conclusion it should be understood that the matters outlined above are not intended as an all-inclusive listing of undesirable practices but are merely illustrative of their diversity. Likewise, it is not intended to indicate or imply that the examples cited were common to all institutions of higher learning.

The Association of Land-Grant Colleges and Universities formed a committee to recommend a program for veterans of future conflicts. The recommendation made by the Association of Land-Grant Colleges is typical in most respects of other recommendations which have

49 Letters of the Administrator to the Comptroller General dated May 27 and December 2, 1949.
50 H. Rept. 3243, 81st Cong., 2d sess.
51 H. Res. 597, August 1, 1950.
been received from college groups and college administrators. The report of the Association of Land-Grant Colleges to this committee follows:

PREAMBLE

The United States of America is about to embark on a program of universal service and training involving nearly all the young men of the country as they come of military age. Young women also will be involved, to an increased extent, on a voluntary basis. The program promises to include about 800,000 young men entering annually, for periods of training and service up to 26 or 27 months.

Barring full-scale war, most of these young men will not be in combat. Will be furnished subsistence and clothing by the Government, and paid at a rate which will enable those who care to anticipate the future and are encouraged to do so to make substantial savings.

The GI bill of rights of World War II, as embodied in Public Law 346, was adopted by a grateful Nation at the end of 4 years of full-scale war. Whatever its intent, it has embodied several principles in its operations: Readjustment to civilian life, aid to make up for lost opportunities by the individual, provision by the Nation to "fill the gap" of essential trained leadership created by the war, and additional compensation for service to the Nation. It was adopted after a period in which service was not universal, but selective. It is universally agreed that it accomplished great good for the Nation, was a constructive step in advance over former programs; and that it also involved excessive cost, some unsound principles, and unwarranted profit by many who were in no sense the intended beneficiaries of veterans' legislation.

At the level of higher education, the problems raised by a long-range veterans' educational program under a system of universal service and training are radically different from those raised by the World War II program. At the end of World War II higher education for men had been drastically curtailed for several years. There had been little or no expansion of facilities, and college staffs were scattered. Millions of veterans were released from service in a short period of time, many of them with the desire to continue or start their education under the GI program. Neither the facilities nor the staffs of the colleges and universities were adequate to the emergency, without help from other than their own normal resources. Public institutions were in many instances operating under budgets fixed for 2 years by legislative bodies, to meet war conditions.

Through provision for payment of established fees, private educational institutions were generally able to recapture a higher portion of their educational costs than were public institutions with low fees. Private institutions with limited enrollments were not faced with the acute problem of plant expansion which faced institutions with public responsibilities; although many of the private institutions accepted responsibility of expansion for the veterans program, and the severe financial burden involved. Amendments to the law and regulations to provide for payments of the cost of actual teaching personnel and supplies to institutions with low customary fees were necessary and just, and to some extent reduced the differential treatment accorded public as distinguished from private institutions in the aid given to meet the expansion problem.

A NEW PROBLEM

The situation created by a universal military training and service program will (short of full-scale war) result in the long run in an even flow of students who have completed their service requirements, to the colleges and universities. Under these circumstances, we believe the Federal Government is no longer justified in making direct payments to any educational institution as part of a veterans program, except as special administrative or counseling services are requested. Payment of fees, furnishing of books and supplies and the like, should (so far as the institution is concerned) be the responsibility of the student. Public policy so far as the support of institutions as such should be determined entirely independent of a future veterans program not involving a sudden and excessive demand on institutional facilities. Should the country be involved in full mobilization, and another pent-up demand for educational services result, direct institutional compensation may again be necessary. If so, all institutions should be on the basis of compensation of costs or their equivalent.
A NEW APPROACH

Since the Nation now faces a situation entirely different from what it faced at the end of World War II, it is time to adopt a new approach to the problem of legislation for those in universal military service, based on these principles: (1) Continued full aid or compensation to those individuals, and their families, who suffer physical or other handicaps through military service; (2) abandonment of postservice rewards for military service as such, except those normally provided for unusual acts of heroism or devotion to duty; (3) elimination of profiteering from any veterans program; (4) action to minimize the loss of highly skilled leadership involved in the enforced interruption of education at a critical period.

This assumes that defense service is the duty of every citizen, and that when it is universal no reward should be expected or given. If special hazard is involved, it should be recognized by the military services during the period in which it is incurred. Universal extension of the principle of reward for national service, in our opinion, involves too high a monetary and moral cost for the Nation.

We do, however, face the hard fact that we are a Nation whose high stage of advancement and future progress depends on skilled technical and social leadership. Our greatest strength has been the fact that the opportunity for advancement is open to all; that our society is not stratified; that the poor man's son along with the rich man's son has had opportunity before him for advancement, based on ability. We have been far from perfect in this respect, and the rising costs of education in recent years have caused opportunity to be less abundant for young people with ability but without money. The effect of an interruption of two or more years in education will fall hardest on this group. Advanced age and maturity, the desire for normal family life, and the lack in many instances of a strong educational tradition, make it likely that the potentialities of many more of these young men will be lost to the Nation unless corrective steps are taken.

The United States as a Nation cannot afford this loss. Our remarkable progress as a Nation has been based on the fact that a relatively high percentage of those with unusual ability, whatever their economic status, have been able to get the advanced education which permits maximum use of those abilities in scientific, professional, political, and community life. As our society becomes more complex, our standard of living higher, and our international responsibilities greater, we need an increasing—not a decreasing—percentage of able people with the knowledge to use their ability most effectively. This is the real basis, and the only basis, for a program based on the interruption of normal life for extended military service.

A LONG-RANGE PROGRAM

We therefore recommend a permanent program to meet the conditions of the foreseeable future. We believe its elements to be in the national interest, and not in the selfish interest of either institutions or individuals. They apply specifically to higher education, as this is the field of our competence, and the most critical field affected by universal training and service. Specific elements of the program are these:

1. That there should be a continued, adequate, and permanent educational program for those disabled or handicapped as the result of military service. Public Law 16 provides the present framework for such a program. It is unsatisfactory in some respects, but these can be considered separately at the appropriate time.

2. Assistance should be given, on the basis of demonstrated ability regardless of location of service, to those whose education is substantially interrupted by military service. This assistance should not cover the full cost of education or be differentiated as to dependency, but should make it possible for any young man to go on with his education with the aid of his own work and resources. This would involve:

FINANCES

(a) Payments at the rate of $800 to $900 for an academic year of 9 months, going to the veteran-student on satisfactory evidence that he is enrolled in an accredited college or university of his choice and making satisfactory educational progress.

(b) These payments would be available for four academic years (36 months) to all completing 24 or more months of military training and service. For those completing only the basic training period, no payments would be made. For those completing more than the basic period, but less than 24 months, benefits would be proportional to service beyond the established basic period (4 to 6 months
under proposed law). There would be no additional benefits for those serving more than 21 months.

c) For those desiring to continue education beyond the period above, there should be established a system of low-interest loans, repayable in a reasonable period after completion or termination of work.

d) Students would be eligible for educational payments only on furnishing satisfactory evidence of carrying substantially a full-time program and being in good standing as a student at an accredited college or university.

e) The above payments would constitute the entire subsidy. No direct payments would be made to institutions, or extra payments to anyone for books, supplies, fees, and the like. These would all be the responsibility of the veteran student. If educational institutions are called on to perform administrative services (such as payment of checks to veterans and certification of their good standing or provision of special counseling) they should be compensated for those special services by the Government, but only for those special services required by the Government.

f) While these recommendations are limited to higher education, we believe that no other veterans' educational or training program of any character should be established by the Congress, which calls for or permits compensation to the individual or the institution in excess of the above, except for handicapped veterans.

(g) No duplication of subsidy.—No student whose education has already been substantially subsidized at Government expense, or who is currently receiving such a subsidy from other governmental programs, should receive a duplicate subsidy under this program. Concurrent subsidy under this program and another governmental program should be denied, and eligibility for assistance under this program reduced by a time period equivalent to that covered by a previous program involving full or substantial governmental subsidy. Thus, those fully subsidized under the NROTC Holloway plan or its equivalent, those detailed to educational institutions by the military for study, recipients of substantial scholarships under nonmilitary Federal programs, would be covered by the above bar against duplication. A distinction should be made, however, between such programs and minor forms of aid related to duties currently performed (example: the small payments made under current Army-Air ROTC and Navy contract ROTC programs).

ADMINISTRATION, DIFFERENTIATION OF PROGRAMS, POLICIES

(a) General.—The general administration of a program involving veterans as veterans, including an educational program, should remain the responsibility of the Veterans' Administration. Certification of the eligibility of veterans and arrangements for financial payments to them can clearly be handled most efficiently only through this agency which has the responsibility for record-keeping under all types of veterans legislation.

(b) Administrative differentiation between educational programs.—The most serious difficulties in relationships between colleges and universities and the Veterans' Administration in the World War II program arose out of the fact that basic legislation for the entire program resulted in an across-the-board set of administrative, regulatory, and approval standards for all types of institutions and programs. Experience brought specific amendments to the law covering certain situations (i.e., the ban on avocational and recreational training), but basically the situation was that regulations or administrative decisions were made under the assumption that all kinds of educational institutions and programs are alike and must be subject to the same set of regulations. This flies directly in the face of reality. Nonprofit colleges and universities, whether public or private, have known and established methods and standards of accreditation. There are different but equally well established and known standards set by State laws and regulatory bodies for the regular classroom programs of nonprofit elementary and secondary schools, whether public or private. The problems involved in setting of standards and approval for institutional on-farm training, on-the-job training, and other programs are of an entirely different nature.

POLICY FOR HIGHER EDUCATION

The following recommendations are made for the program as it affects higher education:

(a) That there be established in law a national advisory board or commission to the Administrator of Veterans' Affairs, to consist of nine members named by
the President of the United States for overlapping terms of 6 years each. The
Commissioner of Education, or the head of the Division of Higher Education,
ex ofﬁcio, should be a member of the board. The other eight members would
be named by the President from panels of three names submitted by each ed-
cational organization national in scope, whose membership is based on institutional
afﬁliation, with the proviso that not more than one nominee shall be chosen from
the panel submitted by any such organization unless the name of the nominee
also appears on the panel of another such organization.

(b) This board or commission would have the following responsibilities:

1. To establish policies and procedures under which selection of veterans for
educational payments would be made, on the basis of (a) demonstrated ability,
(b) assurance of equitable distribution by States and as between racial groups.
Such speciﬁcations for the program as are considered essential could be written
into law. Otherwise, the decision of the board as to policies to be followed in
selection should be binding on the Administrator, who could contract with or
transfer funds to other Federal agencies or State agencies for the necessary ad-
ministrative expenses of this part of the program.

2. To review and pass on, prior to their promulgation, any proposed regula-
tions affecting the veteran as a student or in his relationships as a student to
institutions of higher education. This extends to such matters as required stand-
ard of attendance and progress, interruptions in training, change of course or
curriculum or educational objective, transfers between institutions; and the like;
but shall not extend to regulations for determining the initial eligibility of the
veteran in terms of military service, or covering required evidence of bona fide
status as a student in an accredited institution as a requirement for receipt of
payment. Regulations within the purview of the board could be promulgated
without prior board approval only on certification by the Administrator that the
regulation in question was considered by him to be essential to the administra-
tion of the law; that it had been submitted to the board with reasonable time for action,
and either that it had been rejected by the board or that the board had failed to
act within a reasonable time.

Promulgation by the Administrator of any regulation on which the board had
voted negatively when it was submitted for approval shall be considered prima
facie evidence of intent by the Administrator to nullify the intent of Congress
that he shall not interfere in educational matters, and appeal to the Federal courts
for determination of the validity of the regulation in the light of the intent of
Congress may be made by an individual or educational institution affected by
the regulation.

(Note:—It is believed that so long as educational payments are made to
individual veterans, who are responsible for payment of their own fees and the
like, few regulations will be necessary, and these may be easily arrived at by
consultation between the board and the Administrator. However, the intent of
Congress to prohibit interference with education can be assuredly sustained only
when the right to appeal to the courts is open.)

OTHER CONSIDERATIONS

1. Relationship with other scholarship proposals.—There are substantial argu-
ments for a program of Federal scholarship aid to students, on the basis of ability
and need, without reference to military service. The potential abilities repre-
sented, particularly by young women who ordinarily do not enter military service
in large numbers, are stressed in this connection. The above program is not
designed to meet the needs pointed out by those who favor a general scholarship
program. It is intended to meet the special and added problem caused by the
enforced interruption of education for military service. A program to correct
inequalities or deﬁciencies in educational opportunity not caused by enforced
interruption for military service should, however, be prepared in the light of the
provisions and effects of the above program, and be separately considered on its
merits by the appropriate committees of the Congress having jurisdiction.

2. Financial cost to the Nation.—While accurate ﬁgures are not available, the
limitation of all payments to students under this program to $800 per academic
year would, we believe, result in a cost per year per student of about one-half that
of the World War II program. This is on the assumption that this amount is
near the average of World War II subsistence payments, and that the additional
costs for tuition, books, supplies, would be eliminated, along with the adminis-
trative, contract, and accounting staffs essential to this phase of the program. It would also eliminate much costly accounting and paper work on the part of the colleges. The numbers participating in the program would also be very heavily reduced by the requirement of demonstrated ability, and by placing all responsibility for payment of fees and the like on the veteran student. It is probable that under the above conditions a maximum of 200,000 from each universal service class of 800,000 would participate. Assuming that all this group continued under the program for four academic years, the maximum annual cost after 4 years of operation of the program would be $640 million a year (800,000 students, at any one time, times $800 annual subsidy). This is a very substantial sum, but it is supportable by the Nation, and far less than the minimum possible cost of an extension of the World War II program. The addition of a requirement of demonstrated need for assistance would reduce the above materially.

Further, it is recommended that, under conditions of universal military service, the individual completing his period of service be required to enter the above educational program in not more than 2 years from date of discharge or release from active service, and that eligibility for assistance lapse after not more than 7 years from date of discharge or release from active service. Exception to this rule should be made only in case of recall to active military service, in which case an extension of eligibility (but not of the total period of subsidy) might be made to the extent of the time in military service.

The law should also contain a provision to the effect that the President may by proclamation, or the Congress by joint resolution, suspend the assistance provided as it applies to those entering active military service after a specified date. No such proclamation or resolution should, however, be effective for those entering active military service during a period in which the Selective Service System is operating for induction into other than a universal military training program. (This provision would make possible the elimination of educational assistance to those entering active military service as a profession or occupation.)

4. Responsibilities of the military, the student, and educators.—The above program assumes that the leaders of the armed services, the individuals involved, and educational leaders, will understand and carry out certain responsibilities. It should be clearly understood that this is not a program of reward for military service, but one of assistance undertaken by the Nation to minimize the loss to the Nation of trained leadership represented by an enforced interruption of education. Further, that it is not and is not intended to be a complete subsidy, but one which will make completion of education possible to those who are able to profit from it and willing by their own efforts to supplement it when necessary. If this is clearly understood, it is believed that individuals desirous of completing their education can, while in the armed services, accumulate sufficient funds so that (with the assistance provided and his own further efforts if necessary) no qualified individual will be denied by the requirements of military service the opportunity to carry on the educational program of his choice at the institution of his choice.

Such a program is, we believe, sound in the interest of the Nation. It involves no threat of control over education or individuals engaged in education. It does not involve a veterans program in matters of either control or financing of higher education as such. It is a clear-cut, long-range program, which would be eliminated when required active military service is eliminated, and come into operation again should it be re instituted.

Recommendations received by this committee from college groups and college administrators have been consistent on the following points:

1. The method of supplying books, equipment, and instructional supplies has been excessively complex and expensive and has represented an undue administrative burden on educational institutions.

2. The amount of aid provided under the World War II program has been sufficiently large to stimulate many veterans to go to school for the purpose of securing subsistence payments, rather than a primary interest in education.

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The average subsistence cost per veteran in the World War II program is $917. This figure includes in the average several thousand veterans who receive no subsistence payments whatever but are counted because of tuition or similar payments made in their behalf, and those who receive less than full subsistence because they are taking only part-time programs. The actual average full-time subsistence payment, therefore, is substantially above this figure.
3. It is recognized that it is necessary that a major portion of the veterans' expenses be paid by Federal payments; however, it is desirable that the veteran make a small contribution on his own part to insure his interest in the program primarily for education, rather than money.

4. Many college officials have recommended that the subsistence allowance be discontinued entirely; however, a majority opinion suggests that the veteran be granted a scholarship which will assist him if he earnestly desires to go to school.

5. There is a general consensus of opinion among college officials that the program can be improved by making payments directly to the veteran and allowing the veteran, in turn, to pay his own tuition, fees, and other charges on identically the same basis as a nonveteran student.

**On-the-Job Training Program**

The General Accounting Office Report of Survey, Veterans Educational Program, contained the following summary relating to on-the-job training:

*ON-THE-JOB TRAINING*

**Need for on-the-job training**

Many of the returning veterans were not in a position to go to school and take advantage of the educational benefits. Some had financial responsibilities requiring them to work, some were beyond a normal school age and for other reasons were discouraged from pursuing further formal education. Nevertheless, these veterans, too, were entitled to consideration. Many had never had a job before, while others lagged behind their nonveteran fellow employees for lack of training in new industrial methods and of the advantages that come from continuous employment.

*On-the-job training authorized*

Congress provided a remedy in on-the-job training based on the principle of learning a trade by actually performing the required job operations. The law provided for the VA to make the necessary arrangements, through the States, whereby private employers would hire veterans and pay applicable wages according to the services rendered. The VA was authorized to pay the veteran a subsistence allowance.

*A recognized method of training*

On-the-job training is based on the principle of learning a trade by actually performing the required job operations. For many years this method of training has been employed generally in the business world and has been recognized by the organized crafts and trades as acceptable in developing qualified artisans and mechanics. It has two major divisions—apprenticeship training and nonapprenticeship training, both of which have been utilized under the veterans' education and training program authorized by the Servicemen's Readjustment Act of 1944, as amended. This phase of the program has been well received by the public, and has been more or less actively supported by labor, management, Federal and State apprenticeship committees, industrial and commercial enterprises, and other interested individuals and groups.

*Apprenticeship training.*—Apprenticeship training is based on voluntary acceptance by both employers and employees of an organized plan for training apprentices to become skilled workers in a particular trade or industry. A written agreement (apprenticeship standards) ordinarily is used to outline the progressive wage scale, length of apprenticeship, ratio of apprentices to journeymen, working conditions, related (classroom) instruction required, etc. Such training has been ably supervised by apprenticeship agencies, labor-management organizations, and other groups.

*Nonapprenticeship training.*—Nonapprenticeship training usually involves employment in jobs which are not recognized in the labor field as being apprenticeable. It provides training for one particular job, and has the advantage of a reasonable certainty that the job will be available upon completion of the training; in contrast, completion of apprenticeship training guarantees journeyman's wages, but not a job.
Extent of program

More than 1,605,000 veterans have received some on-the-job training. A peak of 720,000 was reached in January 1947. As of June 30, 1950, over 231,000 veterans were being trained in approximately 140,000 establishments.

Many large business establishments had well-organized training programs. On the other hand, the smaller concerns had little, if any, prior experience in offering such training. It was within this latter group that most of the shortcomings were observed.

State approval and inspection of establishments giving on-the-job training to veterans

Establishments offering on-the-job training to eligible veterans were required to be approved by the appropriate State agency, after submission of an application and compliance with local requirements, such as, length of training period, supervision of training, wage scale, equipment to be used, and provision for classroom instruction when required.

The State approval agencies were charged with the sole responsibility of supervision over the participating training establishments, including action on complaints and compliance with governing regulations and policies. They seldom exercised any supervision or control over the veterans in training, and considered that to be the responsibility of the VA.

While the VA bore the cost of inspecting the participating establishments State inspections were found generally to have been either too infrequent or not extensive enough to weed out the nonconformists. Since approximately 140,000 establishments were participating in the program last year, it is possible that it would require an impracticable number of State employees to supervise them adequately.

Related (classroom) instruction

In some instances, employers decided that veterans in training were in need of classroom instruction to supplement on-the-job training. In such cases, the VA executed agreements with various school authorities (usually under the public school system) to furnish the required training.

Classroom instruction inadequate

Since decision as to whether related (part-time classroom) instruction was required was left to training establishments, it is difficult to determine whether instruction was always given when needed, or if given, whether it met the veteran's needs. The States have attempted to give the best possible help but because so many different trades were involved the courses have often been of a general educational nature not especially suitable to any veteran interested in a particular trade. For instance, related instruction courses at one junior high school consisted of fifth and sixth grade mathematics, blueprint reading, and letter writing. The suitability of such courses for a veteran concerned with specific training as an electrician, bricklayer, carpenter, auto mechanic, upholsterer or sheet-metal worker seems very doubtful. Because of lack of attendance, the class was eventually abandoned.

Tools and equipment, books, and supplies

In pursuing his training, the veteran may be provided at Government expense, such tools, equipment, books, and supplies as are required for nonveterans pursuing the same or comparable courses.

Various regulations have been promulgated by the VA governing the determination of need, procurement, issuance, and recovery of or payment for, tools and equipment.

Illustrations of questionable practices.—There follows a few illustrations of questionable practices with respect to payments for tools, tuition, and subsistence:

(a) Tools furnished trainees at Government expense although they were not needed.—
Tools were furnished to 41 veterans in training in a laboratory at an average cost of $72.65 each, notwithstanding that the laboratory maintained a complete tool crib which was available at all times to the trainees.

(b) Duplications of tools furnished veterans.—Although VA regulations required that records be maintained of all tools issued to veterans, often the record was not examined prior to issuance of new tools, with the result that some tools were issued to veterans attending school and again upon entrance into training on the job.

In checking records at one law-enforcement school, tools and equipment valued at $110 were furnished to trainees and, in some instances, police revolvers were included. Upon completion of the school course, some of the veterans entered on-the-job training with the local police department and were again furnished police revolvers at Government expense.
Dealers engaged in bribery and other questionable matters—$591,000 involved.—The sales representative of one supplier of tools and equipment has been convicted of bribing a VA employee to give his company a larger share of the VA tool and equipment orders.

A number of dealers located in the same general area were also found to have been engaged in questionable transactions, such as billing at prices above those provided by contracts, billing for tools not furnished, substitution of inferior tools, etc., involving a total of $591,000.

Subsistence allowances

Payment of subsistence allowances to veterans in training on the job was authorized in order to assist them while in training. Although the rates have been increased from time to time, the current basic rates are $85 and $90 per month for veterans with and without dependents, respectively. Additional amounts also are authorized under specified circumstances, subject to ceiling rates on the total amount received as subsistence plus compensation of $210 per month without a dependent, $270 per month with one dependent, and $290 per month with two or more dependents.

VA procedures resulted in overpayments

Coincident with the usual increases in the veteran’s wages, his subsistence allowance was required to be adjusted accordingly. However, due to the fact that reports of wages earned by trainees were required only at 4-month intervals, VA action was not timely in those cases where wages had been increased within the period, with the result that in all such cases payments in excess of the statutory ceiling inevitably resulted.

Veterans whose disability had been reduced to zero continued to draw benefits as disabled veterans.—In a number of instances, veterans have been classified as partially disabled, which entitled them to the more liberal allowances under the laws covering disabled veterans. However, in those cases where they have been rehabilitated and are no longer disabled, their allowances have not been reduced to the less liberal allowances of nondisabled on-the-job trainees.

Commissions earned not considered when computing subsistence.—VA regulations provide that overtime pay will not be considered when computing subsistence allowances. In actual practice this has been extended to exclude commissions earned. A veteran in training with wages of $150, $175, $200, and $250 for each month of respective 6-month periods, earned $1,430 in commissions during 1 year. His subsistence allowance should have been reduced or eliminated in each of the months (5) in which he received commissions, but was not.

Veteran received subsistence allowance for dependent wife, who also drew subsistence allowance.—VA controls are not such as to prevent improper payments of subsistence where dependents are involved. Thus, a veteran in training was paid the maximum of $90 monthly, for himself and his dependent wife. At the same time she, also a veteran, was being paid a subsistence allowance of $65 monthly. Both were working for the young man’s father.

Subsidization of small business establishments.—Less difficulty has been experienced in carrying out the training program in the large companies. Many of them had well-organized programs before the veterans training program was initiated. However, the smaller establishments sometimes look upon the program as a subsidy.

The owner-manager of one establishment stated that his son and daughter-in-law had the benefits coming to them by virtue of their military service and since he had been paying taxes for a long time Uncle Sam should relieve him of some of the expense of his son’s salary.

Nonveteran trainee received higher wage than veteran trainee.—A manager of a loan company stated that he hires only veteran trainees because he would have to pay nonveterans more. The veterans can accept lower wages since they draw a subsistence allowance.

Another company (insurance) paid a comparable nonveteran $100 a month more than the veteran in training. In other words, the VA subsistence payment operated to subsidize the employer.

Company misrepresented salary paid to veteran to enable him to draw subsistence allowance.—An official of another company furnished the VA with a statement that a veteran in training was being paid a monthly salary of $125. Based on the statement the veteran was approved for training and paid the maximum subsistence allowance. Examination of the company’s records disclosed that the veteran was being paid $340 a month, that he was therefore not entitled to the subsistence allowance and that he was being trained for a position which he had already held.
successfully for 11 months. Duties while in training were the same as those previously performed.

Subsistence allowances not taxable.—Under the part of the program whereby the Government pays the veteran in training the difference (subsistence allowance) between his wage while in training and the journeyman's wages, it is to the advantage of the veteran to keep his wage at a level where the maximum subsistence allowance is received. The allowance is not taxable while the income from productive labor is. The combined income from wages and subsistence is not increased when a higher wage is received because the allowance is simultaneously decreased.

Likewise, it is of course to the employer's advantage to keep the trainee's wages low, because the employer benefits in the form of additional profits.

Veterans trained for jobs in which they were already proficient

VA personnel frequently overlooked the factor of previous experience, and as a result some veterans were permitted to undertake training in lines in which they were already proficient, the obvious advantage to the veteran being the subsistence allowance.

For instance, a case was disclosed where a veteran had completed a training period of 2 years as assistant manager notwithstanding the fact that for 15 years he had worked in the same establishment in practically every capacity.

Training actually furnished does not coincide with job objectives

In many cases, it was observed that the veterans were promised training but were actually required to spend a large portion of their time on other duties.

As an example, one veteran was approved for training as a hat manufacturer, yet the establishment was found to be doing nothing more than cleaning hats. Another entered training as a salesman in a stationary concern whose duties consisted of filling orders, loading the delivery truck, and making deliveries.

Instructor enrolled as GI student in his own class

A State board of education employed a veteran to teach a part-time class of 6 hours a week. The veteran was permitted by the VA to enroll in his own class and was paid a monthly subsistence of $26.25. At no time was he a bona fide student in the class.

Trainees worked on jobs of private contractor who was not the employer-trainer

One school giving related classroom work in brick masonry required the veteran trainees to work on private jobs of the contractor who had constructed a building for the school.

State coordinator reimbursed for inspection of establishments where no veterans were enrolled

The statutes provide reimbursement to the States for expenses incurred in rendering services in connection with the on-the-job program. Records disclosed that one State had been reimbursed for expenses incident to inspection of establishments in which no veterans were then enrolled.

"Stretching" courses

A common practice in some schools and establishments has been to lengthen the course of training to the maximum period permitted under the law. This has been done by dividing a course for a particular job objective into two parts, identifying each as a separate job objective. The veteran and the school thereby benefit to the extent of drawing subsistence and tuition, respectively, for longer periods.

Veterans' Administration approval on a national basis of insurance underwriters for on-the-job training

Under regulations issued by the Veterans' Administration any organization doing business in more than one State could apply to the Administrator of Veterans' Affairs for approval of a job-training program for veterans. If such program received approval of the Administrator of Veterans' Affairs the organization could enroll veterans in any of their installations without the necessity of applying to each State approval agency for individual approval.
This particular approval procedure was especially applicable to insurance companies operating in more than one State. Consequently, several of the larger companies utilized this provision of the law in late 1945 and early 1946, did apply to and receive approval from the Administrator for their individual on-the-job training programs. The approval by the Administrator was not perfunctory and the insurance companies were required to submit details on their training programs, including a multitude of supporting data. In some cases the directors of training for these companies personally appeared in Washington to present their training programs and were heard in detail by the Assistant Administrator for Vocational Rehabilitation and Education. In most cases approvals were granted and the official approval documents distributed to the proper Veterans' Administration regional offices and to the branch offices of the insurance companies. Approval summaries were also prepared and distributed in the form of a Veterans' Administration Information Bulletin No. IB7–22 and dated August 6, 1947.

These so-called national approvals by the Administrator, disseminated to all concerned and to the general public during the early years of the program, became the pattern of job training in insurance companies throughout the country. It was on the basis of this early pattern established by the Administrator of Veterans' Affairs that State approval agencies subsequently approved local insurance training programs for veterans. Both disabled and nondisabled veterans were enrolled in each of these programs and subsistence payments approved and paid by the Veterans' Administration regional offices.

This process, begun in 1945 by the Administrator of Veterans' Affairs, continued without question from any source until 1950. Several thousand veterans were enrolled and completed their training in these courses. However, late in 1949 the Veterans' Administration administratively determined that these programs of training were no longer logical, legitimate, or in accord with the basic law. The average program of 24 months' duration suddenly became a program which could not be approved for more than 6 months in length; however, rather than declaring all such programs illegal under the law the Veterans' Administration began the process of individual handling and at this date the situation is not clear. Some of the original approvals have been disapproved; some are in the process of review; some State approval agencies have followed the Veterans' Administration pattern and withdrawn approvals in their States; still other programs are being operated at this time without question. Subsistence payments to veterans are being withheld by the Veterans' Administration in some States, although the programs of training still carry the State approval agency approval. This entire situation involving several thousands of veterans and many insurance companies and agencies, is incomprehensible. Although this committee has not had an opportunity to make a detailed investigation into this situation, the following facts are obvious:

1. The pattern for the entire job-training program in insurance companies was established by the Administrator of Veterans' Affairs with his early approval of insurance company programs on a national basis;

2. That many thousands of veterans, both disabled and non-disabled, have been training in these programs;
3. That the Veterans' Administration has paid several millions of dollars as subsistence to veterans pursuing these courses; and
4. That the great majority of veterans had completed their training prior to the declaration by the Veterans' Administration that the programs were inadequate and did not meet the provisions of the law.

The following questions have yet to be answered and are raised by this committee: Assuming that the Veterans' Administration is right in their present contention that the job-training programs in insurance companies and agencies are illegal and inadequate—

1. Why were the programs given national approval in the first instance?
2. What has happened to the thousands of disabled and non-disabled veterans who took the courses during the 5 years these programs were on the so-called approved list?
3. Why has it taken the Veterans' Administration 5 and 6 years to determine that these programs, originally approved by themselves, are now inadequate and illegal under the law?
4. How much overpayment of Federal funds for subsistence is involved and who is responsible for the overpayment?

ON-THE-JOB TRAINING FOR FIREMEN AND POLICEMEN

A great many of the cities and towns of the Nation operate recruiting and training programs for firemen and policemen. Some cities and States have civil-service laws regulating these jobs and others are subject to regulation by the city governing body. Some cities operate a recruit school in which the rookie policeman or fireman applies himself full time for several weeks. There has been no question as to the validity of the training offered in the recruit school, however, these programs are approved as institutional programs. Following completion of the recruit school the rookie policemen and firemen are taken into the police or fire departments on a temporary or probationary basis. Many cities organized on-the-job-training programs for beginning policemen and firemen and thousands of individuals have been trained and completed training as a policeman or fireman in on-the-job training. Large cities such as San Francisco and Dallas have trained hundreds of policemen and firemen on the job under Public Law 679.

On May 3, 1951, after these programs had operated for periods of 4 to 5 years and thousands of veterans had completed training, the Veterans' Administration central office raised the question that these programs did not meet the criteria of Public Law 679, Seventy-ninth Congress, and the individuals enrolled at the time were discontinued from training. The Veterans' Administration central office sent the following directive, dated May 3, 1951, to all regional managers:

To: Managers, all VA regional offices and centers having regional office activities.
Subject: On-the-job training under Public Law 346 for policemen, firemen, etc., who are already appointed to those jobs.

1. It is indicated that some regional offices have approved training on the job under Public Law 346 for civil-service positions such as policemen, firemen, etc., where the veteran actually has been appointed and is holding the position he is said to be training for and is receiving the legally established entrance wage for that position.
2. In situations such as those described above, benefits under title II may not be awarded or continued because the situations do not meet the requirements of paragraph 11 (b) 2, Public Law 679, in the following respects:

(a) The veteran already has been appointed to and is holding the position for which he is said to be in training, therefore, the content of the course cannot be said to "qualify the veteran for appointment to the job for which he is to be trained" as is required by paragraph 11 (b) 2a.

(b) Since the veteran already holds the job for which he is said to be training, it cannot be held that "the job for which the veteran is training will be available to him at the end of the training period," as is required by paragraph 11 (b) 2b of the law.

In certain instances the agency in which the veterans were enrolled have made claim that although the veteran was appointed to the job he was training for, he was appointed merely on a probationary basis. This fact is granted, but the further significant fact is that the probationary employee automatically becomes the permanent employee not by virtue of pursuing a course of training but by performing whatever assignments are given him in a manner which is not unsatisfactory to the employer to the extent that the employee is discharged.

3. Solicitor's Opinion No. 15-51, January 10, 1951, includes the statement:

"* * *
while the State or the Administrator is given authority to approve institutions applying for approval as institutions qualified to give apprentice or on-the-job training pursuant to said act, the Administrator is authorized and required, before making any payments of subsistence, to determine that the training does meet all of the requirements of the act. This, of course, goes beyond the prohibition contained in paragraph 8 of the original part VIII, Veterans Regulation 1-a, as added by title II of the Servicemen's Readjustment Act, but if evidently was the intent of the Congress that said provisions should be modified, at least to this extent."

Accordingly, you are requested to ascertain whether within your regional area there are any veterans in training in situations as described in paragraph 1 and to effect discontinuance of benefits in any such cases found.

4. Some instances have been noted where for a few weeks immediately following his appointment, as described in paragraph 1, the veteran is required to attend a short period of intensive training organized on a school basis. In any such instance where the school situation is bona fide and the approving agency has approved it as a school, there of course is no bar to the veteran's enrolling in such course under Public Law 314. However, careful attention must be given to ascertaining whether the course has been properly approved, whether it is operating on full-time or part-time basis and what period of time is required to complete the school course. The furnishing of training supplies for any such school course must be carefully supervised to insure that they shall not include items that are necessary for the purpose of carrying on duties of the job to which he has already been appointed as distinguished from items which are actually required in order to be eligible to pursue the school course.

5. It is further requested that you kindly advise what steps were found necessary in order to determine whether any of the situations herein referred to were operating in your area, what facts were ascertained, and what corrective action has been taken in the premises.

II. V. STIRLING,
Assistant Administrator for Vocational Rehabilitation and Education.

The Veterans' Administration contended that upon receiving the probationary appointment to the job the policemen or firemen were, in fact, holding the job for which he was being trained and that the only change in his status would result from periodic increases in salary which were usually prearranged based on seniority, without regard to training status.

These programs lacked flexibility and were usually controlled by State or city civil-service regulations and were restricted by city budgetary controls.

There is no question as to the authority of the Administrator to discontinue the course of training of a veteran enrolled in on-the-job training where such program is not in accordance with the law. The question which arises resulted from the belated action of the Veterans' Administration in declaring on-the-job training for policemen and
firemen illegal when such program had been in operation for periods from 4 to 5 years and thousands of veterans had completed their course and had received full benefits while in training.

SURVEY OF ON-THE-JOB TRAINING BY STATE APPROVING AGENCIES

In an effort to ascertain the effectiveness of the on-the-job training program and determine the attitude of the firms and business establishments which participated in this phase of the program, a national survey was conducted by the National Association of State Approval Agencies at the request of the committee. Eighteen thousand six hundred and thirty-two business firms which are approved or have been approved for on-the-job training were contacted and 8,069 replies were received. The questions asked and a tabulation of answers appears in this report as appendix A.

It is significant to note that the firms contacted have trained a total of 29,055 trainees and 12,580 of these trainees are presently employed by the firms who extended the training. The business firms reporting had specific knowledge of 6,445 trainees trained by them which were employed by another firm in the same type job for which they were trained. The survey indicates that the business firms reporting utilized approximately 6,590 of the veterans trained under the program. It is reasonable to assume that a substantial number of the veterans which have lost contact with their trainer, are employed in the job for which they were trained and that more than 65 percent of them have achieved the employment objective. This figure is considered highly satisfactory in light of the normal results of established educational programs.

It is significant that approximately 89 percent of those firms stating a definite opinion believe that the on-the-job training program should be made available to Korean veterans.

Summary of replies to post-card inquiry re on-the-job training

<table>
<thead>
<tr>
<th>Post cards mailed</th>
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<tbody>
<tr>
<td>Total cards returned</td>
<td>8,069</td>
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<table>
<thead>
<tr>
<th>Questions</th>
<th>Yes</th>
<th>No</th>
<th>Miscellaneous</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you desire continued approval to train veterans under the GI bill</td>
<td>4,591</td>
<td>1,491</td>
<td>4,133</td>
</tr>
<tr>
<td>2. How many veterans do you now have in training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. How many veterans have you trained</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. How many of these are with you now</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. To your knowledge, how many have you trained who are now with other firms on the same type of job</td>
<td>6,571</td>
<td>1,079</td>
<td>6,145</td>
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<tr>
<td>6. In the light of your own experience, do you consider that the on-the-job training program has been worth while</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>7. Should on-the-job training be made available to Korean veterans</td>
<td>6,557</td>
<td>800</td>
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</table>

Note.—This represents preliminary tabulation of replies recorded up to Dec. 27, 1949.

THE VETERAN TRAINEE

Almost all veterans who have taken training are men. On November 30, 1948, only 30,000 women veterans were in training.

The average age of veterans in training October 31, 1949, was almost 28.

More than 5 out of each 10 had completed high school before entrance into training.

More than 5 out of each 10 had one or more dependents.
More than 6 out of each 10 received the maximum subsistence payable for their dependency status.

**AGE**

Almost all veterans of World War II are between 20 and 50 years of age. Seventy-five percent are between 20 and 35. The average age of all veterans on June 30, 1949, was 31 years.

The average age of veterans in training on October 31, 1949, was almost 28 years, 3 years younger than the average of all veterans. The average college trainee was 26 years old compared to 29 for the trainee in a school below college level, 27 for the job trainee, and 30 for the institutional/on-farm trainee.

About 2,600,000 veterans are under 25 years of age. Of these, 1,751,000 have taken some training under the Servicemen's Readjustment Act and 685,000 were in training on October 31, 1949.

**PREVIOUS EDUCATION**

Male veterans of World War II who were under 45 years of age in April 1947 had more education than male nonveterans of comparable age. Census Bureau data for April 1947 shows that the median number of years of formal education completed was 12.0 for veterans aged 18 to 44 and 9.9 for nonveterans within the same age group. Furthermore, half of the veterans but only a third of the nonveterans had completed high school.

Veterans who have taken training under the Servicemen's Readjustment Act had slightly more education prior to the time that they entered training than veterans who have not taken training under the act. This is indicated by the fact that the median number of years of formal education completed prior to entry was 12.2 years compared to 12.0 years for all veterans in April 1947.\(^2\)

**VETERANS**

There were 15,200,000 veterans of World War II on June 30, 1951; 1,608,000 were discharged prior to June 30, 1944; 2,482,000 had been discharged by June 30, 1945; 12,895,000 had been discharged by June 30, 1946; and 14,750,000 had been discharged by June 30, 1947.

**APPLICATIONS**

Ten million two hundred and five thousand or 67 percent of all veterans had applied for original certificates of entitlement and eligibility by August 31, 1951. Of the applications, 84,000 were received in fiscal year 1945; 2,883,000 were received in fiscal year 1946, 2,888,000 were received in fiscal year 1947; 1,729,000 were received in fiscal year 1948; 1,108,000 were received in fiscal year 1949; 855,000 were received in fiscal year 1950; 519,000 were received in fiscal year 1951 and 139,000 were received in the first 2 months of fiscal year 1951.

Ninety-seven percent of the applications have been approved.

**ORIGINAL ENTRIES INTO TRAINING**

Seven million six hundred and seventy-five thousand or 50.4 percent of all veterans had entered training by August 31, 1951; 35,000 entered training during fiscal year 1945; 1,130,000 entered training during fiscal year 1946; 2,550,000 entered training during fiscal year 1947; 1,445,000 entered training during fiscal year 1948; 987,000 entered training during fiscal year 1949; 853,000 entered training during fiscal year 1950; 533,000 entered training during fiscal year 1951; 142,000 entered training during the first 2 months of fiscal year 1952; 6,452,000

\(^2\) PP. 37-38 from Report on Education and Training Under the Servicemen's Readjustment Act, as Amended, submitted by Administrator of Veterans' Affairs as Committee Print No. 210, 81st Cong., 2d sess., to Senate Committee on Labor and Public Welfare.
of the veterans who had entered training were no longer in training on August 31, 1951.

**VETERANS IN TRAINING**

Nine thousand six hundred were in training on November 30, 1944; 155,000 were in training on November 30, 1945; 2,080,000 were in training on November 30, 1946; 2,546,000 were in training on November 30, 1947; 2,303,000 were in training on November 30, 1948; 2,288,000 were in training on November 30, 1949; 1,759,000 were in training on November 30, 1950; 1,223,000 were in training on August 31, 1951 (of these 124,000 were in institutions of higher learning; the highest enrollment was 1,158,000 on December 31, 1947); 713,000 were in schools below college level (the highest enrollment was 879,000 on December 31, 1949); 274,000 were in institutional on-farm training (the highest enrollment was 319,000 on May 31, 1950); 112,000 were in training on the job (67,000 were in apprentice courses and 45,000 were in other training on the job; the highest enrollment was 632,000 on January 31, 1947).

**MONTHS OF TRAINING**

One hundred and twenty-three million three hundred and seventy-one thousand months of training out of a potential maximum of more than 600,000,000 had been provided by August 31, 1951; 144,000 were provided during fiscal year 1945; 4,521,000 were provided during fiscal year 1946; 22,592,000 were provided during fiscal year 1947; 26,561,000 were provided during fiscal year 1948; 24,655,000 were provided during fiscal year 1949; 23,895,000 were provided during fiscal year 1950; 18,624,000 were provided during fiscal year 1951; 2,379,000 were provided during first 2 months of fiscal year 1952.

**ENTITLEMENT**

Forty months was the average entitlement at time of original entrance into training; 24 months was the average remaining entitlement of veterans who had entered training by October 31, 1950; 22 months average remaining entitlement of veterans then in training; 24 months average remaining entitlement of veterans not in training.

Over 700,000 veterans who entered training had only 1 to 6 months of entitlement remaining on August 31, 1950; 637,696 veterans have exhausted their entitlement prior to September 1, 1951.

**COUNSELING**

Over 1,163,600 veterans had been counseled by August 31, 1951; 9,600 were counseled in fiscal year 1945; 84,000 were counseled in fiscal year 1946; 270,000 were counseled in fiscal year 1947; 239,000 were counseled in fiscal year 1948; 168,000 were counseled in fiscal year 1949; 258,000 were counseled in fiscal year 1950; 113,000 were counseled in fiscal year 1951; 22,000 were counseled in the first 2 months of fiscal year 1952.
RECREATIONAL OR AVOCATIONAL COURSES

One hundred and eighty-eight thousand applications were screened during the period July 1, 1948, to October 31, 1950; 94,000 were for flight training, 137,500 applications were approved (61,200 were for flight training); 11,000 applications were found, after advisement, to be recreational or avocational and were disapproved (6,800 were for flight training).

**Table A-1.—Applications, original entrances into training, exhaustions of entitlement under Servicemen's Readjustment Act by fiscal year**

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Applications received</th>
<th>Applications disapproved</th>
<th>Entrances into training</th>
<th>Exhaustions of entitlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>83,885</td>
<td>3,140</td>
<td>35,044</td>
<td>(1)</td>
</tr>
<tr>
<td>1946</td>
<td>2,882,995</td>
<td>5,095</td>
<td>1,128,649</td>
<td>685</td>
</tr>
<tr>
<td>1947</td>
<td>2,887,877</td>
<td>6,945</td>
<td>2,648,912</td>
<td>4,094</td>
</tr>
<tr>
<td>1948</td>
<td>1,729,928</td>
<td>3,927</td>
<td>1,440,856</td>
<td>22,725</td>
</tr>
<tr>
<td>1949</td>
<td>1,107,047</td>
<td>5,436</td>
<td>987,408</td>
<td>83,389</td>
</tr>
<tr>
<td>1950</td>
<td>864,481</td>
<td>5,418</td>
<td>853,376</td>
<td>228,692</td>
</tr>
<tr>
<td>1951</td>
<td>539,016</td>
<td>3,652</td>
<td>538,497</td>
<td>283,874</td>
</tr>
<tr>
<td>1952 to Aug. 31, 1951</td>
<td>139,396</td>
<td>1,600</td>
<td>142,570</td>
<td>31,477</td>
</tr>
<tr>
<td>Grand total to Aug. 31, 1951</td>
<td>10,294,835</td>
<td>34,733</td>
<td>7,078,302</td>
<td>637,696</td>
</tr>
</tbody>
</table>

1 Estimated October 1946 through December 1947.

Table A-2.—Educational level of veterans of World War II—Nonveterans and veterans entering training under Servicemen's Readjustment Act

<table>
<thead>
<tr>
<th>Educational level (highest years completed)</th>
<th>Male civilian population, Apr. 1947</th>
<th>Veterans who had entered training through May 31, 1951</th>
<th>In training May 31, 1951</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-veterans aged 18-44</td>
<td>Veterans aged 18-44</td>
<td>Total</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>--------------------------</td>
<td>---------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Elementary</td>
<td>43.7</td>
<td>23.9</td>
<td>24.2</td>
</tr>
<tr>
<td>1-7 years</td>
<td>10.2</td>
<td>5.4</td>
<td>8.8</td>
</tr>
<tr>
<td>High school</td>
<td>21.0</td>
<td>24.9</td>
<td>24.8</td>
</tr>
<tr>
<td>1-3 years</td>
<td>21.0</td>
<td>34.1</td>
<td>33.7</td>
</tr>
<tr>
<td>College</td>
<td>7.0</td>
<td>10.1</td>
<td>10.1</td>
</tr>
<tr>
<td>1-3 years and over</td>
<td>5.9</td>
<td>8.0</td>
<td>8.1</td>
</tr>
<tr>
<td>Not reported</td>
<td>1.1</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Median years completed</td>
<td>9.9</td>
<td>12.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Percent of total in training</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Public Law 346 Trainees—sample of approximately 1 percent of Veterans' Administration punched-card records representing veterans who had entered training as of May 31, 1951.

Education level of veterans who had entered training represents level at time of original entrance into training under the Servicemen's Readjustment Act.
### Table A-3.—Age of World War II veteran population and age of veterans who have entered training under the Servicemen's Readjustment Act

[Percent distribution]

<table>
<thead>
<tr>
<th>Age</th>
<th>Veteran population, June 30, 1951</th>
<th>Veterans who had entered training through May 31, 1951</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total 100.0</td>
<td>Total 100.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Under 20 years</td>
<td>2.0 (1)</td>
<td>1.4</td>
</tr>
<tr>
<td>20 to 24 years</td>
<td>31.2</td>
<td>40.2</td>
</tr>
<tr>
<td>25 to 34 years</td>
<td>50.1</td>
<td>28.8</td>
</tr>
<tr>
<td>35 to 39 years</td>
<td>18.0</td>
<td>11.8</td>
</tr>
<tr>
<td>40 to 44 years</td>
<td>9.1</td>
<td>5.3</td>
</tr>
<tr>
<td>45 to 49 years</td>
<td>8.7</td>
<td>1.6</td>
</tr>
<tr>
<td>50 years and over</td>
<td>2.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Average age (years)</td>
<td>32.8</td>
<td>30.4</td>
</tr>
<tr>
<td>Percent of total in training</td>
<td>3.7</td>
<td>4.9</td>
</tr>
</tbody>
</table>

1 Less than 0.05 percent.

Source: Veteran population sample of approximately 1 percent of Armed Forces separation records representing all veterans who participated in World War II including a limited number of participants who remained in service. Veterans who have entered training sample of approximately 1 percent of Veterans' Administration punched-card records representing veterans who had entered training as of May 31, 1951.

**Characteristics of Veteran Trainee Participation in the Educational Program**

During the period of debate prior to passage of the Servicemen's Readjustment Act of 1944 there was considerable speculation concerning the veteran's probable reaction and participation in the educational program. It was the consensus of opinion that the veterans having eligibility would participate in small numbers, and some public-school officials flatly predicted that no significant number of returning servicemen would exercise their right to the educational benefits under the act. The statistics of this section completely disallow such speculation. It must be pointed out, however, that a series of liberalizing amendments to the law may be largely responsible for the increased participation. After passage of the original act, Congress passed amendments removing the age restrictions and liberalized subsistence allowances. As the program progressed, special plans were adopted and developed, such as the on-the-job training program, and the institutional on-the-farm program. Facilities were expanded in existing institutions and many new public and private schools were organized.

A study of enrollments by States and regions of the country and a study of general employment conditions throughout the Nation discloses a close relationship between unemployment and enrollment. The fact that unemployment has accelerated enrollment of veterans has been interpreted by some as an indication that the veterans' training program was serving as a relief-type program. This conclusion may be true in certain instances; however, it must be pointed out that the untrained and poorly trained were naturally the first to be let out when recessions were made, and these persons obviously needed training much more than the fortunate veteran who was able to hold his job.
There have been variations and trends in the preference by veterans as to types of training; however, the figures available during 1951 will serve to show the interests of participating veterans.

The trade-school workbench has attracted two-thirds of all the World War II veterans who have gone to below-college-level schools under the GI bill since that Federal program was established in 1944. Three million three hundred and sixty-four thousand veterans trained in schools below the college level between June 22, 1944, date of enactment of the GI bill, and the end of 1950. Of those, 2,050,000 took trade and vocational training in fields ranging from automotive mechanics to watchmaking.

The remaining below-college veteran-students included 339,000 who enrolled in elementary and high schools; 338,000 who trained in business schools, and 637,000 who studied correspondence courses at home.

GI-bill college students numbered 2,480,000 between the date of the law's beginning and the close of 1950.

On-the-job trainees during the same period totaled 1,605,000. Only one-third, or 543,000, took their job training on an apprenticeship basis. The remaining two-thirds enrolled in other forms of on-the-job training.

Another 625,000 World War II veterans trained under the GI bill's institutional on-farm training program, a combination of classroom instruction with actual experience on the farm. That figure represents about three-fourths of all those veterans who returned to the farm following the war.

[These] figures include nearly 800,000 duplications, representing veterans who have switched from one type of training to another. A veteran who started in high school under the GI bill, for example, and later continued his training in college, would be counted twice—once in the below-college total and once in the college total.  

**Veterans' Courses Relating to National Defense**

Approximately one-half million World War II veterans were training in 1950 under the GI bill in courses directly related to national defense.

A course-by-course breakdown of training objectives of 1,705,000 veterans in GI bill training on November 1, 1950, included 527,000 in colleges, 719,000 in below-college-level schools, 161,000 in on-the-job training, and 208,000 in on-the-farm training.

In colleges and universities, according to the survey, nearly 63,000 veterans were taking courses in engineering; another 36,000 were studying medicine and related subjects, and 28,000 were enrolled in courses in the physical and natural sciences.

Nearly half of the engineering students were studying general engineering, having not yet chosen a specialized branch. Second in popularity was electrical engineering, followed by mechanical, civil, chemical, industrial, and aeronautical.

Of the students in medical and related courses, 14,000 were training for general medicine and surgery and 7,000 were learning to be dentists. The rest were scattered in other related fields.

The veterans taking courses in physical and natural sciences were studying subjects ranging from chemistry to physics and from biology to meteorology.

In schools below the college level, the emphasis on courses having a direct bearing on defense mobilization was particularly strong.

Included in the below-college totals were 37,000 veterans learning to be carpenters, 21,000 taking other courses in the construction trades, 18,000 enrolled in electrical courses, 102,000 in mechanical

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42 VA, Information Service release of April 18, 1951.
courses, including aircraft, automotive, Diesel and gas engine, railroad and tractor; 18,000 in metalworking courses, and 89,000 studying radio and other forms of communication.

Many of the GI-bill on-the-job trainees also were preparing themselves for occupations of particular value to defense. As examples, nearly 16,000 job trainees were in metalworking occupations such as machinists, toolmakers, machine-shop operators, and the like. Another 7,000 were training to be electricians; 22,000 were learning various phases of the construction trades; 6,000 were in communications; 21,000 were training to be automobile mechanics, and 10,000 were training in other forms of mechanics.

FAILURES ON THE PART OF INDIVIDUAL VETERANS

Without detracting from the vast amount of good which has accumulated to millions of sincere veterans, it must be recognized that some of the difficulties, failure, and abuse which has occurred is directly traceable to a minority of veteran trainees who have intentionally and willfully exploited the program and misused their entitlement.

In any educational program there is invariably some inefficiency, waste, and lost motion which can be attributed to honest failure. Students attempt courses for which they are not qualified or interrupt themselves for justifiable reasons. Courses for recreation and cultural objectives are pursued for personal reasons, and many students take courses for their intellectual satisfaction rather than vocational purposes.

Inefficiency may result from poor attendance, laziness, and lack of purpose. This type of waste and inefficiency can be kept to a minimum by high standards for approval of educational institutions and close supervision of schools and veterans enrolled in those schools. As pointed out in other sections of this report, approval standards have not been sufficiently high and diligently applied in all cases, and supervision of schools and veterans has not been altogether satisfactory.

Fifteen million adult citizens were granted eligibility for education and training under Public Law 346, Seventy-eighth Congress. The original act contained virtually no restrictions in the use of entitlement. Experience has shown the necessity of certain restrictions. By amendment to the original act, Congress has—

1. Limited enrollments in avocational courses.
2. Limited excessive change of course.
3. Intensified standards and supervision for on-the-job training, agricultural training, and proprietary school training.

These restrictions and others have eliminated many of the problems inherent in the original act, yet certain fundamental weaknesses still remain. One cannot logically conclude that in a program involving 15 million persons there will not be willful attempts to evade the law and defraud the Government. In most instances, these cases require the active cooperation of both the student and the school. Some typical cases of serious breach of good faith or possible criminal violation are cited below:
The records of this Office disclose that the Garford Laboratories, Inc., and Ora W. Grow and Dassie C. Grow, its officers, operated the Grow System School. In this operation, there were numerous employees, among them, Abelardo Martinez, Victor J. Triolo, and Vincent L. Puma. Through Martinez, Triolo, and Puma, many World War II veterans were enrolled at the school. With the knowledge and approval of Ora W. Grow and Dassie C. Grow, it was arranged by these employees that such of the enrollees, as desired to, would not be required to attend classes, but would be carried on the school’s records as attending regularly. This resulted in their receipt of subsistence allowance paid by the Veterans’ Administration, of which they paid Triolo, Martinez, and Puma from $10 to $20 out of each subsistence allowance check received. The school received tuition for the period of time these students allegedly attended school and reimbursement for supplies allegedly furnished them.

The system above referred to was known to those concerned with it as the “silent student scheme.” The evidence available indicates that when veterans who wished to become “silent scheme” students presented themselves for enrollment, Ora W. Grow would not talk to them but did take them to Mr. Triolo, who would enroll them. The evidence further indicates that Dassie C. Grow maintained a separate record of so-called “silent system” students.

Two indictments were returned against Garford Laboratories, Inc., the Grows, Martinez, Triolo, and Puma. One of these indictments, in 13 counts, charged them with submitting false vouchers (18 U. S. C. 287). The other indictment charged them and 198 of the “silent scheme students” with conspiracy to present false and fraudulent claims against the United States (18 U. S. C. 286).

The accounts relating to the veterans who were indicted reflect overpayments of $5,520 for supplies; $63,694.72 for tuition; and $168,778.33 paid to the individual veterans as subsistence allowance, or a total of $237,993.05. Payment of vouchers in the New York and Brooklyn regional offices aggregating $4,470.53 has been withheld.

Martinez, Triolo, and Puma entered pleas of guilty and testified on behalf of the United States at the trial of the Garford Laboratories, Inc., Ora W. Grow, and Dassie C. Grow. The Garford Laboratories, Inc., and Ora W. Grow were convicted on all 13 counts of the false-claim indictment and on the indictment charging conspiracy. Dassie C. Grow was convicted on the conspiracy indictment and on counts 4 through 13 of the false-claim indictment. The court sentenced these defendants as follows: Garford Laboratories, Inc., was fined $5,000 on the conspiracy indictment and $5,000 on each of the 13 counts on the other indictment, or $70,000 in all. Ora W. Grow was sentenced to 5 years’ imprisonment on each of the 13 counts of the false-claim indictment to run concurrently and fined $1,000 on each and was sentenced to 2 years’ imprisonment to run consecutively with the other sentence and fined $1,000 on the conspiracy indictment or 7 years’ imprisonment and $14,000 fine. Dassie C. Grow was sentenced to an aggregate of 3 years’ imprisonment and fined $11,000.

Of the 198 veterans who were charged with conspiracy, the record available to this office shows that 179 have been arraigned, with the result 165 pleaded guilty and 14 entered pleas of not guilty. Nineteen of those indicted have not been taken into custody or for other reasons have not entered pleas. At the time that they pleaded guilty, the court withheld sentence of Martinez, Triolo, and Puma and of the 186 veterans.

FRANKLIN MEAT CUTTING INSTITUTE AND MEAT BONING ANNEX, PHILADELPHIA, PA.

The registrar of the above-named schools and a clerk in one of the schools testified before this committee that the entire attendance records of the school were falsified. These employees testified personally falsifying attendance records to reflect good attendance when in fact only a few of the students out of the several hundred enrolled were present. In return for falsifying the attendance records, these employees received side payments from veterans who were being marked “present” when they were not actually in attendance.

VA letter dated October 10, 1951.
As a result of this practice, the school collected tuition for instruction which was not given; veteran trainees collected subsistence when they were not actually in attendance, and the two employees received kick-back payments for falsifying the attendance records. These employees testified that this action was taken with the knowledge of the school officials. Testimony taken by the committee in Philadelphia indicated that this practice was not limited to the two schools mentioned above, but rather that it was a common and widespread practice and that a large portion of the taxicab drivers in Philadelphia were enrolled in trade schools and attended only a small portion of the time required under the law, yet received subsistence payments. Testimony taken by the committee showed conclusively that this practice was carried on with the active participation of the school owners, school employees, and veteran trainees.

MURFREESBORO PRACTICAL TRADE SCHOOL, MURFREESBORO, TENN.

In hearings relating to the above-named school, veterans enrolled in the school testified that they paid a school employee $5 per month to be marked "present" when they were not actually in attendance. The investigation of the committee disclosed altered and falsified records in the case of these veterans. An audit previously conducted by the Veterans' Administration disclosed that approximately 50 veterans had received subsistence payments when they were not actually in attendance. Some of these veterans were employed by the school as truck drivers and janitors; others worked on outside jobs when they were not actually in attendance. The Veterans' Administration regional office issued reclaims against approximately 50 veterans, varying from $500 to $1,500.

PAWNING OR HOCKING TOOLS

The committee has found that the practice of veterans pawning or hocking tools issued by the Veterans' Administration has been widespread and commonplace. In certain cities, "Pawn Shop Row" was found to be filled with veterans' tools. An owner of a watch-making school testified that it was cheaper to buy lathes for his school from the pawn shops than it was to purchase them from the wholesaler. Mr. A. H. Monk, the Special Assistant to the Assistant Administrator for V. R. & E., testified that the managers of Veterans' Administration regional offices have reported that generally the hock shops were well filled with tools issued by the Veterans' Administration. This committee is aware of no specific action which has been taken to correct this condition.

THE CENTRAL COMMITTEE ON WAIVERS AND FORFEITURES

The Central Committee on Waivers and Forfeitures has general jurisdiction in two classes of cases. In the first, the Committee exercises the judgment of the Administrator in waiving overpayments or erroneous payments of benefits where the equities of the particular case warrant, and secondly to forfeit a veteran's right to Veterans' Administration benefits (a) upon the submission by him of false or fraudulent evidence (38 U. S. C. 555; 707; 715) and (b) where evidence
satisfactory to the Administrator shows a person to be guilty of mutiny, treason, sabotage, or lending aid to an enemy of the United States or its allies (38 U. S. C. 728).

The Central Committee on Waivers and Forfeitures has received for forfeiture consideration approximately 600 V. R. and E. cases. Of these, 224 have been forfeited, and in general fall in the following categories listed from top to bottom in approximate numerical importance:

1. False representation by the claimant that he is attending a course of training. At times such representation is accompanied by false vouchers on the part of the school and evidence of collusion between the claimant and the school.

2. The submission of false evidence to show entitlement to a course of training to which a claimant is not eligible. (One example would be a course in flying which a trainee has previously completed. Another would be the submission of a false or forged letter from an alleged employer showing need of such training.)

3. False reports as to income in order to receive additional subsistence allowance.

4. The submission of false or forged documents to show place or time of employment or training.

5. False information regarding marital status or dependents in order to receive subsistence allowance to which he is not entitled.

6. The submission of false vouchers to the VA in order to obtain, illegally, supplies or tuition payments.

7. Aiding or assisting a claimant in any of the above acts.

8. Impostor cases, where one not entitled to training uses the name and record of another.

There are numerous other cases which are more or less remotely connected with the above classifications but which it would be cumbersome to recite in detail.55

SUPERVISION OF THE VETERAN TRAINEE

Public Law 346, Seventy-eighth Congress, as amended, contains the following proviso:

* * * that any such course of education or training may be discontinued at any time, if it is found by the Administrator that, according to the regularly prescribed standards and practices of the institution, the conduct or progress of such person is unsatisfactory.

In an effort to give effect to this proviso, the Veterans' Administration attempted to extend personal supervision to veterans' training under Public Law 346 on substantially the same basis as was provided for disabled veterans training under Public Law 16. Each veteran trainee, with the exception of those enrolled in institutions of higher learning, was assigned to a training officer, and it was the obligation of the training officer to make periodic visits to each individual trainee for the purpose of determining whether his progress and conduct continued to be satisfactory in accordance with the prescribed standards of the institution. As enrollments increased, it became apparent that qualified personnel could not be secured by the Veterans' Administration to provide training officers in numbers sufficient to personally supervise all veterans in training under Public Law 346 and Public Law 16. During the latter part of 1947 the case loads assigned to training officers became excessive and the responsibility of supervising part VIII veterans was causing training officers to neglect their primary function of supervising disabled veterans training under Public Law 16. In 1947 the Congress of the United States refused to enlarge appropriations to the Veterans' Administration further; and on August 19, 1947, the Veterans' Administration

55 VA letter to chairman dated October 22, 1951.
abandoned on a Nation-wide basis their program of personally supervising the individual veteran training under part VIII.

There is no doubt that the Administrator of Veterans' Affairs is required by law to discontinue the training of any veteran when the Administrator finds that the veteran's training is unsatisfactory in accordance with the standards of the institution in which the veteran is enrolled. The assumption by the Veterans' Administration that this obligation could be carried out by personal supervision of the trainee by a training officer was not based on established educational methods or experience. The magnitude and expense of the task of individually contacting and supervising millions of individual veterans is obviously prohibitive. The Veterans' Administration abandoned the plan of individual supervision with the following statement:

Due to the curtailment in numbers of personnel, the operation of certain portions of policy and procedure set forth in VA Manual M7-3 will be suspended and, until further notice, certain functions and activities of the Education and Training Sections under part VIII will be administered as herein provided. Particular affected will be the function of supervising the part VIII enrollee in training. Considering the fact that, under the law, approval of the school or establishment is contingent upon the State approving agency finding the school or establishment qualified and equipped to furnish education or training, the VA, to an increased extent, will look to the State approving agency to carry out its obligation to approve only such schools and establishments as are fully qualified and equipped to give good courses of instruction and are otherwise satisfactory on the basis of current inspection, and to the school or establishment to meet its obligation to furnish effective education and training to each veteran enrolled under part VIII, to retain the enrollee no longer than his conduct and progress warrant retention, and to provide reports to the VA as required. Instructions in VA Manual M7-3 which are not affected by the provisions of this technical bulletin will continue to be applied.

The statement quoted above indicated that the Veterans' Administration was awakening to the realization that a radically different method of supervision to the one previously employed by them would be necessary if proper supervision at a reasonable cost was to be extended to the veterans enrolled under part VIII. The Veterans' Administration did not, however, support the State approving agencies and attempt to utilize them in their proper supervisory function, but attempted to continue the supervision of the part VIII veteran on a paper basis. It was from this decision that VA Form 1905-C resulted.

It was the plan of the Veterans' Administration to continue to assign trainees to individual training officers; however, the training officer was not required to make personal visits to the individual trainee except as directed by the Chief of the Education and Training Section. The Veterans' Administration printed and distributed in vast quantities VA Form 7-1905-C, and attempted to place it in use on a national basis for all schools other than institutions of higher learning and institutional on-the-farm training courses. It was the plan of the Registration and Research Section to establish a card file called VA Form 1905-C. The trainee was given until the 10th day of each month to file the VA Form 1905-C, after which time his subsistence check was suspended if the form was not received.

The veteran trainee was required to complete the VA Form 1905-C indicating the unit of instruction and the hours of training under each unit. At the end of the month the trainer was required to endorse the VA Form 1905-C and indicate whether the veteran's progress for the month was satisfactory or unsatisfactory. The Veterans' Admini-
istration training officer was also required to endorse the VA Form 7-1905-C.

A supply of VA Form 7-1905-C was provided each school and on-the-job training firm, and an effort was made to familiarize the veterans with the method to be followed in filling out the form. Confusion on the part of the veteran was widespread and it was found that many schools were supervising the students and filling out the form during scheduled class hours.

The workload was so great that the Registration and Research Section could not process the VA Form 7-1905-C, and a great many subsistence checks were delayed as a result of the confusion which followed.

During the period in which the VA Form 7-1905-C was in use great stacks of unprocessed VA Forms 7-1905-C were observed stacked in the regional offices. The Veterans' Administration field offices were not in accord with the use of the form, and approached the task half-heartedly. When confusion was paramount, the Veterans' Administration central office showed evidence of recognizing a principle which they had heretofore ignored.

Change 3 to Manual 7-3 dated September 20, 1947, dispensed with the VA Form 7-1905-C in the Navy Department, which trained apprentices, and other establishments which maintained a system of progress records on their part VII and part VIII veterans equal to those maintained by the Navy Department. Based on this change in the regulations, the field offices dispensed with the use of the VA Form 7-1905-C in a great many on-the-job and apprentice-training firms.

On March 16, 1950, the Veterans' Administration abandoned VA Form 7-1905-C and notified all regional offices that the form would no longer be required for on-the-job training firms and institutions below the college level. In the same telegram the Veterans' Administration advised the managers to provide the State approval agency with a copy of the telegram and inform the agency that the Veterans' Administration expected the State approving agencies to exert every effort to see that the schools and training establishments report to the Veterans' Administration promptly the discontinuance of any veteran from training.

The Veterans' Administration apparently recognized that it was necessary to depend upon the State approving agencies to exercise supervision over schools and training establishments. However, the Veterans' Administration showed no inclination to relax its formula for the purpose of providing funds for supervision of on-the-job training establishments under Public Law 679 and exhibited no interest in establishing a method whereby the States could receive reimbursement for supervision of schools.

Public Law 610, Eighty-first Congress, established authority for reimbursement of the States for necessary expenses incurred in the supervision of proprietary profit schools. With the passage of Public Law 610, the Veterans' Administration was authorized to make funds available to the States for supervising on-the-job and apprentice training, institutional on-the-farm training and proprietary schools. It required 6 years to develop a system of State supervision extending to all types of training; however, to this date there is considerable doubt as to whether supervision provided on-the-job
training establishments under the Veterans' Administration formula is adequate. There is little question that a strong system of supervision through the States could have been established for a fraction of the amount of money wasted through the abortive attempt by the Veterans' Administration to extend supervision to the veteran on a personal and later on a paper basis, thereby circumventing the management of the school and the State approving agencies, which were the logical source of supervision.

The Government Printing Office reported the following printing expenditures for Veterans' Administration forms used in the reporting system:

<table>
<thead>
<tr>
<th>Form</th>
<th>Quantity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>VA Form 7-1905C, January 1948</td>
<td>20,022,000</td>
<td>$39,969.34</td>
</tr>
<tr>
<td>VA Form 7-1905C, June 1947</td>
<td>6,003,000</td>
<td>12,063.52</td>
</tr>
<tr>
<td>VA Form 7-1905A</td>
<td>13,312,500</td>
<td>51,901.69</td>
</tr>
<tr>
<td>VA Form 7-1905A-1</td>
<td>9,991,500</td>
<td>31,544.31</td>
</tr>
<tr>
<td>VA Form 7-1905B</td>
<td>6,604,000</td>
<td>23,694.26</td>
</tr>
<tr>
<td>VA Form 7-1905B-1</td>
<td>6,405,000</td>
<td>19,577.14</td>
</tr>
<tr>
<td><strong>Total, all forms</strong></td>
<td><strong>63,388,000</strong></td>
<td><strong>178,680.26</strong></td>
</tr>
</tbody>
</table>

The 63,388,000 forms printed at a cost of $178,680.26 are a minor part of the total cost of this attempted system of supervision. The major loss occurs through failure of the system to establish effective supervision, thereby permitting many of the abusive situations described throughout this report.

**NEED FOR COMPREHENSIVE SYSTEM OF SUPERVISION**

Public Law 346, Seventy-eighth Congress, as amended, divided the responsibility for the administration of the veterans' educational program between the Administrator of Veterans' Affairs and the State approving agency. The Administrator was charged with determining the eligibility of the veteran; enrolling him in training; paying subsistence to the veteran; paying tuition to the school. The Administrator was prohibited from continuing any person in enrollment if he found that according to the regularly prescribed standards and practices of the institution the conduct or progress of such person was unsatisfactory.

The State approving agencies were delegated the responsibility of listing educational institutions and training establishments as being qualified and equipped to offer education and training. The Veterans' Administration attempted to separate approval and supervision of educational institutions from supervision of veteran trainees enrolled in such institutions until March 16, 1950, at which time the Veterans' Administration abandoned its attempt to supervise veterans enrolled under Public Law 346, as amended, and advised the State approval agencies that the Veterans' Administration expected them to exert every effort that schools and training establishments report to the Veterans' Administration promptly the discontinuance of any veteran from training.

Supervision of the individual veteran should not be separated from supervision of the educational institution or training establishment, since they are one and the same task. An educational institution is
supervised to determine that it is carrying out certain necessary policies with respect to its training program and control of the student or trainee. Before being approved, an educational institution should be required to demonstrate that it has adequate policies with respect to student activities, as follows:

1. Rules and regulations governing student conduct.
2. Clearly stated standards of progress and a grading system designed to enforce those standards.
3. Entrance requirements for each course which will preclude the enrollment of persons obviously not qualified to take training in the course.
4. Standards of attendance.
5. Advisement and guidance facilities where possible.

A school which does not state and enforce the policies outlined above should not be approved. On the other hand, a school which establishes satisfactory policies as outlined above and enforces those policies will, in fact, extend adequate supervision to the individual trainee, thus precluding the necessity for individual contact with the trainee by Veterans' Administration or State approval agency's employees except in isolated instances. This principle has been recognized by the Veterans' Administration in the case of training at the college level and those institutions have been left free to enforce their policies regulating the enrollment, conduct, progress, and attendance of the student. Similar recognition should be extended to all types of schools and at the same time steps should be taken to eliminate from the approved list any school which cannot or will not carry out satisfactory policies and obligations regulating conduct, progress, enrollment, and attendance of its students.

The Administrator of Veterans' Affairs should have the authority and should be required to discontinue the training of any student who does not make satisfactory progress according to the regularly prescribed standards and practices of the institution. A cooperative system between the Veterans' Administration and the State approving agencies should be placed into effect to insure prompt reporting of any individual who fails to make satisfactory progress. A joint system of supervision of schools and veterans enrolled in those schools, financed by the Veterans' Administration and executed by the States, should be predicated on the assumption that, in view of the large number of persons involved in the program, failures on the part of the veteran trainee of the following types will invariably occur:

1. Criminal acts on the part of the veteran student involving the educational institution and the Veterans' Administration. They may involve the veteran and the educational institution alone or they may involve both the Veterans' Administration and the educational institution.
2. Acts of gross misconduct or bad faith in which criminal intent cannot be established, but which are serious enough in nature to result in waiver or forfeiture of veterans' rights.
3. Misdemeanors and acts of bad faith in the use of educational entitlement involving the veteran and the educational institution, such as drunkenness and gambling during school hours, theft and assault against school officials or instructors.
4. Failure of the student to meet the regularly prescribed standards of the institution regarding progress and attendance. It should be the responsibility of the State approving agency to require educational institutions and training establishments to enforce their standards and promptly interrupt veterans who fail to meet the required standards and promptly report such cases to the Veterans' Administration. Upon receiving reports from educational institutions and State approving agencies, the Veterans' Administration should maintain a system to deal with the veteran trainee in accordance with the seriousness of his failure. Such a system will prevent useless expenditures for training of persons who abuse or misuse their entitlement and have no honest desire to benefit by the veterans' educational program.

A system for control of irresponsible veteran trainees has been virtually nonexistent during the World War II veterans' training program. The State approving agencies have failed in many instances to require educational institutions to enforce strict standards and the Veterans' Administration has failed to deal effectively with cases of failure on the part of the individual veteran when such cases were reported. The type of acts of bad faith and misconduct which occur in such a program are outlined in another section of this report dealing with activities of the veteran trainee.

The contention that all veteran trainees are without fault in all instances, and have not, in certain cases, abused the educational privileges granted under Public Law 346, Seventy-eighth Congress, as amended, is a hallucination and a failure to face facts. It is obvious that a program involving 7½ million individuals and approximately $14 billion of Federal funds would have a minority of individuals attempting to abuse the privileges established by the act. Failure on the part of the Veterans' Administration and some State approving agencies to deal vigorously with these individuals has compounded itself in a careless attitude on the part of veteran trainees and educational institutions. Veteran trainees were well aware that if they were dismissed from one school for failure on their own part there would be little or no prohibition against their enrolling in another school. School operators were aware that if veterans were dismissed from one school for failure on their own part there would be little or no prohibition against their enrolling in another school. School operators were aware that if they interrupted or dismissed a veteran for unsatisfactory attendance or progress or acts of misconduct that he would undoubtedly be permitted by the Veterans' Administration to reenroll in another school and continue as before. Veteran trainees were also aware that there was no policy on the part of the Veterans' Administration to deal vigorously with irresponsible, fraudulent, and criminal misuse of their entitlement. The failure of the Veterans' Administration in this connection is demonstrated by a study of Veterans' Administration records, which reflect that only an infinitesimal number of the veterans reported have been prosecuted for illegal or criminal acts and only a small number of these veterans have forfeited their rights to further education and training because of acts of gross misconduct and bad faith. The Veterans' Administration is not reluctant to admit, however, that there have been literally thousands of cases where the veterans' acts and intent were highly questionable, yet no action was taken. Overpayments, many directly attributable to failure on the
part of the veteran, reached $200,000,000. There are approximately $18,000,000 outstanding in overpayments at the present time.

Veterans' Administration regulations provide that a veteran who is interrupted for failure on his own part will not be reenrolled except upon specific approval by the Administrator. The Administrator delegated his authority to approve reenrollments of failing veterans to the regional managers; however, these managers for the most part have failed to take aggressive action in reviewing cases of failure for the purpose of determining whether the veteran should be entitled to further education and training. It is highly doubtful that any veteran who is interrupted for failure on his own part should be allowed to reenroll in another course or in another school until he has been interviewed by the Veterans' Administration Advisement and Guidance Section to determine the nature of his failure and his aptitude for the proposed course.

A vigorous policy on the part of the Veterans' Administration in dealing with criminal acts, acts of gross misconduct and bad faith in the use of educational entitlement would have greatly supported the position of schools which honestly desired to maintain high standards. This committee has received a number of reports of cases where schools attempted to interrupt veteran trainees for misconduct or failure but were virtually forced to reenroll the veteran by Veterans' Administration officials. The Veterans' Administration's attitude with regard to the trainee has been particularly lax in the case of disabled veterans training under Public Law 16 and many schools have complained to this committee that they were powerless to enforce their rules of progress and attendance in the case of veterans training under Public Law 16 and that the presence of these students, who were allowed frequent absences and who were not required to maintain satisfactory grades, created a distracting influence throughout the school.

In any future program established by the Congress, it is imperative that effective supervision by the State approving agencies be assured to require enforcement of reasonable rules and regulations by educational institutions for the purpose of regulating the conduct, attendance, progress, and enrollment of veteran trainees. Any new program must require the Veterans' Administration to establish an effective system for dealing with veteran trainees who commit criminal acts, acts of gross misconduct, or fail to meet the standards of the educational institutions in which they are enrolled.

Organization and Operation of State Approving Agencies

The Servicemen's Readjustment Act of 1944 provided that—

Such person shall be eligible for and entitled to such course of education and training, full time or the equivalent thereof in part-time training, as he may elect, and at any approved educational or training institution at which he chooses to enroll.* * *

and further that—

From time to time the Administrator shall secure from the appropriate agency of each State a list of educational institutions (including industrial establishments), within such jurisdiction, which are qualified and equipped to furnish education or training * * *.

The Veterans' Administration implemented this portion of the act by notifying the Governors of each State of the provisions of the law
and requested that an agency be designated to approve education and
training institutions for the training of veterans.

A variety of attitudes were exhibited by the States in assuming the
obligation created by the Servicemen's Readjustment Act of 1944
and in some instances adequate funds were immediately made avail-
able. In other cases where the State had financial difficulties, little
or no funds were provided and the task of approving educational
institutions and training establishments was undertaken by the
regular staff of the Department of Public Instruction and other existing
State agencies.

Public Law 679, Seventy-ninth Congress, approved August 8, 1946,
established criteria for approval of on-the-job training establishments
and provided that the States would be reimbursed for salaries and
expenses of persons necessary to carry out the act. These funds were
provided through a contract between the Veterans' Administration
and the States and funds were made available in the following amounts:

<table>
<thead>
<tr>
<th>Fiscal year ending</th>
<th>Amount</th>
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<tr>
<td>1947</td>
<td>$2,638,090</td>
</tr>
<tr>
<td>1948</td>
<td>4,579,420</td>
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<tr>
<td>1949</td>
<td>4,586,749</td>
</tr>
<tr>
<td>1950</td>
<td>3,181,031</td>
</tr>
<tr>
<td>1951</td>
<td>2,401,956</td>
</tr>
<tr>
<td>July 1951</td>
<td>122,677</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,615,923</strong></td>
</tr>
</tbody>
</table>

1 Obligation.

The Veterans' Administration reimbursed the States for supervision
of agricultural training through a contract between the Veterans'
Administration and the States which provided that the State board
or agency which administered the institutional on-the-farm training
program could retain a percentage of the allowable funds for the
purpose of administration and supervision.

Public Law 610, Eighty-first Congress, approved July 13, 1950, pro-
vided that the Veterans' Administration could reimburse the State
for inspection and supervision of proprietary profit schools.

At the present time a State may be reimbursed by Federal funds
for supervision of on-the-job and apprentice training, institutional
on-the-farm training, and proprietary profit schools. The State must
furnish funds for rent, postage, utilities, supplies and other operating
expenses, as well as personnel for supervising and inspecting State-
owned schools, institutions of higher learning, and nonprofit schools.

The Veterans' Administration determines the amount of reimburse-
ment which will be allowed each State based on a formula devised by
the Veterans' Administration. The formula provides for one inspector
for each 40 proprietary schools and for two or three visits per year to
on-the-job and apprentice-training establishments. Funds provided
for supervision of proprietary profit schools are considered adequate;
however, it is doubtful whether two or three visits per year is sufficient
in the case of on-the-job training. The State-approving agencies
protested the formula used by the Veterans' Administration in allocat-
ing funds for supervision of on-the-job training. The following resolu-
tion was passed by the National Association of State Approval Agen-
cies but apparently it had no effect on the Veterans' Administration,
since they have continued to use the same formula:
Whereas Public Law 679, Seventy-ninth Congress, provided funds to reimburse the States for making the determination of qualifications for approval and for supervision of firms training veterans on the job, which law has set forth the criteria which must be met and maintained by the firm training the veteran; and

Whereas the Veterans' Administration has by arbitrary regulation determined for the State approval agencies that two supervisory visits per year are sufficient to police its program; and

Whereas such determination has resulted in the appropriation of funds in an amount insufficient to provide adequate supervision; and

Whereas this entailment of funds seriously menace the effective prosecution of the functions delegated the States by Public Law 679: Therefore be it

Resolved, That the National Association of State Approval Agencies respectfully requests of the Congress of the United States that the original intent of the law, which provided that the Veterans' Administration shall not be permitted to supervise or determine the action of the States, be implemented by requiring the Veterans' Administration to request budgetary estimates from the several States prior to preparing its budget for the Congress of the United States; and be it further

Resolved, That such suggestions shall be given consideration in preparing such a budget; be it further

Resolved, That the executive committee be instructed to request the Congress of the United States to determine why sufficient funds are not made available by the Veterans' Administration to the various States for carrying out their approval functions according to the provisions of the law; be it further

Resolved, That the approval agencies feel that saving funds at the expense of the supervision of this program will not effect a real saving to the Government of the United States but that such action will result in damaging the prestige of veterans' education; be it further

Resolved, That the executive committee be instructed to furnish copies of this resolution to the Education and Labor Committee of the Senate and the Veterans' Affairs Committee of the House of Representatives, to each Member of Congress and to each congressionally chartered veterans' organization.

The General Accounting Office called attention to the inadequate supervision given the on-the-job program by the States in their report to the Congress as follows:

STATE APPROVAL AND INSPECTION OF ESTABLISHMENTS GIVING ON-THE-JOB TRAINING TO VETERANS

Establishments offering on-the-job training to eligible veterans were required to be approved by the appropriate State agency after submission of an application and compliance with local requirements, such as length of training period, supervision of training, wage scale, equipment to be used, and provision for classroom instruction when required.

The State approval agencies were charged with the sole responsibility of supervision over the participating training establishments, including action on complaints and compliance with governing regulations and policies. They seldom exercise any supervision or control over the veterans in training, and considered that to be the responsibility of the VA.

While the VA bore the cost of inspecting the participating establishments, State inspections were found generally to have been either too infrequent or not extensive enough to weed out the nonconformists. Since approximately 140,000 establishments were participating in the program last year, it is possible that it would require an impracticable number of State employees to supervise them adequately.

The weakness pointed out by the General Accounting Office is the direct result of the formula used by the Veterans' Administration in allocating funds to the State approving agencies for supervision of on-the-job training.
ORGANIZATION OF STATE APPROVING AGENCIES

The organization of the State approving agencies vary widely. In some States the entire approval authority for on-the-job and apprentice training, institutional on-the-farm training, and all types of institutional training is vested in a single approval agency, the State department of education, or the State department of veterans' affairs. In other cases, the authority to approve is separated to several State departments, such as the State labor department or the State aeronautics department. The variation of organization of the State approving agencies is not considered an undesirable feature, since the States are allowed flexibility in carrying out the approval task as they see fit. Many States have done an outstanding job, while others are less effective and, in at least one case, there has been a total collapse.

DEVELOPMENT OF STATE APPROVAL PROGRAM IN PENNSYLVANIA

Personnel of the Pennsylvania Department of Public Instruction were assigned to the inspection of schools to determine those which were qualified and equipped. Their findings and recommendations were reported to an informal advisory board, which in turn made its recommendations to the Pennsylvania State Board for Vocational Education, the body of final authority. Hundreds of schools were approved, although only two or three full-time employees were engaged in the actual physical inspection of schools. This obviously inadequate system was modified in 1949 when the Pennsylvania Legislature established the Pennsylvania Board of Private Trade Schools to succeed the State board for vocational education. The chairman of the new board testified that the board was handicapped by its lack of authority over the inspection personnel of the department of public instruction, and that the board could exert little, if any, control over the adequacy and accuracy of the reports on which it acted. In practically all cases the board accepted as final the recommendations of the chief, division of private trade school registration, an employee of the Pennsylvania Department of Public Instruction to whom the inspection personnel reported.

Prior to the first meeting of the State board of private trade schools, the department of public instruction had granted 136 interim approvals and during the first meeting of the State board of private trade schools the board confirmed 136 interim approvals. The minutes of the meeting show that the board met 165 minutes and handled 14 items of business. The confirmation of the interim approval of 136 schools was the fourteenth item of business. Testimony developed during the hearing indicated that confirmation of the interim approvals by the board was virtually a "rubber stamp" approval of the action of the department of public instruction. The chairman of the State board of private trade schools testified that the board had no choice in its action of confirming the interim approvals, since the board had been advised by the State attorney general that interim approvals granted by the department of public instruction did constitute an approval and that had the board denied approval it would have been necessary for the board to hold hearings in each case in accordance with the State administrative procedures act. How many of these schools were actually qualified and properly equipped
to furnish education or training is highly conjectural, but it is significant that the chairman of the State board of private trade schools, who was also associated with the advisory board, testified it was not until 1950 that he was satisfied with the inspection reports and recommendations on which the board acted.

The committee heard the testimony of several private school operators to the effect that it took months to secure action by the department of public instruction; in several instances that action was delayed until after August 24, 1949, the date of passage of Public Law 266, Eighty-first Congress, which contained the following proviso:

Provided further, That no part of this appropriation for education and training under title II of the Servicemen's Readjustment Act, as amended, shall be expended subsequent to the effective date of this Act for subsistence allowance or for tuition, fees, or other charges in any of the following institutions:

(1) For any veteran for a course in an institution which has been in operation for a period of less than one year immediately prior to the date of enrollment in such course unless such enrollment was prior to the date of this Act; * * *

Approximately 30 Pennsylvania school operators were caught by the so-called freeze created by the immediate effect of the proviso of Public Law 266, Eighty-first Congress, requiring 1 year's operation prior to the school being authorized to enroll veteran students. The House Veterans' Affairs Committee had no knowledge of the proviso referred to above, and no hearings were held before its passage. The act was immediately effective with the President's signature. Since no grace period was provided before the proviso took effect, hundreds of schools in final negotiation stages throughout the United States lost their total investment.

Testimony developed by the committee indicates that the professional level of the staff of investigators of the department of public instruction was not satisfactory. School operators appearing before the committee testified that it was common knowledge among school operators that it was customary to pay inspectors or give them gifts. A State inspector admitted receiving $100 in one instance; denied that he attempted to sell a course outline for $5,000.

The chief of the division of private trade school registration, previously referred to, listed gifts of porch furniture, a meat block, a brief case, ham, fruit, liquor, a lamp, portable radio, chair, etc. This same person made 11 trips on various occasions to Atlantic City, N. J., Washington, D. C., and several cities in Pennsylvania in order to attend meetings of the Pennsylvania Association of Private Trade Schools, and in each instance the State travel account indicates the association paid part of his expenses.

The chief of the division of private trade school registration stated that his wife had raised $4,000 for a church organ fund by writing letters to private-school operators.

The same State official testified that he purchased two automobiles from the owner of an automobile agency who also owned a large chain of private trade schools. The first purchase occurred in 1947. A 1946 automobile was traded and the difference of $536.34 was paid from "quarters" collected as a hobby for several years. A year later the first car was traded in on a larger and more expensive model, the difference in price of $429.84 also being paid in cash, obtained through a loan from a brother. At that time the State official's bank account showed a balance of $1,560. In the case of the second
automobile, the books of the agency reflected that accessories with a wholesale value of $103.57 were installed but were not billed to the official. The owner of the automobile agency admitted that the accessories were charged to "New car advertising" rather than to the purchaser, the explanation being that it was cheaper to leave them in the automobile rather than to remove them, as requested by the State official. It is apparent that the two automobiles referred to above were purchased under conditions unusually favorable to the State official. The school operator owning the automobile agency which sold the automobiles to the chief of the division of private trade school registration testified that his schools are now operating under a trusteeship, since the schools are under investigation for overcharges and that his partner's case is presently pending before a grand jury.

Testimony before the committee developed that the chief of the division of private trade school registration and three professors of the University of Pittsburgh entered into a partnership in 1947 and established a private trade school in Wheeling, W. Va. After the school had operated approximately 2 years the director of the bureau of instruction of the department of public instruction directed the chief of the division of private trade school registration to withdraw from the school. The chief of the division of private trade school registration complied by placing his interest in his wife's name. Records of the corporation indicate that he continued to attend corporation meetings as his wife's proxy. The school operated as a partnership for 2 years, at which time the partnership was dissolved and a corporation was formed.

In forming the corporation, the four original partners received one-fifth of the school's stock each and transferred the remaining one-fifth of stock to an operator of private trade schools in the Pittsburgh area. This private trade school operator had several large trade schools operating in Pennsylvania and has received approximately $3,100,000 in payments from the Veterans' Administration. His schools were under the direct supervision and approval of the chief of the division of private trade school registration. In return for the one-fifth interest in the Wheeling school, the school operator took over the management of the Wheeling school and entered into an expansion campaign. The school operator testified that when he undertook the management of the Wheeling school it had 69 students enrolled and that he increased the enrollment to approximately 400 students. The private school operator negotiated the contracts with the Veterans' Administration; however, one of the professors acted as treasurer of the corporation and assisted in preparing and certified to the accuracy of the cost data which were used in justifying tuition rates.

The cost data submitted for two different contracts contained salaries allocated to teaching for each of the three professors, who at the same time were full-time employees of the University of Pittsburgh. Investigation by the committee, testimony by instructors in the school, and testimony of the school owners failed to develop that any significant amount of time was contributed by any of the three professors which could properly be allocated to teaching. Since the cost data on which the tuition rate was based were erroneous, it appears that the school received an excessive tuition rate for training veterans. There was no indication that the
Veterans' Administration Contract Section investigated the claims of the three professors before allowing them salaries for teaching; however, the contract officer assigned to negotiate a tuition rate testified that he took exception to the claim and his work sheet had a notation "Too many captains and not enough privates." This contract officer testified that his objections were overruled by the Supervisor of the Contract Section and the Chief, Training Facilities Section. The private trade school operator who entered into the operation of the Wheeling school testified that he later hired this same contract supervisor and the Chief, Training Facilities, at substantial increases in salary.

An inspection of the school revealed that the attendance records of the school were unsatisfactory, and that the school had no policies regulating enrollment dates or entrance requirements. The progress records were not satisfactory and instruction was scheduled until 11:30 p.m. Some of the teachers were required to teach 50 hours per week and there was a minimum amount of equipment in some departments. It was apparent that the school has not received adequate professional direction, even though it was owned by three professors of vocational education and the chief of the division of private trade school registration of the State of Pennsylvania.

An examination of the school's accounts reflects that during the first 2 years of operation as a partnership the school paid the four partners—namely, the chief of the division of private trade school registration and the three university professors—approximately $17,402.20 in salaries, dividends, and expenses. During the next 2 years of operation as a corporation, with the promotional services of the private trade school operator, the school paid the five stockholders approximately $119,468.86 in salaries, dividends, and expenses. The trade school was established on an initial investment of $4,000 and paid approximately $136,871.06 in salaries, dividends, and expenses to its owners over a 4-year period.

As an obvious result of these involvements on the part of the approval authorities of the State and their apparent lack of action in dealing with unsatisfactory schools, a large number of Pennsylvania private schools have become involved in serious criminal and administrative difficulties. There have been approximately 20 indictments and convictions of persons connected with private schools in the State of Pennsylvania. There are approximately 60 cases presently pending before grand juries. The General Accounting Office has audited approximately 30 schools and has taken exception to about $1,400,250 in payments to schools. The Veterans' Administration has audited approximately 100 schools and has taken exception to approximately $1,225,000 in payments to schools. The Veterans' Administration audit program is not complete and it is apparent that many more serious cases will develop. This pattern of serious criminal and administrative involvement in the State of Pennsylvania, which has ranked second in the Nation in participation in the veterans' educational program, at a cost in excess of $1,050,000,000, is to be compared with certain other States where there have been no indictments, no scandals, and a minimum of serious administrative cases. The conclusion to be drawn is that the conditions which have developed in the State of Pennsylvania have resulted in part from involvement on the part of State officials responsible for approval of schools for veterans'
Training and their lack of action in carrying out the obligation of the State to approve only those schools which are "qualified and equipped."

Veterans' Administration Reimbursement to States Inadequate

The General Accounting Office, in its survey of the veterans' educational program, made the following comments relative to the operation of the State approving agencies:

Participation by the States

Although the VA exercised close supervision over the training and education of disabled veterans, the act of 1944 was specific with respect to non-disabled veterans that the VA should exercise no supervision over State education or apprenticeship agencies.

Because of the rapid expansion of the program, the States became faced with an important and urgent task. Theirs was the duty of determining whether the schools and training establishments were qualified and equipped to handle properly the great influx of veterans. Not only did this cover reappraisal of existing schools—the privately operated schools and those of the States, counties, and cities called upon to participate in the program—but also examination and appraisal of the thousands of newly created schools.

The States were not adequately prepared to do this. They met the situation as best they could. Some have done a good job in setting standards under which schools could operate. However, it was evident that in a number of States no initial examination of schools was made; blanket approval was given to all. Likewise, inspections, subsequent to the initial approval, have been deficient. Apparently because of divided authority (the VA has supervision over the veteran while the school is accountable to the State), a number of State inspections failed to disclose matters which should have been corrected immediately, or approval to operate withdrawn.

A great many of the difficulties which later occurred in the veterans' educational program probably could have been avoided if the Congress had provided for adequate financial assistance in 1944 to enable the States to set up a strong supervisory program in 1944. The veterans' educational program under Public Law 346, Seventy-eighth Congress, had cost $12,363,899.474 by July 31, 1951. During the same period $343,215,795 had been expended by the Veterans' Administration for administrative expenses and approximately $17,000,000 is outstanding in overpayments to veterans. Only $17,615,923 has been expended by Veterans' Administration for reimbursement of the States for supervision of on-the-job training and proprietary profit schools.

The basic law did not clarify the relation between the Veterans' Administration and the States. The obligation, as well as the authority and limitations of the States were not clearly defined in the law. Federal aid was provided to States for supervision of veterans' training only after undesirable conditions had developed in on-the-job training, institutional on-the-farm training, and in private schools.

The Federal Government cannot logically expect the States to give priority attention to carrying out a Federal program when the State is having financial difficulty in supporting its public school system. It is not reasonable to assume that the answer would be to bypass the States and create a Federal program of supervision, since a majority of the veterans enrolled are attending public schools and colleges and the presence of a Federal supervisory program would conflict with the traditional authority of the States in the field of education. It is obvious that a veterans' educational program must have supervision.
In view of the amount of Federal funds involved, it is imperative that the Federal Government insure that the States are adequately reimbursed to carry out a thorough program of supervision to protect the expenditure of Federal funds.

The administration of any veterans' benefit is the responsibility of a Federal administrator and an administrative problem is created when a portion of the administrative authority is vested in a State agency; however, the Administrator of Veterans' Affairs is not without precedent, since there are a number of successful joint Federal-State programs such as the Smith-Hughes program, the Federal-State road and public works projects, welfare programs, and many others. The success of a joint Federal-State program financed by Federal funds depends, in a large part, on the ability of the Federal administrator to develop a cooperative plan with the States. The Veterans' Administration is in no way equipped to participate in supervising public education and must depend on the States which, in a large part, finance the educational system. The Administrator should not be forced to expend funds in an unlawful situation; however, he must not endanger the whole program by failing to provide adequate supervision of both the veteran trainee and the educational institution or training establishment in which the veteran is enrolled. The presence of an extensive and effective supervisory program by the States would have paid for itself many times by eliminating racket schools and large overpayments which resulted from the irregular activities of such schools. If educational benefits are extended to new groups of veterans, it is imperative that the Congress safeguard the interest of the veteran, the Federal Government, and the public by providing adequate funds for a thorough supervisory program by the States of both veterans and schools.

Administrative Problems Confronting the Veterans' Administration

In its study and evaluation of the educational program, the committee placed considerable emphasis on the administrative problems confronting the Veterans' Administration and their solution in order to determine whether or not a law similar to the Servicemen's Readjustment Act of 1944 is desirable for the Korean veteran. No such assurance can be given. The record of the Veterans' Administration is replete with administrative failures and malfunctioning, examples of which are cited below.

Overcentralization of Authority in the Washington Office and Its Effects

An avocational course

Public Law 346 as amended contains a prohibition against any veteran taking certain listed courses which are presumed to be avocational or recreational in nature unless the veteran submits complete justification that the course will contribute to his vocational or occupational advancement.

Field offices were delegated authority.—The central office issued a regulation that regional managers could add to the list other courses which were well known to be frequently pursued for avocational or recreational purposes within their regions. Consequently, when the
question arose as to whether radio broadcasting was to be classified as avocational along with bartending, fishing, dancing, etc., regional managers were within their authority in determining that radio broadcasting was not avocational in nature.

Central office withdrew authority and made a Nation-wide ruling.—In February 1951 the central office ruled that all radio broadcasting courses were henceforth to be considered avocational in nature. In effect, a veteran was allowed to take a technical course in radio station operation without justification but he was often denied the opportunity to learn broadcasting techniques in addition. As will be shown later, the central office directive deprived him of a valuable and often necessary phase of training.

A regional office refused to comply.—The reaction of regional offices varied. One region disclaims any knowledge of the directive. Another region refused to comply. The manager wrote Washington that the broadcasting courses given by the schools over which he had jurisdiction were vocational in nature and he cited the excellent employment records of graduates as well as the great demand for their services. Another region was forced to withdraw a letter to a school classifying a course as vocational, a letter which apparently was written only after a thorough study of the situation.

Affected groups unanimously disagreed.—The central office ruling appeared to be so arbitrary and met with such opposition by field offices that a further analysis was made. A sampling of eight State departments of education revealed not one instance of an avocational determination by a State department of education or a State approving agency. An official of the National Association of Broadcasters testified he was shocked to learn of the central office ruling and cited the urgent need of the industry for men trained in the broadcasting as well as technical phases of station operation. Schools made available to the committee hundreds of letters from radio stations offering immediate employment to graduating students.

The intent of the law was subverted and the veteran was adversely affected.—It is apparent the central office issued its ruling without making a study of the facts. Its application or lack of application by field offices was to be expected. But more important than the administrative breakdown which occurred was its effect on veterans. The majority of radio stations are small and require the services of only one or two “combination” men who must possess training in broadcasting as well as in the technical phases of station operation. This fact was known to at least several central office officials who approved the training because—

there is some merit in permitting a combination course of announcing and technician in view of the fact that the sparsely settled West has a great number of small one- and two-man radio stations.56

To quote a telegram dated October 24, 1950, from the central office to a special assistant stationed in the field, approval was given to a broadcasting course “because of the requirement of many smaller broadcasting stations that announcers be qualified as second-class radio operators.”

To enter into contracts providing training in broadcasting because such training is a requirement for employment and then to classify

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56 Interoffice memorandum dated October 24, 1950.
the course as avocational or recreational is the height of absurdity and is evidence of the lack of coordination or agreement between those central office officials who approve contracts and those officials in the field who determine the acceptability of training courses.

To deny a veteran a phase of training which is necessary if he is to find employment is an injustice and a complete departure from the intent of law, namely to provide him with education or training which contributes to his vocational or occupational advancement.

The position of the Veterans' Administration is indefensible.—The contention of the Veterans' Administration that a broadcasting course is avocational because it lends itself to possible pursuit for avocational purposes is ridiculous in the light of the facts. It is an all too typical statement of policy by central office officials, issued with a sublime indifference to the facts, over the protests of regional offices, without consulting schools, without ascertaining the views of the various State educational agencies which approve the schools, without consulting the industry, without coordination among other central office officials and in direct conflict with the law which the Veterans' Administration is charged with interpreting in a liberal manner in the interest of the veteran.

The Veterans' Administration in this instance, by withdrawing authority from its regional managers and instructing them to consider broadcasting as avocational regardless of the content of the courses and local employment conditions, created a condition which resulted in confusion and widespread resentment on the part of all persons concerned.

An even more arbitrary ruling, Instruction No. 1-A.—After Public Law 346 was amended to give the Administrator the responsibility of determining whether a course was avocational or recreational, an instruction was issued by the Veterans' Administration on September 1, 1949, in which it was determined administratively that any course of vocational training established after June 22, 1944, the date of the GI bill, was avocational or recreational in nature.

This amazing ruling provided that a course would be classed as avocational and recreational, based not on the content and objective of the course but solely on the date of its establishment, was condemned in principle by veterans and their organizations as well as educators and State educational agencies. Various other provisions of the instruction threw a tremendous and unexpected workload on the advisement and guidance section of regional offices and would have delayed their processing of veterans' papers for months. A press release warning veterans they would be personally liable for tuition and other fees until such time as the Veterans' Administration approved their applications was followed by a series of teletypes to regional offices postponing the effective date of the instruction. It was finally withdrawn 1 month after its issuance but it remains as an example of an administratively unsound directive which completely departed from the intent of the law to the detriment of the veteran's interest.

Related courses

The Administrator is not permitted to disapprove any course in an institution which has been in operation for a period of more than 1 year which does not completely depart from the whole character
of the instruction previously given (Public Law 610, 81st Cong., July 13, 1950).

Regional offices interpreted the law.—Regional offices determined that an automobile body and fender repair course does not depart completely from the whole character of a course in auto mechanics. The central office agreed. Regional offices also determined, in the absence of instructions to the contrary, that a phase of training in automobile upholstery does not completely depart from training in mechanics. Again the central office indicated agreement by approving contracts negotiated by field offices.

The central office reversed itself.—The Veterans' Administration issued its first regulation on the subject of related courses approximately 3 months after passage of Public Law 610. It was then decided that an automobile upholstery course departed completely from the instruction previously given in automobile mechanical repair. After considerable delay regional offices, acting on the instructions of the central office, took the following actions:

Veterans were summarily interrupted in their training.—The testimony revealed instances of school owners receiving registered letters from regional offices which required the interruption of veterans on the date of receipt. In one instance 10 months of a 12-month course elapsed before the Veterans' Administration determined that it should not have enrolled veterans in training. They were summarily interrupted. In still other instances, veterans were allowed to continue their training but new enrollments were prohibited.

Contracts were repudiated.—Contracts with 60-day cancellation clauses were summarily repudiated on the ground that contracting officers exceeded their authority, that they entered into contracts which were contrary to the regulations of the agency. However, it should be noted that when the contracts were signed there was no regulation in effect to guide the contracting officers. They used their best judgment in the interpretation of the law and the contracts were reviewed and approved by the central office. This retroactive application of regulations means that a contract approved by Washington is legal in September, illegal in October. It is not necessary to dwell on the subject of financial losses suffered by school owners as the result of such actions.

Some regions failed to take action.—Most regional offices took no action for periods of months after receiving central office instructions regarding automobile upholstery courses. One regional office entered into a contract with central office approval 4 months after the central office itself had issued its instructions to the contrary. The contract was finally repudiated in March of 1951, although contracts in other regions were repudiated in November of 1950.

The Solicitor reversed the central office.—In view of the obvious relationship between the courses, as attested by numerous letters from employers stating their need for men who can repair upholstery as well as motors, it is not surprising that the Solicitor ruled on January 15, 1951, that a course of auto upholstery does not completely depart from the instruction previously given in mechanical repair. Although his opinions are binding on all Veterans' Administration employees, it was fortunate for schools and veterans alike that, for some reason unexplained by the Veterans' Administration, no attention was paid his ruling because he was in turn overruled by the Administrator 5
weeks later. The word "fortunate" is used because the situation would have been this: Veterans entering training in August would have been—and were—interrupted in November, only to be entitled to resume their training in January, and finally to be interrupted again in February.

The Administrator reversed the Solicitor.—As mentioned above, the Administrator did not agree with his Solicitor. He interpreted the law to mean that the same tools and skills must be used, although, as the Solicitor pointed out, the law mentions only courses which do not completely depart in character.

The results of the Administrator's decision.—The application of the criteria used by the Administrator led to the questionable determination that a course in automobile body and fender repair departs completely from the whole character of a course in automobile mechanics if it contains a phase of training in painting. In other words a veteran can learn how to repair a motor and also how to bump out a fender because these two courses do not completely depart in character but he cannot learn how to paint the fender after he has repaired it.

Prospective employers of veterans stated their views.—The committee received voluminous correspondence from automobile distributors and garage owners attesting to their need for the employee whose training is not limited to one phase of auto repair. The committee heard the testimony of an official of the General Motors Corp. who emphasized that only in the comparatively few agencies located in metropolitan centers is there a sufficient volume of work to justify the employment of specialized painters as distinguished from body and fender repairmen. The corporation includes painting in its training program.

The intent of the law was subverted and the veteran was adversely affected.—The committee is unable to ascertain how the law can be interpreted to deny a veteran training which is so obviously useful to him and which is a part of recognized training programs having as their purpose the teaching of skills which will make him a desirable employee. The ruling cannot be reconciled with a liberal interpretation of the law in the interest of the veteran and it is contrary to Veterans' Administration regulations as found in Instruction No. 1-B, October 5, 1949:

It is the purpose * * * to permit an eligible veteran to pursue a course that is in the same general field throughout either its length or its breadth * * *

The breadth of a course is the specific course undertaken and such other related subject's or manipulative skills as are in the same general field. An illustration of this is a veteran approved to pursue a course of automotive mechanics who would be permitted related courses of body and fender work, or similar subjects or skills required in the same general field or occupation. [Italics supplied.]

New courses

Public Law 266, August 24, 1949, prohibits the expenditure of any appropriated moneys in connection with a course in an institution which has been in operation for a period of less than 1 year. A regional office requested a decision from Washington regarding instruction being given in a newly established subsidiary branch of an existing school.

The central office was undecided.—The regional office teletype of September 20, 1949, was answered on September 28, when it was ruled that the course would not be approved for the training of
veterans until it had been in existence for a period of 1 year. On October 21 this decision was reversed only to be reversed again 3 days later. A final reversal on November 10, 1949, would have permitted the enrollment of veterans.

Veterans were deprived of training.—In view of the inability of the Veterans’ Administration to reach a final decision, it is not surprising that a school official testified—

We simply closed up the class—and called everything off.

Contract negotiations

Regional office cost determinations are not final.—The central office reserves the right to give final approval to costs submitted by schools. This is accomplished by means of five central office specialists, four of whom are stationed in the field, one in Washington. These employees, with their staffs, review in minute detail thousands of contracts with accompanying schedules of costs which have received the prior approval of the regional offices. Costs of teaching personnel, janitor salaries, advertising expenses, consumable instructional supplies, heat, light, rent, building maintenance, taxes, etc., are often adjusted by officials who have never seen the school in question, know little or nothing of local operating conditions, but who somehow substitute their judgment for that of regional personnel who have all the advantages of direct negotiations with school officials, as well as access to school records.

Schools and regions are often unable to determine how the central office arrived at fair and reasonable rates.—The contents of the cost formula which schools are required to submit to the Veterans’ Administration include a preliminary statement and eight supporting schedules broken down in detail. As a result, the central office official may have to pass judgment on hundreds of cost items. Since it is obviously impossible to explain the reasoning behind each of the many adjustments made, the proposed contract is often returned with little or no explanation of why regional office computations are incorrect. School owners are in the position of accepting a tuition rate lower than that approved by the region without being able to ascertain how it was determined.

Contract negotiations are unduly protracted.—It is inevitable that contract negotiations under such a procedure often extended over periods of months. Three to six months is common and in one instance the committee heard testimony of negotiations dragging on for 2 years. The situation became so acute that legislation was enacted providing for interim tuition payments to schools during the periods of negotiation. However, the remedy provided was not entirely satisfactory nor should it have been necessary. The Veterans’ Administration should have simplified its internal administrative procedure in order to expedite the handling of contractual matters. The obvious solution would have been to delegate responsibility to regional offices, thereby eliminating a second review of costs at the central office level. Apparently the Administrator is in agreement with this viewpoint, although he has taken no action as yet to solve the problem. In April of 1951, in answer to the question “To what extent do you feel personnel assigned to the central office should enter into contract negotiation,” he replied:

The negotiation of contracts should be the responsibility of the regional office except where such negotiations fail at regional office level or when negotiations are
of a difficult and complex nature and the regional office needs the assistance of central office. Additionally, it is believed that central office should be in a position to review the negotiations of the regional office in cases where the institution desires to enter an administrative appeal. 57

A rigid cost formula penalizes the smaller school.—In 1946 the Veterans' Administration devised a cost formula for the purpose of negotiating contracts in which the administrative costs of a school were generally limited to 5 percent of the cost of (1) teaching personnel, (2) consumable instructional supplies, (3) heat, light, power, water, janitor service and building maintenance, (4) taxes and insurance. The limitation was subsequently raised to 15 percent after vigorous protest by schools and there is considerable reason to believe that a 20 or 25 percent figure would be more equitable in many instances. Veterans' Administration officials pointed out the 15 percent can be exceeded if the costs justify it, but in actual practice it usually becomes the maximum. A study of contracts reveals that a school owner may be allowed as a salary little more than the amount he pays his janitor, considerably less than his secretary. This arbitrary formula is insufficient in small schools and sometimes overly generous in very large schools.

Reputation of contracts.—Mention has been made of the repudiation of contracts with regard to related courses. Although there exists some legal right for such action it offends the sense of equity. A contract which has been closed in all respects for a year or more may be reopened in order to reduce tuition rates. Judge Hugh Reid in Arlington County Court had this to say in the stenographic record of a case decided November 1, 1949: 55

Now what happens? Mr. Newton has a very good contract, I suppose, and these young men are satisfied with his price. The time comes when the Veterans' Bureau proceeds to renegotiate that, with Mr. Newton shouting bloody murder, as he was entitled to do.

That is an appalling situation, when a man can enter a solemn undertaking with his Government and find Government officials so lose all sense of honor or decency in the renegotiation of these things that it makes an American citizen blush at the type of public officials he has to deal with.

I think the law is against Mr. Newton but I have sympathy for him because of the way he has been treated by his own Government, from which he had a right to expect dealing on the basis of honor and common decency, and which he has not had in the renegotiation of that contract after it had been in effect, after it had been relied on by him.

It is one of those arbitrary and unconscionable things that just makes one blush for his country.

The face of "fair and reasonable" rates of payment.—The Administrator is charged with the responsibility of negotiating fair and reasonable tuition rates for institutions having no customary cost of tuition:

In any case in which one or more contracts have been entered into in two successive years, the rate established by the most recent contract shall be considered to be the customary cost of tuition. 59

An eastern school entered into several contracts based on fair and reasonable costs approved by the Washington office. A customary cost of tuition was accordingly established and in addition the Veterans' Administration reimbursed the school for hand tools issued to

57 Letter of April 21, 1951, from the Administrator to the chairman
58 Newton v. Prior.
veterans. It was subsequently proposed by the central office to amend a contract to require the school to maintain the tools as capital equipment. The Washington office rendered the opinion that—

The frozen tuition rate in subject contract is sufficient to cover depreciation on all necessary tools which the institution may have to maintain as capital equipment * * * after the contract is supplemented to discontinue the furnishing of tools personally to veterans.

A Veterans' Administration official testified he thought this could be done because the tuition rate applicable to the particular school was higher than the rates in another area. The Veterans' Administration was unable to explain why a contract was entered into if the rate was excessive; nor was a satisfactory explanation given for the attempt to make the school accept less than the amount to which it was entitled.

It will be recalled that the law is not permissive but mandatory regarding the establishment of customary cost of tuition:

The rate established * * * shall be considered to be the customary cost. * * *

It is difficult to understand how the law can be amended to make its intent more clear. If the Veterans' Administration does not consider itself bound by such crystal-clear language then little purpose is served by writing any legislation at all and it should be clearly understood by those who enter into contracts with the Government! Let reliance should not be placed on their statutory rights. To repeat: Judge Reid's words, this is truly "an appalling situation."

Reaction of schools to Veterans' Administration cost formula and contract procedures.—The procedures followed by the Veterans' Administration in determining "fair and reasonable rates" and negotiating contracts with schools resulted in constant controversy between educational institutions and the Veterans' Administration. The following question was submitted to a selected group of trade schools:

Have the present contract forms and cost formulas proven satisfactory for the different kinds of educational services involved? If not, what alternatives or changes are recommended?

The response received by this committee from a certified public accountant who had had extensive dealings with the Veterans' Administration in contract negotiations is typical of the general reaction of this class of schools:

The contract forms have not caused much difficulty but what VA officials have done with them has.

Here is the situation. As long as cost data was required, the preparation of a contract involved:

(a) A review of the cost data submitted by the school.

(b) The preparation of the contract which, presumably, reflected existing laws and regulations.

In order to be able to review cost data properly, the official doing the job should be a professionally trained accountant and he should have as a guide a manual of principles and procedures such as one finds in the Bureau of Internal Revenue or Securities and Exchange Commission.

Actually, in the Los Angeles regional office, there has been, to my knowledge, during the past 3 years only one person with a formal accounting training, and this person did not occupy a supervisory position. He was one of about 10 contract officers.

The regulations say "it is necessary that generally accepted accounting principles be used in determining proper amounts which may be allowed" (R. and P. R. 10530). I doubt whether anyone in the contract office of the Los Angeles regional
office, outside of the one contract officer mentioned above, has anything more than a layman’s knowledge of this statement. The professionally trained accountant knows that it comprises a large body of technical material that is being continually supplemented by declarations of the American Institute of Accountants.

The ignorance of VA officials of generally accepted accounting principles and the recognized procedures of cost accounting has led to endless bickering, wrong conclusions, and an enormous waste of time. When one has to spend hours and hours trying to explain procedures that have been established as valid by years of accounting experience, he frequently ends up by surrendering through exhaustion.

Cost accounting frequently necessitates complex computations. When the contract officer not only has little knowledge of accounting, but also has only a meager knowledge of mathematics, the accountant representing a school is really in trouble. In 1949 I spent many hours trying to convince the VA that its treatment of non-tuition income in cost data was mathematically wrong. The question was discussed on all levels of authority in the Los Angeles regional office and then was referred to the Denver district office. The VA refused to budge. However, when the VA issued change 15 in May 1950, the prescribed method for treating non-tuition income was exactly what I had been urging. Meanwhile, the school I was representing had its tuition rate frozen on the basis of an incorrect mathematical computation, and there is no means of redress.

In connection with the preparation of contracts, there has been a lot of dissatisfaction among the schools, primarily because

(a) The specific terms have been, for all practical purposes, unilateral determinations on the part of the VA. Schools were put into the position of being compelled to sign the contracts submitted or not being paid. Public Law 610 has improved this situation considerably—

(b) VA officials, at least those in the Los Angeles regional office, have taken the position that their job was not really to determine fair and reasonable tuition rates but to “make the most favorable bargain possible for the Government.” When officials with such an attitude play the roles of prosecutor, judge, and jury, fair treatment becomes the exception rather than the rule.

(c) Frequently, when schools protested that a proposed clause in a contract was in conflict with the regulations, they were told that the clause was based upon administrative decisions. Officials have been very close-mouthed about these administrative decisions with the result that schools would frequently have grave doubts about the legality of a given contractual restriction. There seemed to be no way of getting relief without spending a lot of time and money on lawyers and accountants.

(d) Few of the contract officers who prepared the contracts have been lawyers. As a result, they lacked the professional qualifications for interpreting the complex laws and regulations that applied to contracts. One of the results has been the submission of claims against the schools for large sums of money on the ground that their contracts were in conflict with existing laws and regulations. It seems to be that where contracts are prepared by the VA, are examined by supervisory officials who presumably know what they are doing, are then sent to a district office for final approval, the VA ought to be estopped from saying years later that the contract was in conflict with the laws and regulations.

Recommended alternatives and changes:

1. Cost data should be analyzed and reviewed by Government employees who are trained accountants who should be required to make decisions in accordance with generally accepted principles of accounting.

2. Contracts should be prepared by a legal section staffed or headed by lawyers.

3. After a contract has received the approval of officials charged with that responsibility, its terms should be final. Schools should be protected from claims that the contract is in conflict with the laws and regulations unless fraud or any other dishonest act was involved in its making.

THE FAILURE TO DEFINE POLICY AND ITS RESULTS

Occasional absences from training and tuition payments

Seven years elapsed before a regulation was published.—For approximately 7 years and until April of 1951 the policy of the Veterans’ Administration consisted of several letters to field offices stating the principle that “reasonable” absences from training on the part of the veteran should be allowed without a reduction in tuition payments to
schools. Reasonable absence was defined as absences from class sessions which do not materially interfere with a veteran's progress in the successful pursuit and completion of his course.

Field offices issued various and different local regulations.—After several years of operation under this very general ruling, field offices and central office officials stationed in the field began to define reasonable absences in various ways. In some cases approximately 1 day a month was reasonable, in others 3 days a month, and several regions allowed up to 7 days a month. In one instance a central office official attempted to enforce an oral instruction that any absence on the part of a veteran for any reason, sickness or otherwise, would result in a reduction in tuition payments.

Local regulations governing schools in the New York-New England area were particularly ill-advised.—Testimony revealed that the central office representative stationed in New York issued a regulation which limited absences to 5 percent of the number of instructional hours or approximately 1 day a month. This ruling—

1. Was contrary to State laws on the subject;
2. Was applied retroactively to establish alleged overpayments to schools;
3. Did not recognize customary policies of long-established schools operating in accordance with State laws;
4. Included an elaborate, expensive, and unnecessary vouchering procedure; and
5. Gave regional managers no discretionary authority.

The central office, although it had previously approved this policy, recognized its unsoundness by making exceptions for those schools which appealed and by issuing, finally, an entirely different regulation.

Examples of irresponsible actions of Veterans' Administration officials.—An audit of the records of a school for the period 1946-48 was conducted by a regional office. Contracts in effect during that period contained no provisions regarding absences, nor were there any central office or local regulations in existence until 1948, when a 5-percent ruling was put into effect. Nevertheless, the Veterans' Administration determined that an overpayment existed for every absence in excess of 5 percent of the instructional hours given and over $7,000 was deducted from vouchers subsequently submitted by the school in order to accomplish recovery. The inequity of this action is apparent when it is recalled that prior to 1948 the only guidance on the matter of absences provided by the Veterans' Administration was the policy that absences were reasonable in number if they did not interfere with the veteran's progress. Although a successful appeal was made to Washington based on the fact that many of the graduating students took and passed the Civil Aeronautics Administration examination for aircraft and engine mechanics, the arbitrary action of the regional office and the withholding of payments to the school remains on the record. Many schools accepted similar retroactive rulings without subjecting themselves to the delay and expense of making an appeal or without a full understanding of their rights.

An eastern school relied on a contract provision that absences in excess of 5 percent were allowable if approved by the regularly assigned Veterans' Administration representative. Testimony shows there is no reason to doubt the school's contention that he performed
this duty during his frequent visits to the school. Yet overpayments were established and collected for any absence in excess of 5 percent.

A regional office presented a proprietary school with a bill for $120,000 claiming that tools should not have been issued to veteran students despite regulations permitting the practice and despite the knowledge by the Veterans' Administration that the school had been issuing tools to veterans for years. The bill was canceled after appeal to the central office.

Instruction No. 1-A, previously mentioned, established the criteria that any and every course of vocational training was avocational or recreational in nature if it was established after June 22, 1944, the date of the GI bill. It is impossible to justify a ruling which totally ignores the contents of the courses and their objectives and which is directed against the interests of veterans rather than in their behalf.

The repudiation of contracts approved by the central office because they were not in accord with central office regulations issued subsequently to the signing of the contracts has already been mentioned.

Decisions are made on individual cases without regard to the discrimination which results. As an example, two schools located in different regions offered identical courses in cabinetmaking with Veterans' Administration approval until 1949 when exception was taken to the length of the course in one of the schools. Disabled veterans were not allowed to enroll although no such restriction was imposed against the sister school or against 75 similar schools in the State. The reasons advanced by Veterans' Administration officials for this action have varied but the discriminatory aspect of the ruling has remained unexplained.

**Full-time training**

_Six years elapsed before a regulation was clarified._—The disabled veteran is expected to devote full time to his training but Veterans' Administration regulations do not define the number of hours of instruction which constitute full time. However, the Veterans' Administration did define full-time training for the nondisabled veteran as 25 hours or more per week. Regional offices logically assumed the same number of hours to be applicable to disabled veterans.

In August of 1950 the central office clarified the regulation by requiring the disabled veteran to devote to his schooling as much time per week as is commonly applied to employment in the occupation for which he is in training.

_The regulation was impracticable to apply._—Regional offices found it difficult to increase the hours of training from 25 to 40 hours per week when the nondisabled veteran could successfully complete the same course within the same period of time by devoting only 25 hours to his studies. Difficulty was also experienced in trying to force schools to divide their courses into two parts, one for the comparatively few disabled veterans and another for nondisabled veterans.

_The regulation was not applied in the field._—Regional offices resorted to various evasions. In one State training in carpentry was increased to 30 hours by the device of assigning 5 hours of unsupervised home work to the disabled veteran, although the value of home study is highly conjectural in a course of this type. Initially there was no attempt made to increase the hours to 36 or 40, the time commonly applied to employment in the occupation as required by the regulation.
Determination of entitlement to eligibility

Criteria for eligibility.—Although it may not be a matter of common knowledge to the Congress, there need not be an interruption in the performance of active service in order for a person to be entitled to the educational benefits of Public Law 346. If the person was discharged for the purpose of accepting a commission or for any other change of status and he was eligible at that time for release under the point system or length of service system, then he is entitled to benefits although the change of status may have been accomplished within a period of minutes. However, there is an exceedingly fine line of distinction drawn regarding the types of discharges given, some of which do not entitle the person to benefits.

Regional offices were confused.—Without going into technical detail, regional offices have interpreted the regulation in different ways since it is couched only in the most general of terms. One region has reviewed 6,382 certificates of entitlement and has notified 249 veterans that they were no longer entitled to benefits. Benefits have been suspended in the cases of an additional 140 veterans until such time as the service departments supply additional information; and 374 veterans are being requested to furnish additional service data.

Why veterans are resentful.—The confusion and indecision which still exists after 7 years of administering Public Law 346 is best illustrated by a case history, by no means unique. First Lt. A-B-C 60, USMC, reverted to permanent status of enlisted man on July 24, 1946, and was discharged honorably for the purpose of accepting a permanent appointment as an officer in the Regular Marine Corps. In September 1950, he applied for a certificate of eligibility.

Since applications at that time were taking 8 to 10 weeks for clearance, I registered at the university at my own expense, subject to reimbursement should my application under the GI bill be approved by the Veterans' Administration. 61 On November 15, 1950, he was advised that further information was being obtained from the service department. On January 15, 1951, 4 months after the date of application, he was notified of his ineligibility. On February 5, 1951, the veteran formally appealed the decision and on April 2, 1951, he was determined to be eligible. On June 12, 1951, as the result of the regional office review mentioned above, he was notified benefits would no longer be payable. The veteran appealed his case again and on August 9, 1951, the Veterans' Administration reversed itself for the third time and declared him eligible.

To summarize, the veteran was ineligible in January, eligible in April, ineligible in June and eligible in August. It is to be hoped that a fifth review of his service record will not be necessary.

THE DEPARTURE FROM THE INTENT OF THE LAW

The intent of the law

It has been said in congressional debate and reiterated by the Veterans' Administration that the educational provisions of Public Law 346 are in the interest of the veteran and no other. In addition, the Solicitor of the Veterans' Administration has stated the principle

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60 Initials supplied and not actual.
61 Letter of July 3, 1951, to the chairman.
that a liberal interpretation of the law in the interest of the veteran is mandatory. Without discussing involved legal considerations, but with legal as well as common sense principles in mind, it is evident that an exceedingly strict application of the law has governed in the cases cited previously with detrimental effects on the veteran. The tortuous reasoning used to ascribe to the law meanings which are contrary to its express provisions cannot be reconciled with the interests of veterans. However, when payments to schools are not involved, the Veterans' Administration is capable of startling generosity on behalf of veterans, as will be seen.

A $100,000,000 decision regarding subsistence payments to veterans not in training

The Veterans' Administration interpretation of the law.—In this evaluation of the educational program it is believed proper to call attention to House Report No. 3243 of the Government Operations Subcommittee of the Committee on Expenditures, Eighty-first Congress, second session. The report notes changes in policy which added over $41,000,000 to the cost of subsistence payments to college students alone. Although statistics available from the Veterans' Administration are not in the proper form to provide an accurate figure, additional expenditures on behalf of students in all types of training up to the present time is conservatively estimated as $100,000,000.

Public Law 346 provides that while enrolled in and pursuing a course of education or training a veteran is entitled to subsistence payments on a monthly basis, including regular holidays and leave not to exceed 30 days a year. Veterans' Administration regulations as originally promulgated adhered to these provisions of law. Due effect was given to the words "while enrolled in and pursuing a course" and subsistence payments were therefore limited to the period of enrollment. If a veteran discontinued his education prior to the completion of a course his subsistence terminated on the date he discontinued. When he completed a school year and interrupted his training for vacation purposes his subsistence was discontinued as of the end of the school year; and when he completed his course and graduated his subsistence quite naturally ended at that time.

Leave of absence varying from 1 up to 30 days could be taken within a period or periods of enrollment according to the individual circumstances of each case providing such leave did not materially interfere with the veteran's progress in his course. The Veterans' Administration was thus able to maintain an uninterrupted flow of subsistence checks since it was not necessary to remove the veteran from the subsistence payroll and subsequently reenroll him every time he missed a day or a few days of instruction.

Overpayments of subsistence mounted.—As reported by the Veterans' Administration and the Bureau of the Budget and transmitted by the President to the Congress, veterans and institutions failed to notify the Veterans' Administration when the veteran interrupted or completed his course. Such failures at one time resulted in overpayments to veterans for subsistence allowance amounting to over $200,000,000.

62 House of Representatives Doc. No. 466, 81st Cong., 2d sess.
The Veterans' Administration legalized overpayments, thereby precluding recovery by the Government.—In an attempt to solve the problem, the Veterans' Administration decided to legalize future overpayments by considering the veteran to be on leave of absence from training and thus entitled to subsistence up to the end of the month in which he discontinued his training and for 15 days after the end of each school year and for 15 days after he had graduated despite the specific wording of the law requiring enrollment in and pursuit of a course, as a prerequisite for the payment of subsistence. This amazing ruling "was based on the knowledge that veterans do not take an average of more than 15 days leave during the school year." 63

An entirely new interpretation of the law was thereby put into effect. The veteran was not granted leave up to 30 days according to the circumstances and need of each individual case and in accordance with the language of the law ("not to exceed 30 days") but rather he became entitled to the full 30 days.

Numerous cases of similar actions on the part of Government officials have been decided by the courts:

There is a distinction between legislative and administrative functions, and under a statutory power to make regulations, the administrative officer cannot abridge or enlarge the conditions imposed by statute. (U. S. v. USVS, George, 228 U. S. 14.)

If the Secretary of the Interior can define one term of a statute, he can define another. If he can abridge, he can enlarge. Such power is not regulatory, it is legislative. The power of legislation was certainly not intended to be conferred upon the Secretary. (U. S. v. United Verde Copper Co., 193 U. S. 215.)

The reaction of the Government Operations Subcommittee to this situation is quoted:

Obviously, the intent of Congress was fixed when the law was enacted, and this subcommittee finds it difficult to follow the mental gymnastics necessary to approve such reversals. No law can mean one thing today and its opposite tomorrow.

The Veterans' Administration understood the clear intent of the law as evidenced by its original regulations and it is apparent that the Agency resorted to legislation by regulation to solve the administrative problem of overpayments. To quote H. R. 3243 previously referred to:

Although the practical solution to this problem would have been to call the situation to the attention of Congress so that appropriate corrective legislation could have been enacted, the Veterans' Administration allowed this situation to drag on for almost 6 years before reporting it to the Congress. * * *

(and then only at the request of a Senate committee). When the Congress finally was informed in January 1950 that overpayments were still continuing at the rate of $1,300,000 a month the result was Public Law 610 of July 13, 1950, which provided a common sense and practical remedy, i. e., the school is liable for the overpayments of subsistence if it fails to report discontinuances or interruptions of training.

Veterans were adversely affected.—There is another aspect of the decision to legalize overpayments which should be mentioned in an analysis of the administrative problems confronting the agency. In this instance, as well as others previously mentioned, the problem was created by the Veterans' Administration itself.

Since the 15-day extensions of training status were accompanied by subsistence payment, they were charged against the veteran’s period of entitlement to educational benefits. However, many veterans with limited entitlement objected on the grounds that they were obviously not pursuing a course of education. The Veterans’ Administration thereupon ruled that these veterans could repay the subsistence allowances given them for the 15-day periods and thus regain entitlement time although for a period of almost 2 years this recourse was not available. (In the meantime, the veteran was unable to utilize to fullest advantage the benefits conferred upon him by law.) A paradoxical situation was created whereby the Government paid the veteran who repaid the Government because he did not want the money in the first place. The administrative expense involved is apparent although it is more difficult to gage the resentment and confusion among veterans and schools alike.

The committee is unable to follow the reasoning behind a ruling which establishes different criteria for the payment of subsistence to similarly circumstanceed veterans taking the same course in the same school or university.

It is significant that the Veterans’ Administration contemplates returning to the original policy of limiting subsistence to the period of enrollment, evidently relying on the safeguard imposed by Public Law 610 wherein the educational institution is held liable for overpayments caused by its failure to report interruptions and completions. It is unfortunate this solution was not decided upon originally since the one chosen by the Veterans’ Administration only partially solved the problem, added $100,000,000 to the cost of subsistence payments, and penalized veterans with limited entitlement.

The General Accounting Office is unable to take action.—A copy of the staff report submitted to the chairman of the Government Operations Subcommittee was forwarded to the General Accounting Office for comment. The Comptroller General agreed that the regulations are at variance with the statute, but pointed out that the position of and the action available to the General Accounting Office are governed by the finality of decision accorded to the Administrator.

All decisions rendered by the Administrator of Veterans’ Affairs shall be final and conclusive on all questions of law and fact, and no other official or court of the United States shall have jurisdiction to review by mandamus or otherwise any such decision (Public Law 2, 73d Cong.).

This grant of authority by the Congress, almost without precedent except in times of emergency, curtails independent audit and control powers and makes it impossible for the General Accounting Office to take exception to what would be considered illegal regulations if issued by any other agency.

VETERANS’ ADMINISTRATION INTERPRETATION OF PUBLIC LAW 610

There has been a regrettable deterioration in the relationship between the Veterans’ Administration and the Congress. As an example of the difficulty being experienced, section 2, Public Law 610, provides:

In any case in which one or more contracts have been entered into in two successive years, the rate established by the most recent contract shall be considered to be the customary cost of tuition

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64 See S. 1940, 82d Cong., 1st sess.
The conference report accompanying S. 2596 64a (enacted as Public Law 610) states:

The provisions of section 2 apply to all courses which were covered by contract * * * without respect to the calendar duration established or the weekly hours of attendance required for such courses.

The Veterans' Administration ruled that the language of the report did not clearly refer to short intensive courses,65 whereupon the Senate passed Resolution 124 reaffirming that section 2 applied to all courses without respect to calendar duration. Thus a situation has been created in which the Congress finds itself unable to obtain compliance with the intent of the law.

THE INABILITY TO DETERMINE THE INTENT OF LAW—EXAMPLES OF CHANGES IN INTERPRETATION

In the section of this report dealing with on-the-job training, it has been pointed out that the central office negotiated directly with insurance companies to provide training in insurance underwriting. Thousands of veterans participated in the program from 1944 until 1949, when the Administrator determined that the training was inadequate and not contemplated in the law. If the training establishment refused to reduce the length of the course from 24 months to 6 months, approval was withdrawn. This action creates a situation where the Administrator, after careful consideration, approves a training program submitted in great detail, and after several years of operation involving the expenditure of millions of dollars he determines that the same program is not in accordance with the intent of the law.

On-the-job training programs for firemen and policemen were established in most of the large cities in the United States, and thousands of trainees pursued these programs to completion. In 1951 the Administrator declared that a majority of these programs were not in accordance with the law and directed regional offices to deny further benefits to veterans enrolled in on-the-job training programs for policemen and firemen. Public Law 348, Seventy-eighth Congress, as amended by Public Law 670, Seventy-ninth Congress, specifically prohibits the Administrator from enrolling a veteran and awarding benefits where the conditions of the law have not been met. After 6 years of operation the Administrator determined that on-the-job training programs for firemen and policemen were not in accordance with the law and withdrew benefits. There is considerable doubt as to the propriety of the payments made prior to this decision.

During the development of the veterans' training program, a great many public and private schools established courses in building trades, such as carpentry, bricklaying, and painting. These courses were established on the basis that the trainee would attend organized classroom training from 1 to 2 hours per day and spend the remaining 4 or 5 hours per day at work on a training project consistent with his training program. The schools usually selected "live" projects, such as actual buildings, and in many cases these projects were removed considerable distances from the school location. In 1948 the Administrator of Veterans' Affairs rendered a decision to the effect that work done by a trainee enrolled in a vocational school

64a H. Rept. 2373, 81st Cong., 2d sess.
65 Solicitor's Opinion No. 413-50.
away from the immediate premises of the school was on-the-job training. The Administrator referred to the provision of Public Law 679, Seventy-ninth Congress, which prohibits payments of tuition for on-the-job training and stated that schools would no longer be entitled to receive tuition for that portion of the course which was carried out away from the immediate vicinity of the school building. This ruling greatly curtailed, and in many cases discontinued, the building-trades training program in vocational schools. The question is raised as to whether the Administrator was justified in paying tuition for that portion of the course done away from the school prior to his ruling in 1947, since his later ruling in effect stated that work done away from the school was on-the-job training and could not be considered training for tuition purposes. It follows that tuition paid for "work done away from the school" during the period 1944-47 was illegally paid by the Administrator.

COMMITTEE OBSERVATIONS.

This committee takes cognizance of the fact that an original regulation implementive of a statute does not necessarily exhaust the authority of the head of the agency to issue additional, and if necessary to carry out the purposes and intent of the act, contradictory regulation (Gemseo v. Walling, 324 U. S. 244 at 268). Yet, when the Administrator does authorize substantial expenditures of funds as being in accordance with the law and then determines at a later date that further funds should not be expended if the intent of the same law is to be followed, his action inevitably raises questions as to the wisdom of the original decision. The issuance of new and contradictory rulings and regulations has been a continual process, as pointed out in the sections of this report dealing with Veterans' Administration Instruction No. 1-A, the leave policy, interpretation of the avocational provision of Public Law 610, and the definitions of "a related course," "a new course," and "reasonable absences," as well as the instances just cited.

The committee questions the administrative ability of those officials who issue numerous regulations in good faith and then apparently later find them to be unrealistic and contrary to the purpose and intent of the statute.

A policy which carries out the clear intent of the law should not be reversed because of administrative difficulties encountered. If the difficulties are not subject to practical solution, the problem should be presented to the Congress for amendatory legislation rather than the agency determining that the law does not mean what it says.

The officials charged with the responsibility of making policies and framing regulations should not be lacking in field experience or unaware of the consequences of their actions. The committee believes that the issuance of contradictory regulations would not be so prevalent if the policy makers knew and fully appreciated the problems they create in regional offices, the resentment and confusion of the veteran, the sentiment of the schools adversely affected, and the opposition of State approval agencies.

It follows that there is validity in the criticism voiced by the major veterans' organizations that regional offices lack the authority to render the service which the veteran expects and to which he is entitled. There must be some degree of uniformity, but the inter-
ference of the central office in even the most trivial matters is evidence of regimentation and centralization of authority in its most extreme and undesirable form. Such interference manifests itself in indecision and lack of action on the part of regional officials and creates serious doubt as to the administrative competence of central-office administrators.

The Functioning of the Supply Program

One of the most important areas of the veteran educational program is that of supplies.\(^6\) Almost $500,000,000\(^7\) has been expended on supplies furnished to veteran trainees at Government expense since the inception of Public Law 16 in 1943; yet, the question of supplies has been, and is today, considered one of the more controversial and unsatisfactory phases of the program from the standpoint of administration. This has been recognized by all the major participants (i.e., schools, veteran students, State approval agencies, and the Veterans' Administration itself) as well as by outside observers who have had occasion to become closely associated with the program.

The Assistant Administrator for Vocational Rehabilitation and Education stated before this committee during hearings on Veterans' Administration supply policy:

In the Veterans' Administration answers to the committee's questionnaire of January 29, 1951, the VA freely admits that the administration of books, supplies, and equipment has not been satisfactory from the standpoint of either the Government or the schools.

Furthermore, I think the Veterans' Administration will admit in its effort to administer this program it has not been entirely successful in being consistent in respect to its handling of all of the schools that have been involved. We are aware of the fact that we have been inconsistent in some instances, wherein the facts would appear very similar. I think I would even admit to the inconsistencies on the part of the central office that should have had the facts on both schools before them when they made decisions.

Veteran reaction to some of the Veterans' Administration supply determinations has shown dissatisfaction. For instance, the following are excerpts from a series of student petitions and correspondence resulting from a Veterans' Administration ruling that a particular trade school could not issue supplies for student ownership at Government expense, but instead must only loan the supplies to students for their use during the period of training:

We do not believe that Congress meant for Public Law 346 to be discriminatory. For example, if I should go to Harvard and the tuition was $800 a year—the Veterans' Administration will pay $500 of this. I, then, have obtained the maximum benefit under the law. Now picture for an instant this fact: I am learning a trade which means that I will work with tools, when I have mastered that trade. My tuition is considerably less than $500, and yet, if I want these tools, and reference texts, I must buy these myself. In other words, although I was in the same outfit of the boy who went to Harvard, he gets preferential treatment. Now one thing is certain—we can't all go to Harvard.

Frankly, we don't believe that we are getting "fair treatment" from the Veterans' Administration, since there are inequalities of the administration and

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\(^6\) Since 1947, the term "supplies" has been generally used in Veterans' Administration regulations and correspondence in a broad sense to denote books, consumable instructional supplies, tools, equipment, and items of a similar nature. This is the sense in which the word has generally been used by the committee throughout its investigations and in this analysis.

\(^7\) Includes on-the-job training.
interpretation of the same law right here in * * *. You have three schools, trade schools less than 5 miles apart, where the same course is taught. In one, the Veterans' Administration allows $100 for each veteran's tools; in another, $20; and in the latter, nothing.

* * *

In checking with other schools, we find for example, at the University of * * * the veteran obtains textbooks, special reference books, slide rules, stationery allowance, laboratory fees, camera rental fees, etc., which are paid for by the Veterans' Administration. We were somewhat surprised that the Veterans' Administration pays to have a stenographer typewrite a veteran's thesis for his degree. All these become the veteran's property upon completion of the course. In addition we find other trade schools who provide the veteran with books and tools which become his property upon completing the course.

As it stands now, when we complete our course, we will have the knowledge but none of the texts to review, and no tools to carry on our trade. No tradesman can be considered prepared for the job without necessary tools and references to go with his knowledge and training.

Many jobs require the workman to provide his own tools. Of course, we can pay for these ourselves, and it would work a hardship in some cases, but we do not believe that was the intent of Public Law 346, particularly when veterans attending other schools obtain these facilities at Government expense.

The veterans felt with some justification that, regardless of the technicalities and regulations which caused differences in treatment of schools, they were afforded the opportunity of educational benefits by a grateful Government in recognition of their service in the same armed force under broadly similar circumstances and, hence, had earned the right to equal treatment in benefits.

Numerous expressions of dissatisfaction have been received by the committee from all types of schools concerning the manner in which supplies have been handled by the Veterans' Administration. One trade school in operation before the GI bill reacted to a Veterans' Administration ruling on tools to be issued to veterans as follows:

It might be noted that there was no rhyme or reason in the selection of tools to be issued to students and those to be loaned to students. Apparently the selection was made on a purely arbitrary basis and without the slightest comprehension of either the nature of the tools or the use for which they are intended. No explanation or justification for the breakdown was ever made by the Veterans' Administration, other than that the list came from Mr. ---'s office.

The present arrangement is entirely unsatisfactory and works to the disadvantage of both this facility and its students. It creates a difference between the veteran students and the nonveteran students. An actual violation of our * * * State license is created by the ruling, in that our license provides that each student attending these courses will possess a specified list of hand tools.

Another trade school, established after the Servicemen's Readjustment Act, had this to state on the fact that it was denied the right to issue certain tools which similar schools in the same area teaching the same course were allowed by the Veterans' Administration to issue at Government expense:

The fact that we have not been able to issue these items to students has cost the institution many thousands of dollars in enrollment, since many students either did not enroll in our institution or transferred to other institutions due to the fact that we did not issue lathes. * * *

We have never been able to understand this situation in that we were the only school in the State of * * * not issuing lathes and motors. I believe that there were at one time eight watchmaking schools in * * * and many of these were established after our institution.

One of the oldest institutions of higher learning in the country sums up its experience in the supply program as this:
The handling of books, supplies, and equipment, from our point of view, has been one of the most unsatisfactory and burdensome parts of the veteran program. * * *

We have done our best in the colleges to meet the general regulations of the VA that all these purchases should be "required," and that the necessary signatures and certifications be obtained in each case. However, the instructions by the VA have been most general, and supervision of our record keeping has been practically nonexistent. This set of circumstances leaves all of us in the colleges with enormous numbers of purchases already accomplished on behalf of the veteran, and with the uneasy sensation that in a final scrutiny we may be found to be in error. It has been a complex and unnecessarily difficult administrative process, which ought never to have been started.

Another institution of higher learning complained:

Information released to the schools governing the handling of books and supplies has never been satisfactory. These instructions are not clearly written and are unnecessarily complicated. * * *

Some State approval agencies apparently agreed that the supply phase was one of the least satisfactory aspects of the educational and training program. For example, one State approval agency's experience led it to state:

The most "glaring" of the "abuses" concerned, not the education and training under the GI bill, but the irregularities in the supplying of books, supplies, and training equipment. Not only are some of the proprietary schools open to criticism on this matter, but also most of the institutions of higher learning found "legal" ways to hike the costs. * * *

Some of the findings and conclusions on supplies reached in the General Accounting Office's Report of Survey—Veterans' Education and Training Program were the following:

(a) College-level institutions:

Surveys at the various institutions of higher learning disclosed that many undesirable practices had arisen in connection with the furnishing of these items (supplies), resulting in overpayments or erroneous payments. * * *

(b) Privately operated profit trade and vocational schools below the college level:

VA regulations provided that books, consumable supplies, tools, equipment and other necessary items could be furnished veterans within certain limitations at Government expense. Since many of the schools had either bookshops of their own or agreements with suppliers, the VA encouraged the institutions to furnish the supplies. The furnishing of supplies soon became an important selling attraction and not infrequently schools prominently advertised the quota of tools, etc. that would be furnished at Government expense.

Many abuses developed in connection with the issuance of supplies, and notwithstanding the tightening of VA controls, many irregularities continued in connection with the billings and payments made to the schools. * * *

(c) Nonprofit schools below college level:

Matters concerning charges for supplies and equipment, attendance requirements, and subsistence allowances for trainees in public nonprofit schools below college level are, with a few minor exceptions, subject to the same provisions of law and VA regulations as those affecting institutions operated for profit. Examination at profit schools developed considerable information concerning such matters and a wide variety of findings appears in the section entitled "Privately Operated Trade and Vocational Schools Below the College Level." The apparent weakness in regulations and administration demonstrated by such findings pertain to training in nonprofit schools as well.

A Nation-wide publisher and jobber of books in contact with almost every college store in the country summarized the supply situation in these words:

* * * We have been fully aware of the terrific number of abuses that have crept into the present system of handling textbooks and supplies. We know that
without a question thousands of students could have made their money stretch and go much further if they had been left to purchase their needs where they pleased in a competitive system.

I have no doubt that the system that has been used has cost the taxpayer some millions of dollars and has subjected the students to uneconomical and terrible abuses. * * *

An independent retailer of books and supplies who agreed to act as the book and supply store for a college described the situation in this manner:

This letter is intended to give you a slant on some of the many abuses that the Veterans' Administration seems to condone. * * *

In 1946 the * * * college came to me and asked if I'd handle these GI supplies and bill the college, with the understanding we would be paid when the college received its pay. From the very start the college put very little thought on how best to supply the needs of the GI's and also keep down abuses. * * *

The Veterans' Administration never did get any system worked out so that stores or schools had a good course to follow. The colleges as a whole seemed to feel that they were delegated as Santa Claus' little helpers, and this is what happened (as we see it): Dictionaries, for instance—many is the student that asked for and received a $5 dictionary at the beginning of each semester; some got as many as three or four in this way. In courses such as mechanical drawing, there were some students who got two or more sets of expensive instruments, although at different times. Some teachers have indicated and approved enough radio parts to build complete radios, under the theory that this [is] a physics course. I could go on for hours on this type of abuse, which I repeatedly called to the attention of the officials of the college, and yet no real attempt was made to correct these things.

Probably the biggest abuse has been the practice of teachers indicating as "required" textbooks a great many titles which were actually intended for veterans' use only; for the regular or non-GI students were warned (off the record) that they need not necessarily purchase the book recommended. But for the GI's Uncle Sam bought the copy anyway. And this practice was permitted by the administrations of the colleges.

These abuses were bad enough in * * *, but from what I learned in talking to the veterans many were disgruntled because the school from which they had transferred gave them considerably more freedom in buying at Uncle Sam's expense. * * *

The boys were, on the whole, considerate, but many were determined to get all they could get * * *. This group could never be satisfied, and we became unpopular because, after it became evident that we would receive no cooperation from the VA or the college about correcting certain abuses, we set up rules of our own to keep down practices which were certainly misusages. We are not saints, but we didn't want the "goose killed off." * * *

This committee is convinced from its investigations that the supply phase of training and education under the Servicemen's Readjustment Act was far from satisfactory and, as a result, untold millions of dollars were needlessly added to the already staggering cost of the veteran-education program.

SIGNIFICANCE OF THE SUPPLY PHASE OF THE VETERAN-EDUCATION PROGRAM

From the Government's viewpoint, the fundamental importance of the supply program lies in the tremendous amount of money spent, almost $500,000,000, and its correlation to prudent expenditure, taking into full account the purpose for which it was provided. It is worth noting at this point that in some instances when the committee has alluded to questionable supply situations, involving waste or im-

* 48 While this figure represents the approximate expenditure for supplies in all types of education and training, it is important to realize also that it excludes some supply costs impossible of computation and involving considerable amounts of money (i.e., where the expenditure for supplies alone could not be segregated because supplies were included as a part of a flat tuition rate).
provident expenditures, the situation has been acknowledged with
the observation that it constituted an exception or was only true in
a definite minority of the cases. If only 10 percent of some $500,000,000
falls into the category of dubious supply expenditures due to excep-
tions and minority cases, then the considerable sum of $50,000,000
is involved.

From the standpoint of educational institutions, the supply program
had an obvious influence on the actual process of education, plus
ancillary qualities which lent a special significance to this aspect of
veterans' education:

(a) To some degree, particularly in trade schools, the amount
of supplies furnished at Government expense for veteran owner-
ship became a primary or added inducement for trainees to enroll
in the more liberal school in that particular field of training.
(b) Supplies are especially important in the trade fields of
education where, generally speaking, learning the theory con-
stitutes only part of the necessary preparation, and, acquiring
further knowledge and a certain minimum skill through actual
application of the theory is equally as important. The latter
frequently requires expensive tools in addition to consumable
instructional supplies. When the amount of consumable in-
structional supplies made available to the student is reduced be-
yond a certain minimum, the value of the training becomes
questionable. Thus, in the final analysis, the character of train-
ing which it is possible for many trade schools to provide veterans
is greatly influenced by the allowances approved by the Veterans' 
Administration for consumable instructional supplies which
enter into these practical work projects.
(c) To maintain tool cribs and a great amount of hand tools
for student use requires a larger capital investment on the part
of a trade school than is the case when each student is required
to provide his own hand tools. In some cases, the additional
cost might run into a fairly large proportion of the total capital
investment, particularly if expensive items are involved. As a
result, where limited funds were available for expansion of exist-
ing trade-school facilities or for starting a new trade school to
meet the veteran demand for education, it was advantageous to
the schools if the Veterans' Administration could be induced to
purchase the hand tools for the veteran students and thereby
reduce substantially the amount of their capital investment.
(d) Generally speaking, it has been the observation of the com-
mittee that regardless of the type of the school involved—trade,
vocational, or college; profit or nonprofit; public or private—
some financial pressure is usually present. Its generating force
may vary considerably in individual cases between the desire for
new building projects, better instructional equipment, higher
salaries, lower appropriations for tax-supported schools, and
greater returns to the owners of profit schools. To many such
schools, the supply program offered, under the conditions of
the veterans' educational program, a tempting opportunity to
obtain at least partial relief from the pressure.

Finally, the supply program was not without its implications for
the veteran:
(a) As stated before, supply policy could materially affect the character of the training received by the veteran, particularly in trade schools.

(b) In most trade fields, there are a certain minimum amount of hand tools which it is expected that the employee will own personally and bring on the job with him. If these tools were not obtained by the veteran during training under the Servicemen's Readjustment Act, then it was necessary for him to purchase the tools at his own expense before he could be considered fully employable in his chosen field of endeavor. In cases where large quantities of expensive tools were involved, a considerable amount of money was at stake (i.e., up to $500 for some watchmaking tool sets; up to $1,000 for some dental instrument sets).

THE STATUS OF SUPPLIES UNDER THE LAW

In 1943, Public Law 16 granted the Administrator of Veterans' Affairs broad discretionary powers in effecting the rehabilitation of disabled veterans without mentioning supplies per se. Since the law was silent on supplies, when the Veterans' Administration contracted with institutions for veteran education, there was included a provision for the use of the necessary supplies on a fee, rental, or similar charge basis.

In 1944, Public Law 346 directed the Administrator to pay the cost of tuition and other customary fees and stated on the question of supplies that —

the Administrator may pay for books, supplies, equipment, and other necessary expenses as are generally required for the successful pursuit and completion of the course by other students in the institution. [Italics supplied.]

Public Law 346 further stipulated that any supplies furnished to a trainee would be considered released to him unless, because of fault on his part, he failed to complete his course of training, in which event he might be required by the Administrator to return, or pay reasonable value for, any of the supplies not actually expended.

Thus, four important points concerning supplies were present in this law:

(a) It was completely discretionary with the Administrator of Veterans' Affairs whether supplies were to be paid for in any fashion (either rental or outright purchase).

(b) If the Administrator decided to pay for supplies, then it must be only for those supplies which were customarily required of nonveteran students attending the same or similar courses in the particular school involved.

(c) If the Administrator decided to pay for supplies customarily required by the school and, in so doing, to purchase those supplies (rather than pay a rental fee for their use), then those supplies would be considered released to the veteran as his property.

(d) In cases where supplies were purchased for the veteran but the veteran failed to complete the course through his own fault, the Administrator had complete discretionary authority in requiring the veteran to return, or pay the value of, any of those supplies not actually expended.
In 1945, Public Law 268 amended the supply provisions of Public Law 346 by declaring that—

returned books, supplies, or equipment may be turned in to educational or training institutions for credit under such terms as may be approved by the Administrator, or disposed of in such other manner as may be approved by the Administrator.

In other words, the Administrator was allowed complete discretionary authority in making arrangements for disposing of supplies which had been purchased for veterans in training, but which due to failure to complete the training were being returned to the Veterans' Administration by the veteran.

Thus, with the exception of one minor amplification in 1945, the Veterans' Administration operated from 1944 under the same broad grant of authority from Congress insofar as supplies were concerned. If changes in the Veterans' Administration concept of or approach to the supply problem occurred, it was not due to alterations in statutory authority, nor can the weaknesses in the administration of the supply program be charged to a lack of adequate authority to act or control.

THE RESPONSIBILITY OF THE VETERANS' ADMINISTRATION IN THE SUPPLY PROGRAM

The Veterans' Administration considered the basic philosophy of the Servicemen's Readjustment Act to be—

that the veteran would be free to elect what course to pursue, where to pursue it, and that the Veterans' Administration would merely assume the paternal role of paying the properly authorized charges

and

it was determined that the Veterans' Administration should pay on behalf of the veteran student or trainee the cost of the "supply" items in the amounts and at the prices which the veteran if he were to enroll as a nonveteran student would pay personally.66

In other words, the Administrator chose to exercise the discretionary authority granted by Public Law 346 and pay for supplies for veterans. Inherent in this decision was the assumption of the following responsibilities with respect to supplies:

(a) Insuring that the total payments made in an ordinary school year for all school expenses, including supplies, on the account of any veteran student would not exceed $500. (In December 1945, Public Law 268 authorized payments in excess of $500 per ordinary school year provided the veteran concerned elected to have such excess charges proportionately deducted from his eligibility.)

(b) Developing and implementing a supply policy consonant with the customary policy of the individual schools involved, but with sufficient restrictions and supervision to protect the interest of the Government and of the veteran.

It is well established that any governmental agency has a primary and implicit duty, when disbursing public funds, to supervise the use of those funds in a fashion which will insure that the money is wisely and economically spent for the purpose Congress intended. This duty is always present regardless of the conditions under which the

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66 Historical Analysis of the Veterans' Administration Supply Policy, dated December 19, 1950, submitted to the Committee by the Assistant Administrator for Vocational Rehabilitation and Education.
agency operates and was, of course, fully applicable to the Veterans' Administration in the case of supplies.

It has been admitted by the Veterans' Administration that "the administration of books, supplies, and equipment has not been satisfactory"; that abuses have occurred on a comparatively large scale which have inflated the cost of training unnecessarily, making "it necessary for the VA to progressively tighten up on the regulations with respect to the payment for books, supplies, and equipment"; and that, in at least one aspect of the supply program (that of recovery), lack of Veterans' Administration action to date might involve millions of dollars. In essence, the Veterans' Administration has offered the following explanation to account for this situation:

It is emphasized that the original basic policy of the Veterans' Administration with respect to furnishing the veteran with books, supplies, and equipment on the same basis as that customarily required of a nonveteran student under similar circumstances has remained unchanged since the enactment of Public Law 316, Seventy-eighth Congress. It was not contemplated that the schools would adopt a new set of rules for the requirements of veterans as distinguished from nonveterans, nor that there would be a deviation from established accepted practices in the field of education.

Attention is invited to the fact that the whole policy of the VA concerning the furnishing of books, supplies, and equipment as described in the foregoing paragraphs was predicated on the premise that educational institutions had in fact customary practices with respect to their requirements for books, supplies, and equipment, not only within the individual school, but practices which were common to like schools offering the same or comparable courses of instruction.

Every effort was made by the VA to avoid an indication of supervision or control over the administrative or educational policies of institutions. Unfortunately, this policy on the part of the VA was seized upon by certain educational institutions as a means of padding the "supply" requirements to provide an additional inducement to the veteran to enroll in such institution. This made it necessary for the VA to progressively tighten up on the regulations with respect to the payment for books, supplies, and equipment.\(^{30}\)

The committee, however sympathetic to the foregoing statement, cannot accept it as completely adequate. That the Veterans' Administration, in accordance with congressional intent, used the customary practices of the educational institutions as the basis of payment for supply benefits rendered veterans was proper and understandable; however, the Veterans' Administration was still not divested of its ultimate responsibility of supervision to insure prudent use of public funds. To have placed in the hands of any private business or public institution, even of such respected caliber as the educational institutions of the Nation, the power of designating, purchasing, issuing, and charging the Federal Government for supplies to be furnished veteran students with as few positive regulations and as little circumspection as the Veterans' Administration had for, at least, the first 3 years of the program was virtually an invitation to costly excesses and abuses. Also, the committee cannot ignore the fact that it was approximately 1949 or 1950 before a comprehensive, clear-cut supply policy emerged from the central office of the Veterans' Administration; that this policy, restrictive in nature, wrought major readjustments in certain widely prevalent supply practices and allowances which up to that time the Veterans' Administration had at least tolerated, if not sanctioned, in many past contracts; and that the adoption of this policy resulted in very substantial reductions in

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\(^{30}\) Conclusion in the Historical Analysis of the Veterans' Administration Supply Policy, dated December 19, 1959, submitted to the committee by the Assistant Administrator for Vocational Rehabilitation and Education.
the cost of the supply program. This development—coming in the twilight stage of the program after the expenditure of hundreds of millions of dollars on supplies—does not appear to be the type of reasonable vigilance that is normally associated with responsible expenditure of Government funds.

That all institutions in all sectors of the educational system did not live up to the intent of the educational program was regrettable but not unforeseeable. One highly respected educator stated in hearings when confronted with the statement that "every group involved has done everything possible to get everything possible out of the American Government," under the education and training program: "That is right. That is the great American pastime, Mr. Congressman." No governmental agency has the right to assume any particular attitude or reaction on the part of another party, regardless of its position in our social structure, insofar as financial relationships are concerned. Where Veterans' Administration supervision and regulations governing supplies were of such a nature as to permit, although not necessarily condone in a positive sense, excesses or outright abuses, final responsibility must rest with the Veterans' Administration for any such trends that developed and the extent to which they developed.

In essence, educational institutions had a secondary or derived responsibility with reference to supplies, as is evidenced by the following statement of the Solicitor of the Veterans' Administration:

"It is the opinion of this Office that the overpayments (or rather illegal payments) were to the individual veterans rather than to the schools, the latter being merely the instrumentality or agent of the Government for the purpose of distributing the books."

This underlines the fact that, generally speaking, the schools had been given no direct supply responsibility under the law. Such responsibilities as did accrue to them were derived from their contracts with the Veterans' Administration and Veterans' Administration regulations. Under the circumstances, supply matters ignored in contracts and regulations by the Veterans' Administration through neglect, assumption, or for any other reason was done so at the risk of legitimate misinterpretation, outright abuse, and profiteering.

The veteran was placed under no obligation, direct or indirect, in connection with supplies. The law put upon the Veterans' Administration the specific means—and, hence, the responsibility—for minimizing veteran abuses in the supply field by endowing the Administrator with the discretionary authority for recovering supplies, or the payment therefor, in cases where the veteran failed to complete his course. Thus, the extent to which veteran supply abuses thrived, and remain unrectified, had a significant correlation to the extent to which the Veterans' Administration failed to avail itself of the means of control through recovery action.

The State approving agencies which were generally responsible for approving schools as qualified to render education under the Service-men's Readjustment Act had no direct, specific responsibilities in connection with the supply program. Yet, supplies were, in some respects, an area of concern to State approving agencies, inasmuch as

\[Veterans'\text{ } Administration\text{ } Solicitor's\text{ } Opinion\text{ } No.\text{ }488.49,\text{ } dated\text{ }December\text{ }6,\text{ } 1910,\text{ } subject: \text{Payment to Institution for Purchase of Books Provided for in Contract but Not in Accord with Regulations for Part VII and Part VIII Trainees.}\]
they have an important effect on the level and quality of education offered in trade schools. The sum total of tools and equipment—i.e., capital equipment to be furnished by the school and supplemental hand tools to be furnished by the student—is, in most cases, of small concern to the State approving agency in approving a trade school as qualified to offer a particular course, so long as a combination of the two categories result in the availability of sufficient equipment to educate the veteran in the particular trade. It is generally considered that the question of whether the school or the veteran student furnishes a particular item and under what conditions is a matter to be settled between the Veterans' Administration and the school.

However, due to the great effect of consumable supply allowances on the quality and type of education offered in trade schools, the State approving agencies consider that this particular type of supply is a matter which enters into their field of responsibility. When a State approving agency approves a trade-school curriculum on the basis of a certain type and amount of practical work projects, any material decrease in the amount of consumable supplies allowed by the Veterans' Administration will affect those work projects, which, in turn, will tend to alter the type and quality of the education being offered. For that reason, State approving agencies have felt that they do have a qualified responsibility for at least stipulating indirectly the minimum amount of consumable instructional supplies necessary to provide adequate education in certain trade and vocational fields. The Veterans' Administration, however, by refusing to pay for more than the amount which it deems adequate, can substantially alter the quality of education afforded, and the State approving agencies have little recourse from the decision.

**BASIC PROBLEMS OF SUPPLY POLICY**

Once having decided that arrangements would be made by the Government to furnish veteran students with the necessary supplies in educational courses, the Veterans' Administration was faced with three fundamental policy problems:

(a) What agency would make the necessary supplies available to the veteran student?

(b) By what means, and based upon what criteria as to quantity and quality, would the responsible agency make the necessary supplies available?

(c) If a nongovernmental agency were made responsible for furnishing this supply service, what would be the basis of compensation to this agency?

By what agency would the necessary supplies be made available to the veteran student? For many reasons, the Veterans' Administration decided to delegate the responsibility of procuring, issuing, and accounting for supplies to the schools concerned.

First, the Veterans' Administration still recalled a highly unsatisfactory experience, following World War I, when its progenitor, the Veterans' Bureau, had tried to procure and issue training supplies in the World War I vocational rehabilitation program. Many key employees of the Veterans' Administration had participated in the World War I program as Veterans' Bureau personnel and were keenly aware of the problems with which this aspect of training was fraught.
Hence, from experience, the Veterans' Administration knew that if a central procurement program was adopted there would be the complex question of anticipating the type of supplies needed for all types of schools and courses, of timely distribution from a comparatively few central warehouse points to the many points of consumption, and of the inevitably involved administrative processes attendant thereto (i.e., requisitioning and accountability). The Veterans' Administration was anxious to avoid these pitfalls this time if at all possible.

Secondly, there was the usual problem of the extreme shortage of all types of supplies immediately following a war.

As a result of these factors, the Veterans' Administration decided to prevail upon the schools, as responsible agents with already developed sources of procurement, to assume the supply function. From the outset of Public Law 346, the Veterans' Administration put considerable emphasis on this approach to the supply problem; and, generally, schools reacted favorably.

By 1946, however, some institutions were complaining rather strongly that the supply service rendered to veteran students was entailing extra administrative expenses. In order to induce such schools to continue to render the service, the Veterans' Administration allowed all schools to add a blanket 10 percent handling charge to their vouchers for supplies furnished veterans.

The circumstances surrounding the initiation of the 10 percent handling charge as well as the manner in which the Veterans' Administration conducted the supply program up until 1947 indicate that the Veterans' Administration was determined to avoid any alienation of the schools on this supply issue which would cause the problem of supply procurement and issuance to revert to the Veterans' Administration itself.

By what means, and based upon what criteria as to quantity and quality, would the responsible agency make the necessary supplies available? The intent of Public Law 346 was that, if supplies were to be furnished to veteran students at Government expense, it would be on the basis of the customary policy of the individual school involved. Fundamentally, two basic supply policies were customarily used by educational institutions:

(a) School loan or use policy (or student use policy): This entailed the school renting or loaning supplies to the student for his temporary use during the period of training or education. The nonexpendable supplies, such as tools, represented in such cases a portion of the school's capital equipment. The charge for this service was generally based on depreciation of the supplies and/or the cost of maintenance of the service; the charge was usually incorporated into the tuition or a special fee over and above the tuition. This was the least costly method of providing supplies from the student's—or in the case of the Servicemen's Readjustment Act, the Government's—point of view.

(b) Student ownership policy: The student, under this policy, was required to own the supplies necessary for training. Under the conditions of the Servicemen's Readjustment Act, it involved either (i) the Veterans' Administration purchase and issuance of the supplies to the veteran; or (ii) school purchase of the supplies, issuance to the veteran, and billing the Government; or
(iii) veteran purchase of the supplies from his subsistence allowance. Conversely, this is the most expensive method of providing supplies from the Government's or student's viewpoint.

While the customary supply policy varied somewhat between educational fields and between institutions in the same educational field prior to Public Law 346, it can be stated generally that the following was true before 1944:

(a) College-level educational institutions, both public and private, followed a student ownership policy.

(b) The policy of below-college-level schools usually depended upon whether a public or private institution was involved. Public, tax-supported, nonprofit schools tended to furnish supplies on a loan or use basis. Private, profit schools most often required the students to furnish their own supplies with emphasis on the tools and equipment that would be required in the field in order to be considered employable after graduation.

Initially, the Veterans' Administration stated that an institution would follow its own customary practice in issuing supplies to veteran students. Customary supply practice was defined rather broadly by the Veterans' Administration as the current practice that applied to the nonveteran attending the same institution and pursuing the same course as the veteran trainee; however, this definition soon meant very little in a restrictive sense when veteran trainees began to flood the educational system and composed, in many instances, the majority of enrollments. Too, vast numbers of new institutions were organized with almost wholly a veteran enrollment and without any customary practice; some institutions changed pre-1944 customary practices for one reason or another; and even, in some instances, the Veterans' Administration was responsible for changing certain customary practices by very actively advocating a supply practice which was at variance with a school's previous policy.

In 1947, the Veterans' Administration redefined customary practice placing it on a collective, rather than individual, basis, and antedating it to a period before the Servicemen's Readjustment Act. It became the supply policy or procedure which existed in reputable and recognized institutions in the decade prior to the advent of Public Law 346. This definition was quite difficult for operating personnel of the Veterans' Administration to reduce to concrete terms for several reasons:

(a) The educational systems and practices of the Nation were, in many aspects, not subject to other than the very broadest generalizations as a result of a variety of factors, among which traditional State control, regional economic considerations, and conditions of growth loomed large. Even within individual States and regions thereof quite important variations might exist in similar institutions in the same educational field. This condition was further complicated by basic differences in the operation and practices of tax-supported, private, profit, and nonprofit institutions. A definitive customary supply practice for a particular course would have been, in many cases, quite difficult to establish on a broad basis unless it were done so rather arbitrarily.

(b) A sector in the educational field had been greatly developed and expanded as a result of the need created by the Servicemen's
Readjustment Act—the trade and vocational school—and much of the gap therein had been filled by the proprietary-type institution. Many new courses were introduced which formerly had been taught primarily through apprenticeship or on-the-job training. There was, in many instances, very little precedent for that type of course at all in the decade prior to 1944, much less a customary practice in the supply field.

(c) The operational personnel of the Veterans' Administration (below central office) were expected to establish in concrete detail the customary practices in all the many educational fields as to quantity, quality, and price of supplies required of students and the procedures and methods of handling such supplies. Many of these employees had no previous background or experience in any educational field; and, further, their scope for research and actual comparative studies was usually limited to their own relatively small regional area. In a practical sense, any criteria established by the field personnel would quite often be arbitrary and based upon purely local standards without proper evaluation.

As a result of these factors, as well as others, a semblance of broad uniformity did not exist in the Veterans' Administration handling of this issue until around 1949 or 1950. At that time, comprehensive, concrete interpretations of the term "customary practice" were issued by the central office and gave Veterans' Administration field personnel some norm for judging school supply policies. Meanwhile, by default, many local Veterans' Administration officials and trade schools had seized upon approved lists of supplies compiled by the Veterans' Administration central office as a guide for supply issuances to veterans training on the job as a criteria of what the central office would approve in the way of supplies for school courses in the particular trade. At least theoretically, however, there was a fairly wide gulf between school and on-the-job training supplies, inasmuch as supplies for the former should have been based on training needs only and the latter took into account the additional factor of employment requirements.

Early in the program, the Veterans' Administration was clearly faced with the two problems of (i) supervising and policing the supply practices of schools which were established prior to 1944 to insure that they were not exceeding their customary (or pre-1944) practices with reference to veterans and (ii) establishing a customary supply policy for schools which were established subsequent to 1944 based on that of reputable, well-established institutions of the same character and in the same field, as well as supervising and policing its operation. Up to 1950, the Veterans' Administration failed to face these issues squarely and the result has been chaos in the supply field, dissatisfaction on all sides, and the waste of tremendous amounts of money.

If a nongovernmental agency were made responsible for furnishing this supply service, what would be the basis of compensation to this agency? Given the condition of the schools furnishing the supplies and billing the Government therefor, it could be inferred from the tenor of the law that the schools would be reimbursed on the basis of their customary charges for the service.

In many colleges and some below-college-level schools, book or supply stores had been established prior to 1944 both as a convenience to the student and as a source of subsidiary income to the school.
In some cases, this was an important source of income. For instance, some trade schools had different tuition rates based on whether the student purchased his supplies and tools from the school or not; other trade schools used the income from the school supply store to reduce the tuition rate to a lower level than otherwise possible.

Schools which had not customarily furnished supplies to students previous to 1944 and were now doing so for the veterans only at the behest of the Veterans' Administration had no customary charge practice. Thus, from the outset, the Veterans' Administration was confronted with the problem of a basis-of-charge policy which, in essence, simmered down to the question of whether, and under what specific circumstances, schools should be allowed to profit on supplies furnished to veteran students.

Initially, the Veterans' Administration merely stipulated that the customary price would be paid to schools for supplies, defining it as a price not exceeding that which nonveteran students were required to pay under similar circumstances at the particular school involved. Again, this restriction soon meant very little, inasmuch as new institutions were organized without customary price policies and most schools soon had a majority of veteran students.

It was 1947 before the Veterans' Administration made any serious effort to control the basis of charge for veteran supplies or profits being made by schools on veteran supplies. It was 1950, however, before a comprehensive, clear-cut policy was enunciated on the matter.

Although there are individual exceptions, the lines of distinction drawn in Veterans' Administration policy today have resulted generally in a situation wherein college-level institutions are allowed to earn a profit on supplies, whereas below-college-level institutions are stringently regulated in this respect and are not only denied a profit on supplies, but must furnish them at a wholesale cost.

**Veterans' Administration Regulations, Instructions, and Contracts as a Reflection of Supply Policy**

Since the Veterans' Administration considered schools as its agents with reference to the specific area of supplies, it was quite important that Veterans' Administration regulations, instructions, and contracts clearly outline the conditions under which supply operation and reimbursement would take place.

However, Veterans' Administration instructions were, in a positive and negative sense, the source of much supply confusion and misunderstanding, both within the Veterans' Administration and insofar as the individual schools were concerned. Much of this confusion can be attributed to the Veterans' Administration system of disseminating instructions or information; much is the result of lack of consistency and a clear-cut, firm supply policy.

Up to 1947, the Veterans' Administration issued instructions on policies and procedures through a complex system of various types of media (i. e., circulars, station letters, technical bulletins, and Administrator's letters). Although copies of some few individual instructions were provided for the educational institutions, there was no general policy that schools should receive a copy of all pertinent instructions so that they could interpret their contract terms in a spirit consonant with Veterans' Administration intent, nor, with the ex-
ception of a comparatively few key documents, were these instructions submitted to the Federal Register for publication.

1947 and 1948 was a period in which the foundation for a system of regulations was laid. In February 1947, a technical bulletin was issued consolidating all previous supply instructions in a single document, as well as expanding considerably on all facets of supply policy. This technical bulletin was incorporated, virtually en toto, into Manual M7-5, which was issued to regional offices as a consolidated source of educational program instructions in April 1947, and to schools in October 1947. July 1, 1948, the Veterans' Administration adopted a new procedure: A set of regulations (called R. & P. R. Regulations) to be published in the Federal Register and thereafter to be kept current by having additions or changes thereto also posted with the Federal Register. The initial set of R. & P. R. Regulations incorporated, with little change, the then-current Manual M7-5 instructions. Thus, technically, July 1, 1948, may be considered the first time that the Veterans' Administration had an appropriate system of formal regulations which would insure that its supply agents—the schools—had at least constructive legal notice of pertinent Veterans' Administration policies, procedures, and interpretations.

From 1948 to 1950 was a period of evolution and clarification in the meaning of R. & P. R. Regulations pertaining to supplies, most of which took place in central office letters of instruction to Veterans' Administration field personnel. During this period, the formal R. & P. R. Regulations on supplies changed hardly one iota, in spite of the fact that significant letter-interpretations were being disseminated within the Veterans' Administration organization which clarified considerably certain ambiguous supply regulations and expanded to the point of originality on others. Meanwhile, the schools were held responsible for acting in accordance with these "unofficial or secret regulations" (as some schools termed them), although a perusal of the supply terms of their contract in conjunction with the R. & P. R. Regulations in the Federal Register did not necessarily demand—or, in some cases, approach—the construction then being applied within the Veterans' Administration. It often resulted in the schools applying one set of regulations to their supply operation while the Veterans' Administration was holding them responsible for another. It was June 1950, before an analysis of these significant interpretations on supplies found their way into the R. & P. R. Regulations and the Federal Register.

As a result, until 1950, the Veterans' Administration regulations could not be considered as a reliable guide to the Veterans' Administration's attitude or desire or policy with respect to supply matters. As a matter of fact, when viewed in retrospect, Veterans Administration supply regulations tended to be confusing and, at times, misleading, rather than enlightening. Yet, the Veterans' Administration placed a great deal of emphasis on strict conformity with its regulations. For example, a standard clause in Veterans' Administration contracts with schools made the terms of the contract and implementations thereunder subject to the Veterans' Administration regulations. This created many difficulties for the schools, not the least of which has been due to the Veterans' Administration's use of the ultra vires principle to disavow specific contract terms, negatized and executed in good faith, on the grounds that the Veterans'
Administration contracting official acted contrary to the regulations and outside the scope of his authority. Also, school applications of rather broad and vague supply contract terms were often called into question, sometimes years later, by the Veterans' Administration on the grounds that the school's actions were at variance with what was contemplated or intended by the Veterans' Administration regulations. Had the regulations been, at the time of the erroneous action, reasonably clear and comprehensive, the schools would have had little cause for complaint; however, often the reverse was true and the schools did have justification to complain that the Veterans' Administration resorted to retroactive application of the regulations by judging past activities through the lens of subsequent and unpublished clarifications of the regulations.

Veterans' Administration Conduct of the Supply Phase of the Educational Program

Since 1944, emphasis in Veterans' Administration supply policy has traveled a considerable portion of the entire gamut from a use policy, at one extreme, to an outright purchase policy, at the other extreme, and back to a use policy.

Originally, under Public Law 16, the Veterans' Administration required that supplies used in conjunction with institutional training be furnished on a use or loan basis by the school. Contracts for training provided a fee for the supply service based on depreciation or some other such factor.

This policy was followed until the passage of Public Law 346 in 1944, whereupon the Veterans' Administration, exercising the discretionary authority given in that law, arranged with the schools for furnishing supplies outright to veteran students at Government expense. The early supply policies and instructions emanating from the Veterans' Administration central office were, to say the least, susceptible of the interpretation that an outright purchase policy was being very actively advocated and strongly encouraged by the Veterans' Administration for all schools participating in the veteran educational program. This is evidenced by the tone of the first instruction issued by the Veterans' Administration central office to its field personnel on the implementation of Public Law 346. It stated in part as follows:

(4) It is very much to be desired that institutions continue to furnish books, tools, equipment, and supplies because such practice facilitates service to the veteran. You are aware that the act as amended provides for release to the trainee of such books, tools, equipment, and supplies as are furnished to him. It is trusted that this provision which, in effect, provides for furnishing such articles outright instead of on a rental basis, will overcome any objections that may be felt by some institutions to furnishing these articles. If a school has a policy of renting these articles to other students, this practice will be continued in the case of veterans. In making contracts with schools which do not furnish books, tools, equipment, and supplies on a rental basis, it is urged that the contract provide for furnishing them on an outright purchase basis.

It is believed that there should be little objection on the part of institutions to furnishing these articles, inasmuch as they may be purchased outright and that any recovery from veterans whose training is discontinued will not be the responsibility of the institution.

12 All Station Letter, dated August 29, 1944, addressed to all managers of Veterans' Administration regional offices, and signed by O. W. Clark, Assistant Administrator.
Another instruction issued by the Veterans' Administration central office a year later (in 1945) to explain a new contract form stated in part:

Unless a school as a general practice furnishes books, tools, equipment, and supplies to all students on a use basis, these articles will be furnished by the Veterans' Administration through the school by outright purchase. [Italics supplied.]

Taking into account the general attitude of the Nation at that time with reference to its returning veterans, school and regional office implementation of early policy statements such as these were fairly certain to veer to the most liberal possibilities which included, of course, a supply policy of outright purchase and veteran ownership, rather than one of rental or use.

Thus, as a result of such loose, equivocal early policy statements as those quoted above, as well as the absence of any general indication of central office disagreement until some years later, a very liberal philosophy on supplies became current among the regional offices and the institutions, particularly when viewed in the light of subsequent efforts of central office to retrench and stabilize the supply program at a more conservative level. After 1944, new institutions being formed especially to cater to the veteran rode in on this wave of apparent liberalism and established their supply requirements at a high level on the basis of an outright purchase policy—to such an extent, in some cases, that the issuance of great and expensive quantities of supplies to veterans at Government expense became a competitive factor for attracting veteran students.

After 1948 there was an increasing tendency to "tighten up" on this entire supply situation. This trend culminated June 22, 1950—exactly 6 years after the passage of Public Law 346—with an R. & P. R. regulation, one of the purposes of which was to assure that only the amounts and kinds of tools, supplies, and equipment will be furnished personally to a veteran which are normally required to be owned personally by the student in well-established schools offering the same or similar instruction and which are essential to the training process.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total expenditures for books, etc., during fiscal year</th>
<th>Cost per trainee per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915</td>
<td>$222,556</td>
<td>$1.55</td>
</tr>
<tr>
<td>1916</td>
<td>$6,786,881</td>
<td>$1.50</td>
</tr>
<tr>
<td>1917</td>
<td>$71,608,833</td>
<td>3.17</td>
</tr>
<tr>
<td>1918</td>
<td>$103,111,278</td>
<td>3.48</td>
</tr>
<tr>
<td>1919</td>
<td>$96,005,769</td>
<td>4.09</td>
</tr>
<tr>
<td>1920</td>
<td>$31,301,401</td>
<td>3.84</td>
</tr>
</tbody>
</table>

Though the VA did not consider the "per trainee per month" cost figures for 1915 and 1916 reliable due to delays in vouchers, payment, and reporting of expenditures as well as a great increase in the number of veterans in training, it still does not appear that these factors, plus general price increases in the cost of supplies, would account for the gap between the 1915-46 figures and the balance of the "per trainee per month" cost figures.

[All-veteran letter of May 10, 1950, subject: "Advance copies R. & P. R. 10539 (NS)," signed by A. H. Monk, Director, Training Facilities Service for Vocational Rehabilitation and Education]
It was also stated that the central office had learned—
that many of the tools, equipment, etc., which are purchased by veterans as being necessary for classroom instruction, do not need to be owned personally by veterans, since such veterans come to schools and leave their equipment at home and use the school's tools and equipment—
and, it was therefore suggested—
that very careful reviews be made of all suggested tools, equipment, books, and supplies to be furnished to veterans individually for training in courses at educational institutions—
since it was believed that such steps would "result in considerable savings to the V.A." 75

Using this R. & P. R. regulation as a base of operation, the great emphasis since 1950 has been on returning to a use policy, particularly as far as trade and vocational schools are concerned, based on the general theory that "it has been the well-known policy and custom of well-established trade and vocational schools and technical institutes, both public and private, such as those in operation at the time of the passage of the Servicemen's Readjustment Act of 1944, to equip their shops and laboratories with all hand tools necessary for use of students during class periods," thus, it should be "the policy of the regional offices to exclude provision for furnishing hand tools personally to enrollees except in unusual cases which are proven to be exceptions to the general custom." 76 Generally speaking, the college-level institutions have been allowed to continue to exercise a good deal of discretion in the supply field and have not been greatly affected by the recent restrictive measures, unless it can actually be shown that the college changed from a rental, use or similar policy to one of outright purchase after the inception of the Servicemen's Readjustment Act of 1944.

Indicative of this cycle of shifting emphasis in Veterans' Administration policy are the cases of several schools:

(a) School A, a State teachers' college, originally planned to supply books to veterans on a rental basis as had been its policy prior to the veterans' educational program. However, in November 1944—shortly after the release of the all-station letter of August 29, 1944, quoted in part heretofore the Veterans' Administration regional office returned their voucher for a book rental fee for a veteran, stating in part as follows:

The [Veterans' Administration] regulation does not permit the rental of books to students, but it does provide for the payment of these books in which instance they become the property of the student. * * You may delete the rental estimate and substitute the cost of books. * * *

Accordingly, the school eliminated the practice of renting books to veterans and, subsequently, sold books to the veterans in order to comply with the instructions of the Veterans' Administration regional office. Four years later, when the institution was called upon to justify this change from a customary rental policy to one of outright purchase or to refund the difference between what a rental policy would have cost the Government and what the outright purchase policy did cost the Government, it justified its action with the above-
quoted letter, which was based on the regional office's interpretation of instructions from central office.

(b) School B, a technical institute, had a use policy prior to the Servicemen's Readjustment Act with the charge for the use of books and supplies being included in the tuition rate. Students had the privilege of purchasing the books, if available, upon graduation. In September 1944—again, shortly after issuance of the all station letter of August 29, 1944, quoted in part heretofore—the contract then in effect was supplemented to provide that books and supplies formerly provided on a use or loan basis should henceforth be purchased outright for each veteran by the Veterans' Administration. In 1948 the Veterans' Administration filed a claim against the school based on the difference in cost to the Government of the outright purchase policy and the loan policy over this 4-year period. The school justified its change in policy on the basis of an affidavit from the Veterans' Administration official in the regional office who had been responsible for undertaking the change in policy and who testified that this change in supply policy was the decision of the Veterans' Administration regional office and not that of the school and was based on the regional office interpretation of then-existing central office instructions with regard to supplies.

(c) Imumerable cases may be pointed out wherein schools founded after the Servicemen's Readjustment Act and without a customary policy in the sense of a pre-1944 policy were allowed to furnish large amounts of expensive supplies on an outright purchase by the Veterans' Administration and then, in the period from 1949 to 1951, were forced on a use or loan policy basis by the Veterans' Administration.

For instance, in the watchmaking field, one school was allowed to issue $180 watchmaking tool kits to veterans at Government expense up to 1948 and then was placed on a loan basis in this respect. Another such school issued to students a watchmaking kit at Government expense varying in value from $125 to $30 up to 1951, when a use policy was enforced.

Disregarding the merits of either approach (use or outright purchase policy), this committee does consider it significant that outright purchase is a considerably more expensive policy than that of loan or use and that the conditions described above could not have existed without either (i) the specific intent of the Veterans' Administration Central Office or (ii) a lamentable system of regulations, extremely susceptible to the interpretations given such wide currency by regional offices and schools or (iii) neglect and/or poor supervision of regional office activities by central office (copies of contracts in which this state of affairs was patent have been forwarded to central office for prior approval since the early stages of the program) or (iv) any combination of the foregoing circumstances. The fact that the cycle has occurred in the period from 1944 to 1950 is evidence that some shift in emphasis from central office has made itself manifest to regional offices during that interim. If the present emphasis on a use or loan supply policy is the proper one and if, the comparatively recent implementation of a use or loan policy resulted in a great savings to the Government, this committee cannot avoid the question of why it took until 1950, 6 years after the program's inception, for this policy to be conceived and effectively implemented, and, the equally important question of what
portion of the almost $500 million spent on supplies under the veteran educational program has been needlessly expended.

Substantial variations and inconsistencies have existed as between the amount of supplies which have been furnished outright to veterans pursuing the same, or similar, courses under the Servicemen's Readjustment Act.

This situation can best be appreciated if one considers the general educational field of watchmaking on two regional office areas in the State of Pennsylvania in 1950. There were six watchmaking schools in the area of regional office A at the time. Four of the schools were on a loan-or-use basis insofar as supplies were concerned and the remaining two schools were allowed to issue a $446.85 and $57.65 tool and supply kit, respectively, to veterans at Government expense. In the nearby area of regional office B, there were three watchmaking schools in which tool and supply kits valued at $79.80, $126.85, and $385.90 were being issued to veterans and paid for by the Government.

Even allowing somewhat for minor course variations and other factors of the nature, it seems incongruous that of two young veterans who underwent the same experiences during the war and who chose to pursue watchmaking as a vocation after the war, one should be be given the advantage of starting with almost $500 worth of watchmaking tools and supplies while the other receives much less or none—and this in schools within 100 miles of each other and subject to the same local Veterans' Administration authority.

Examples such as these may be multiplied many times. For example, the General Accounting Office made a survey of profit trade schools in one Southern State in 1949 and 1950. The following variations in the amount of supplies allowed by the Veterans' Administration for similar courses was shown to exist:

<table>
<thead>
<tr>
<th>Type of course</th>
<th>Variations in supply allowances for course</th>
<th>Number of schools surveyed in which course offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto repair</td>
<td>From $7 to $98</td>
<td>37</td>
</tr>
<tr>
<td>Electrical</td>
<td>From $45 to $90</td>
<td>9</td>
</tr>
<tr>
<td>Radio</td>
<td>From $25 to $198</td>
<td>6</td>
</tr>
<tr>
<td>Tailoring</td>
<td>From $8 to $82</td>
<td>10</td>
</tr>
<tr>
<td>Watchmaking</td>
<td>From $35 to $39</td>
<td>4</td>
</tr>
</tbody>
</table>

The history of the evolution of the supply program in individual schools shows equal inconsistencies. One watchmaking school in Pennsylvania was allowed by the Veterans' Administration to issue outright a $125 kit of tools to veteran students up to August 1949; from August 1949 to August 1950 a $50 kit; from August 1950 to November 1950, a $57.65 kit; and, from then on, no kit. Another watchmaking school in the same State was allowed by the Veterans' Administration to issue outright to veterans over $400 worth of tools and supplies up to November 1950, when the amount was cut to a little over $100. Still another watchmaking institution, not too many miles distant, has been allowed to issue almost $450 worth of tools since the inception of the program without change. A Colorado watchmaking school furnished veterans with tools and supplies costing the Govern-
ment approximately $450 until May 1950, when the amount was cut to $150 by the Veterans' Administration. Even allowing for price fluctuations and varying bases of charge, it is obvious that there has not only been a great deal of inconsistency as to the quantity of supplies allowed, but that there has been a general trend, only recently initiated, to compress supply costs. Again, without debating the merits of more or less supplies in trade courses and assuming that the Veterans' Administration's present course of action is the proper one, the committee is confronted with the question of why it took 6 years for the Veterans' Administration to embark on what it considered the proper course and how much money has been wasted in the interim. The answer to the latter query is well-nigh impossible to find; however, it is felt that the unnecessary expenditures would run into many millions of dollars due to the tremendous sums involved in the supply program. (For instance, since 1914 over 1 million dollars has been spent for tools and supplies by the Government at one Pennsylvania watchmaking school alone.)

There have always been two basic elements which seem to have entered into this matter of the quantity of supplies to be issued at Government expense for personal possession of veteran trainees, particularly as it applies to profit trade schools, one of the biggest areas of difficulty:

(a) The element of what tools were necessary for training alone as opposed to those necessary to obtain future employment.

(b) The element of what supplies, particularly tools, were customarily required in profit trade schools to be furnished by students personally as opposed to those tools customarily furnished by the profit trade school in its capital equipment for the use of students.

The entire question seemed to have been complicated by the fact that many pre-1914 profit trade schools felt that their educational reputation depended to a great extent on their ability to place students of their institution in employment upon graduation and that, in many trades, a prospective employee was expected to bring a certain minimum kit of tools on the job with him. In 1917, as a result of a good deal of regional office and school confusion on the point, the Veterans' Administration central office enunciated the policy that only those supplies should be furnished outright to veterans which were necessary to the training process in contradistinction to those "desirable to have or necessary for a future profession or job." The line of distinction drawn here was, however, the subject of considerable confusion and changing concepts on the part of the central office and regional offices when applied to concrete cases. The same vacillation was long apparent also in distinguishing between capital equipment and student supplies.

To cite a concrete example, in December 1946 the executive secretary of a Nation-wide association of watchmaking schools telegraphed the Assistant Administrator for Vocational Rehabilitation and Education, at central office, that the watchmaking colleges were endeavoring to establish a uniform list of tools and supplies to be issued to training watchmaking students (most of which were veterans) and requested

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any such list that had been developed by the Veterans' Administration. The Assistant Administrator for Vocational Rehabilitation and Education compiled with a list of watchmaking tools prepared by his office "for use in connection with the vocational training program for veterans, which conforms to the requirements and provisions of Public Laws 16 and 346" since it "does not represent a list of tools an experienced watchmaker would accumulate over a period of years, but contains only those items which are deemed essential for training purposes." This tool list was disseminated by the executive secretary to all member schools as a watchmaking supply list which had the Veterans' Administration approval. (Undoubtedly, some schools adopted it purely on the basis of its source.) This list contained, with the exception of a few items, the same supplies and tools as are presently suggested by the Veterans' Administration for on-the-job training which emphasizes not only the training factor but that of employment as well. Currently, this Veterans' Administration watchmaking tool list represents, approximately, a $250 kit of tools and supplies based on wholesale prices, or $380 at retail prices. Many watchmaking schools are not allowed anywhere near that amount of tools today. Some expensive items on the Veterans' Administration recommended list—such as the watchmakers' lathes—are today construed by the Veterans' Administration as capital equipment to be furnished by schools or as items not necessary to training though understandably desirable for future employment. As a result, many watchmaking schools are being forced to delete the lathes from the list of supplies to be furnished outright to veterans in spite of the fact that, in some cases, these very items might have been included originally for student issue at the suggestion of the Veterans' Administration 4 years earlier.

A short study of the status of two expensive tools used in watchmaking—the lathe and the staking tool, the combined cost of which may vary up to $550—is another illustration of the inconsistencies in the Veterans' Administration's attitude with regard to supplies. Both the lathe and the staking tool were included on the previously mentioned tool list suggested by the Assistant Administrator for Vocational Rehabilitation and Education in 1946. About 6 months later, in reply to a query from horological schools concerning unofficial information that the Veterans' Administration would not permit lathes to be issued to veterans in the future, the Director, Education and Training Service for Vocational Rehabilitation and Education, in central office, stated that if a school's capital equipment had been approved by the State approving agency as sufficient to provide training and it did not include lathes for the use of the students, the Veterans' Administration would furnish the lathes and that there was no such blanket restriction in the olling concerning the issuance of lathes.

Meanwhile, Veterans' Administration regional offices apparently remained confused on this point as is reflected by the following statement on the part of the Chief, Vocational Rehabilitation and Education, of one regional office in 1948:

It has always been the feeling of the contract unit that since lathes are supplied on a use basis by the school, that there should be no need for an actual issue to become the property of the veteran; however, this has been the matter of some discussion, and word which has been received in the past from branch and
central office is that the lathe is necessary and ought to be given to the veteran during his schooling, since it is an approved item of issue for a watchmaker on training-on-the-job.

Around 1950 the Veterans' Administration central office initiated a drive to delete the lathe from the veteran's personal tool kit based on the premise that it should be a part of the school's capital equipment. Generally, the only exceptions allowed were cases wherein a watchmaking school had been established prior to 1944 and could present conclusive proof that the lathe was a required part of the pre-1944 students' personal equipment while in training. As a result, today there is the existence of such odd situations as where two watchmaking schools in the same town offer the same course to veterans, yet one group of veterans obtains the rather expensive lathe and the other does not.

It is not particularly within the province of the committee to debate one way or the other on the merits of issuance versus use of the lathe. The committee is concerned over the matter, though, as indicative of the confusion and inconsistency which accompanied Veterans' Administration supervision of the supply program. Assuming that the Veterans' Administration's recent efforts to delete the lathe as an item of issue is correct, the same principle must have been equally as valid and equally as possible of attainment 7 years ago when the Servicemen's Readjustment Act first began and certainly earlier than 1949 or 1950. How many thousands of expensive lathes, and at what cost, have been issued heretofore at Government expense that would not have been under today's policy?

The development and execution of Veterans' Administration policy with respect to the basis of reimbursement to schools for supplies furnished to veterans has been such as to increase substantially the cost of the supply program under the Servicemen's Readjustment Act.

Up to 1947, the chief policy restriction imposed by the Veterans' Administration on the charge to the Government for supplies furnished the veterans by educational institutions was that the price must be reasonable and one which did not exceed the price charged non-veteran students (the assumption being that the charge to the non-veteran would be the school's customary charge). If nothing was specifically stated in their contracts to the contrary, this, in effect, allowed schools to charge the Government a retail price for veteran supplies even though, in many cases, supplies were being purchased on a wholesale or discount basis.

In 1947, the first specific restrictions were issued by the Veterans' Administration central office concerning school charges for veteran supplies. Some of these restrictions, particularly in view of the final product of subsequent Veterans' Administration interpretations as to their meaning, were ambiguously worded and, to say the least, subject to a considerable range of interpretation by both the schools and the local Veterans' Administration officials. From 1947 to 1950, various informal interpretations were made by the Veterans' Administration central office as to the applicability and meaning of these restrictions, none of which were written into the Veterans' Administration's R. & P. R. Regulations and published in the Federal Register until June 1950. Meanwhile, from 1947 to 1950, the schools—particularly
the profit trade schools which were chiefly affected—were operating on the strength of their own interpretation of the regulations and of their contract terms, the phraseology of which often as not allowed considerable interpretative latitude as to the price to be charged for veteran supplies. (For instance, "At prices charged nonveteran students" was a common contract phrase used to designate the basis of charge. Obviously, with veterans comprising a vast majority in many schools, this had little restrictive effect.)

Since the 1950 amendment of the R. & P. R. Regulations no important changes have been made insofar as supplies have been concerned. The general effect of the regulations today is to require below-college-level schools to furnish veteran supplies to the Government on the basis of the lowest wholesale cost obtainable in a competitive market consisting of a minimum of three bidders, and the 10 percent handling allowance has been largely eliminated for such schools. Meanwhile, most college-level institutions have been disturbed very little by the Veterans' Administration since 1947 in their basis of charge practices; and, in the majority of cases, the college-level institutions with book stores are continuing to make substantial profits through the differential between wholesale buying and retail selling to the Government and, in addition, are generally given the 10 percent handling allowance.

It is in the basis-of-charge field of the supply program that there is found a classic example of the indecision and vacillation which seems to have more or less pervaded the Veterans' Administration's handling of supply policy and resulted in supplies being such a bitter and contentious issue between so many educational institutions and the Government. Officially, the question of when a school should furnish supplies to veterans at the cost to the institution first presented itself in 1947 when the Veterans' Administration central office issued a regulation in which it was stated:

If the institution furnishes items of books, supplies, or equipment specifically purchased for trainees only (i.e., not handled through a book or supply store for all students) such items will be billed at the cost to the institution.5

On the surface, the sense of this statement seemed to be that if any institutions did not maintain a book or supply store for the use of veteran and nonveteran students and, as a result, concerned itself only with purchasing supplies for veterans as a specific concession to the Veterans' Administration, the price billed the Government for those supplies should be the same as that paid by the institution, be it a retail, wholesale, or any other type of price. The statement quoted above was later incorporated into a manual compilation of regulations issued to the schools by the Veterans' Administration, and still later into the Federal Register verbatim without amplification or change until June 22, 1950.

Meanwhile, from February 1947 to June 1950 the meaning of this regulation went through an evolutionary and confused period of informal interpretation within the internal organization of the Veterans' Administration. The following examples extracted from Veterans' Administration instructions reflect the Veterans' Adminis-

tration's lack of consistency and the shifting emphasis with reference to interpretations of this one regulation:

(a) Extract from a Veterans' Administration branch office letter instruction to five Veterans' Administration regional offices in November 1947:

Current contracts will be supplemented to provide for the purchase by the Veterans' Administration of books, supplies, and equipment at actual cost, or less discount where such is allowed, in all cases where book or supply stores are not maintained by the institution.

Apparently, this version emphasizes the presence or absence of book or supply stores as the deciding factor and does not take up the issue of whether veterans only are involved.

(b) Extract from a central office letter instruction to all branch offices in July 1948:

* * * You request an interpretation of paragraph 82e (6) M7-5, namely that as numerous institutions in your area charge retail prices for all students which are far in excess of cost of the items supplied. The provisions of this paragraph relate solely to supplies specifically purchased for trainees only and not for nonveteran students and provides that supplies must be billed to the Veterans' Administration at cost to the institution. Where institutions charge retail prices in the furnishing of "supplies" to all students, the Veterans' Administration will pay the retail price for such "supplies."

This seems to emphasize whether or not all the supplies were for veterans as decisive and does not mention book stores.

(c) Extract from a central office letter instruction to all branch offices in October 1948:

Paragraph 82e (6) contemplates that where the institution makes arrangements to furnish supplies to its students, where the enrollment is composed primarily of veterans, the Veterans' Administration will pay the wholesale cost for the items furnished plus a reasonable allowance to cover the cost of handling.

This version has introduced the new factor of whether the school enrollment is primarily veterans as opposed to all veterans and cost to the institution has become not what the institution paid for the supplies—wholesale, retail, or otherwise—but a wholesale cost in all cases.

One Veterans' Administration regional official stated, in November 1949, with reference to central office insistence on the application of the foregoing interpretation to a school in his region, that "that is not what the manual states" since "the manual distinguishes between supplies purchased specifically for veteran trainees, and supplies purchased for all" and the institution in question "handles supplies for veterans and nonveterans alike."

Ultimately, on June 22, 1950, the Veterans' Administration central office published its fully developed and final interpretation on this matter in the R. & P. R. Regulations which are posted in the Federal Register. In essence, it was determined that in the case of schools established subsequent to June 22, 1944 (the inception of the Servicemen's Readjustment Act), where the enrollment consisted primarily of veterans, the Veterans' Administration would pay only the lowest wholesale price for supplies based on the lowest of at least three bids from reputable and reliable established dealers or distributors.

Meanwhile, from 1947 to 1950, schools only had official knowledge of the original 1947 statement in the regulations since they were not sent copies of these Veterans' Administration interorganizational letters of interpretation, nor was any change evidenced in the Veterans'
Administration manual in instructions furnished schools, nor was there any alteration of the R. & P. R. Regulations published in the Federal Register. As a result, many schools did not know whether they were entitled to cost or cost-plus markup for supplies when their contract terms read that the Veterans’ Administration remuneration for supplies would be on the basis of “the price charged nonveteran students” or “the customary charge,” or some other such inconclusive term. Ofttimes, Veterans’ Administration regional officials tended to be just as confused by this state of affairs as schools.

Later, schools audited by the Veterans’ Administration or General Accounting Office were frequently confronted with serious repercussions from this confusing situation. A certified public accountant who believed that “the Veterans’ Administration does not give words their ordinary meaning but works them over until the application of the regulation bears little resemblance to the original intention” stated the position of the schools very succinctly:

Some schools [prior to the 1950 regulation] had trouble on the question of whether they were entitled to be paid their cost or cost plus a markup. The trouble stemmed from the different interpretations given to the regulation by individual contract officers with no apparent consistency among them. Supervisory officials generally went along with the decisions of the contract officers and did not appear to be concerned with the inconsistent application of the regulations. In a case the writer is now dealing with, the Veterans’ Administration is claiming that the school’s contracts in respect to supplies were in violation of the regulations and is going to present a claim for money which the school billed for in good faith on the basis of its contracts, and expended for school expenses in the belief that the money it had received was its own to spend. Such claims, coming years after the money has been received and spent, and income taxes paid on it, impose an intolerable hardship * * *.

On the other hand, the Veterans’ Administration often contends in this connection that since school contracts were made subject to Veterans’ Administration regulations, that past contract provisions pertaining to the price for supplies (such as “at prices charged other students”), which would allow of an interpretation other than cost to the institution are ultra vires and are not binding on the Government, thus, a reclaim against the school for the differential between the price charged and the actual cost to the institution for supplies is in order. In view of the long period of apparent confusion and informal interpretation within the Veterans’ Administration regarding when and under what circumstances the cost-to-the-institution regulation was applicable, this attitude on the part of the Veterans’ Administration—though possibly legally tenable—appears to lend some justification to the educational institutions’ charges of “secret” regulations, retroactive regulations, and, as one college president complained:

Information released to the schools governing the handling of books and supplies has never been satisfactory. These instructions are not clearly written and are unnecessarily complicated. * * * We regret to say that educational institutions are not promptly informed of the issuance of new regulations. We either receive the information late or not at all.

Aside from this aspect, this committee is concerned with the fact that a bidding system, whereby the Government is given the advantage of the savings inherent in a competitive market and wholesale buying, was not initiated until 6 years (to the day) after the Servicemen’s Readjustment Act went in force. If this system was consid-
ered desirable and proper in 1950 by the Veterans' Administration, it was equally desirable and proper in 1944 before hundreds of millions of dollars had been spent under a much more costly system.

It is obvious that tremendous sums are involved. For instance, one watchmaking school to which the Veterans' Administration has paid over a million dollars for supplies since 1944 was allowed by the Veterans' Administration to charge a retail price for supplies up to 1950, at which time the Veterans' Administration restricted the school to a wholesale price. Figuring that the watchmaking supplies were purchased by this school, at roughly, 33\frac{1}{3} percent discount, it may be fairly estimated that over 6 years the Veterans' Administration paid $300,000 more to this one school for supplies than would have been necessary if the 1950 policy had been adopted at the beginning of the program. It is estimated by the General Accounting Office that one Texas watchmaking school, whose Veterans' Administration contracts from 1945 to late 1948 allowed supply reimbursement at "list prices as charged other students," realized about $70,050 profit from veteran supplies which would not have been possible if a cost-to-the-institution requirement had been in effect for that period. There are many similar cases that could be cited.

As this report is being prepared for publication, a new milestone has been added to the history of Veterans' Administration handling of this supply reimbursement question. A California art school requested the Solicitor of the Veterans' Administration to render a decision on how—in the face of nine Veterans' Administration contracts since 1946 stating that the school was entitled to charge the Government for veteran supplies at "prices charged nonveteran students" and in the face of the fact that it was 1947 before the first Veterans' Administration regulation pertaining to the basis for supply payments was issued, and, June 1950, before a clearly definitive regulation was issued on the matter—how in the face of all these facts could the Veterans' Administration claim retroactive rebates back to 1946 for all money paid to the school for supplies in excess of the cost to the institution.

The Solicitor, in his reply,\textsuperscript{70} held that the Administrator's service letter of October 24, 1944, which had been posted in the Federal Register, stated that payments would be made to schools—

\textsuperscript{70} Sollicitor's Opinion No. 367-51, dated October 10, 1951.

on submission of a voucher by the institution to the regional office certifying to the actual cost of such books, supplies, equipment, and other expenses for each veteran. It (allies supplied.)

He held, further, that the 1947 and 1950 regulations were mere elaborations of a principle already established in the Federal Register in 1944 and of which the school must be held legally cognizant. Thus, the Solicitor reasoned in these words that, since 1944, the Veterans' Administration has had a valid cost-to-the-institution restriction on the payment for supplies, irrespective of contrary contract terms:

It is apparent * * * that there was in effect throughout the period of your participation in the veterans' education program a requirement that the Veterans' Administration pay for books, supplies, and equipment furnished by schools to veteran students only in the amount of the actual cost of such items to the school. To the extent that contracts or agreements your school had with the Veterans' Administration are in conflict with the described restriction on payment for books, supplies, and equipment, such contracts or agreements are not binding upon the Government. * * * Accordingly, you are advised that
any payments for books, supplies, and equipment made to you in excess of actual cost (list price less all discounts) are overpayments and the Veterans' Administration is legally entitled to recover same.

In another recent decision along the same line involving a university, the Solicitor has held that from September 1944 (due to the publication of a Veterans' Administration service letter of September 11, 1944, and instruction No. 6, Public Law 346, 78th Cong., in the Federal Register) institutions were restricted to actual cost in submitting vouchers for supplies; and, further, although the documents heretofore mentioned were rescinded and amended by the 1947 manual issued to schools and to Veterans' Administration local officials for guidance, but were not rescinded in the Federal Register, that the schools remained charged with statutory notice of the 1944 restrictions printed in the Federal Register.

Thus, there is the situation where, almost 7 years after its promulgation, attention is directed to a statement in the Federal Register, and an emphasis and construction is put upon that statement, which is contrary to the entire general current of central office and regional office actions which prevailed at that time and clearly contrary to the tenor of such written expressions of supply policy as are available for that early period. For instance, most supply instructions issued by central office before 1947 suggested the following alternative methods of stating the supply charges in contracts: "at prices charged other students by the college bookstore", "at list prices charged other students less a discount of — percent", "at cost to the school", "as listed herewith", and so forth. Obviously, since actual cost was mentioned as only one of many alternatives and since central office was receiving copies of negotiated contracts with all types of supply charge provisions the vast majority of which allowed payments in excess of actual cost, the entire Vocational Rehabilitation and Education Service of the Veterans' Administration placed no such construction on the statement in the Federal Register as has been only recently expressed by the Solicitor, or, if the Vocational Rehabilitation and Education Service was, from 1944 on, in accord with the Solicitor's interpretation, then their past record on the matter stands as a flagrant example of negligence and of poor supervisory administration and implementation.

As a matter of fact, in a historical analysis of the Veterans' Administration supply policy prepared for this committee by the Assistant Administrator for Vocational Rehabilitation and Education, it was emphasized that it was determined originally (in 1944) that the—

Veterans' Administration should pay on behalf of the veteran student or trainee the cost of the "supply" items in the amounts and at the prices which the veteran if he were to enroll as a nonveteran student would pay personally (italics supplied)—

and on the same basis as the supplies would have been paid for "had the veteran purchased them individually." Certainly, a recognized actual cost policy would have admitted of no philosophy of payment such as the foregoing because many schools were making a profit on supplies sold to the individual nonveteran in 1944 when the Service-men's Readjustment Act came into being.

In summary, it appears that this recent interpretation of the Solicitor which attempts to hold the schools technically liable for con-
structive notice of an actual cost policy dating back to 1944 when, in fact, no such policy was in effect or advocated until some years later, is a breach of every type of good faith that responsible Government should stand for in dealing with any segment of its citizenry. This action in the closing stages of the program appears to be suspiciously close to accomplishing by retroactive administrative fiat that which the Veterans’ Administration failed to accomplish by clear and timely regulation in the beginning. This committee—especially in the light of the tremendous expenditures involved in providing education under the Servicemen’s Readjustment Act—is inclined to be sympathetic to reasonable policies which pare the cost of the program; however, it cannot agree with tactics which are anything less than forthright, equitable, and just.

The handling charge aspect of the supply program, as administered by the Veterans’ Administration, has caused some inequities among schools as well as veterans and resulted in unnecessary expenditures of Government funds.

The handling charge was originally established by the Veterans’ Administration in February 1946. The initial Veterans’ Administration instruction on the matter stated that schools were to be permitted to add 10 percent to the total charge of each supply voucher submitted to the Government for payment so that schools might be compensated for the extra administrative burden required in handling veterans’ supplies for the Veterans’ Administration. The allowance of 10 percent was paid upon the institution’s request without question and without any restrictions or regard to the possibility that:

(a) An adequate margin of profit, which often more than offset the additional administrative cost, was already included in the price charged the Government by many schools for supplies and the addition of 10 percent would result in double compensation.

(b) Ten percent of the total dollar volume of some schools’ supply business with the Government would, if large, result in over-compensation.

Two fundamental factors apparently loomed large in the Veterans’ Administration’s original concept of the handling charge. First was the feeling of the Veterans’ Administration that without some such inducement “the institutions would have refused to furnish the services.” 83 Secondly, it was felt by the Administrator’s Advisory Committee of Educators, and so recommended to the Veterans’ Administration—

that in considering the allowance of a handling charge * * * arrangements should be somewhat liberal in order to provide an indirect reimbursement to the institution for some of the additional administrative costs as well as for the actual cost of handling the books, supplies, and equipment.” 84 [Italics supplied.]

To specify in instructions that an allowance is to serve one purpose with the intent that it should, at least partially, serve another undisclosed purpose as well seems to be rather an unusual method for a Government agency to adopt in compensating other parties for legitimate services and, to say the least, makes intelligent administration

84 Historical analysis of the Veterans’ Administration supply policy, dated December 19, 1950, submitted to the committee by the Assistant Administrator for Vocational Rehabilitation and Education.
of the allowance by field personnel very difficult, if not well-nigh impossible.

Later in 1946, additional central office instructions to Veterans' Administration regional offices specified that contracts of institutions entitled to the 10 percent handling charge "must" provide for such compensation if the school requested it. It was not until October, 1947, that the authority was given regional offices to negotiate a handling charge at a lower rate than 10 percent on the premise that where expensive items of equipment were involved, 10 percent would be over-compensation for the handling expense attendant thereto.

About 1949, the Veterans' Administration began to adopt a more restrictive attitude toward the granting of any handling charge at all, the general result of which was to eliminate the allowance in the case of below-college-level institutions (most of which were paid a tuition rate based on a cost analysis), due to the fact that "the so-called handling charge, which is predicated upon a presumption of incurring of special expense by an institution in handling 'supplies' for veterans, is not properly payable where the full salary of persons processing the tools, and other expenses involved therein, are included in the cost data" since "in such a case, the school would be receiving reimbursement for handling expenses in the hourly tuition rate, and the allowance of a handling charge would amount to a double charge to the Government." 52 It was not until 1950, however that this restrictive attitude was formally promulgated in the Veterans' Administration manual of instructions provided for guidance of schools and Veterans' Administration field personnel. Today, based on the foregoing philosophy, below-college-level institutions are not, as a general rule, allowed the handling charge, while colleges have continued to receive the allowance, the presumption being in the case of colleges that all the expenses attendant to operation of a college are not included in the tuition rate charged the Government and that the handling charge does, at least partially, tend to alleviate the discrepancy.

Again, this committee cannot avoid the conclusion that substantial sums of money were needlessly expended by the Veterans' Administration through its administration of this handling charge matter. Assuming that the Veterans' Administration's present restrictive policy is adequate and reasonable, why was it not adopted 3 or 4 years earlier? The present policy recognizes, and restricts, a condition that has existed from the outset and still exists to some degree—namely, that in many individual cases, an unrestricted allowance of the handling charge which did not take into account certain pertinent factors (i.e., volume of supply business, supply profits, etc.) would merely amount to a form of overcompensation.

The following examples are indicative of some of the anomalous situations that have resulted from the Veterans' Administration handling of this matter:

(a) A southwestern watchmaking school which trained veterans from 1945 throughout 1948 was reimbursed by the Veterans' Administration for supplies furnished veterans in the approximate amount of $210,000. During this period, it was esti-

mated by the General Accounting Office, that the school owner realized about a $70,000 profit on veteran supplies and, in addition, approximately $18,500 from the handling charge allowance. From 1949, at which time the school came under new ownership, veteran supplies were billed to the Government at the actual cost at which the supplies were billed to the institution by wholesale vendors and without any handling charge being allowed either. Thus, in a single school’s experience, one owner not only realized a large profit on supplies but the handling charge as well; his successor under practically identical circumstances was allowed neither profit nor handling charge by the Veterans’ Administration.

(b) A midwestern profit trade school, furnishing supplies on a cost-to-the-institution basis, was allowed the 10-percent handling charge from 1946 to 1950, at which time the handling charge was discontinued by the Veterans’ Administration. There was no material change in the status of the supply situation at this school either before, during, or after the period the handling charge was in force. It follows, then, that either the handling charge was paid for 4 years without justification or that the discontinuance of the handling charge in 1950 was without justification.

(c) In 1947, one Veterans’ Administration branch office official instructed all regional offices under his jurisdiction that “the 10-percent handling charge will be allowed in all cases where the billing for books, supplies, and equipment is handled by an institution.” Two years later, in 1949, the same official in a higher capacity was instructing regional offices under his jurisdiction that “if all expenses of toolroom attendants, clerical personnel, and other expenses incident to the issuance of tools and equipment were considered in arriving at the tuition rate,” then the payment of a 10-percent handling charge “would amount to a duplication of payment.” Between 1947 and 1949, the Veterans’ Administration published regulations had undergone no change with respect to handling charges. Consider the inconsistencies of this action from a regional office or school viewpoint: In 1947, unequivocal instructions require the allowance; 2 years later, instructions from the same higher echelon official withdraw the allowance, conceivably in some cases where it would not have been paid in the first place had it not been for the 1947 instructions.

(d) A western nonprofit college has been allowed the 10 percent handling charge since 1946, although it buys supplies at wholesale prices, and bills the Government at retail prices. Generally, this has been the situation in most colleges, although the Veterans’ Administration has acknowledged that college bookstores made more profit than normal due to veteran training. One State college has arranged with a noninstitutional agency to furnish supplies to veteran students and does little more than process vouchers from this bookstore to the State treasurer; yet, the Veterans’ Administration has allowed this college a full 10 percent handling charge.

Other cases in a similar vein furnish convincing evidence that the handling charge has been the subject of considerable administrative
confusion and inconsistency and has resulted in inequities being worked among schools in comparable situations as well as a waste of Government money.

There are, in addition, questions as to the legality of the handling charge and inequities which it works on veterans in certain cases where courses of education and training approximate, or exceed, $500 per year. In 1946, the Veterans' Administration central office determined that the 10 percent handling charge was to be considered an administrative expense of the Veterans' Administration and chargeable to the salaries and expense appropriation of the Veterans' Administration and not to be included as a part of the cost of the course. In 1919, the General Accounting Office questioned the legality of this determination in those specific instances where the total costs of the course plus the handling charge exceeded $500 per ordinary school year during the period when the law stated that payments in behalf of any veteran for tuition, fees, books, supplies, etc., shall not exceed $500 for an ordinary school year. It was the General Accounting Office's contention that for the purpose of the law the 10 percent handling charge must be considered as a payment to the school in behalf of a veteran, regardless of how the Veterans' Administration carried it in their accounts, and that, as a result, there were certain cases where the total payment to a school in behalf of a veteran actually exceeded $500 per ordinary school year in contravention of the law and the announced intent of Congress. The Veterans' Administration contended, however, that the schools performed an additional administrative function which, in reality, devolved upon the Veterans' Administration and, hence, the payment for this service (that is, the handling charge) was to be considered not as a charge by the school, but as part of the administrative overhead of the Veterans' Administration. However, the Veterans' Administration argument here appears to contradict the previously discussed rationale used in restricting the applicability of the handling charge, i.e., if a school is already receiving payment in the fair and reasonable tuition rate for the administrative services comprehended by the handling charge, then the handling charge is not allowable. Certainly, in such a case, the entire tuition rate is considered as a charge by the school and no part of it is considered as a part of the administrative overhead of the Veterans' Administration in spite of the fact that the handling charge service represented in the tuition rate is just the same as if it were being paid for separately.

After Public Law 298 in December 1945 permitted charges to exceed $500 per ordinary school year provided the amount in excess of $500 was deducted from the future eligibility of the veteran involved at the rate of $2.10 per day, it became possible for the handling charge to work to the disadvantage of certain veterans. For instance, in a hypothetical case, veteran "A" and veteran "B" might have had identical war records and entitlement to identical benefits under the Servicemen's Readjustment Act. Veteran "A" attended a profit trade school which performed all the administrative services of the Veterans' Administration for which the handling charge is considered reimbursement; however, the handling charge was not paid as a separate allowance inasmuch as payment for the services involved was prorated in the hourly tuition rate allowed to cover all expenses of the school. Veteran "B" attended a nonprofit college which performed
the same administrative series in connection with handling supplies for the Veterans' Administration as veteran "A's" trade school, but, in this case, the handling charge was paid as a separate allowance distinct from all other costs. The total cost per ordinary school year to the Government for each student was $600, of which $20 covered the handling of supplies. In the case of veteran "A", the depletion of his eligibility was accelerated at the rate of $100 per year (the amount in excess of the $500 maximum allowed) because the handling charge services were not kept as a separate item, but were figured as part of the tuition and could not be identified for accounting purposes. Meanwhile, veteran "B's" future eligibility was charged with only an $80 overage because the handling charge was figured as a specific item and, as a result, could, for the purpose of Veterans' Administration accounting, be segregated and charged to the Veterans' Administration's salaries and expenses appropriation as an administrative expense of the Government. The result was that of two veterans who rendered identical military service to the country and were entitled to the same consideration, one's eligibility was depleted more rapidly than the other's, although the educational course of each veteran was costing the Government the same amount of money. This is an example of how the veteran can become the victim, rather than the beneficiary, of administration.

Through inactivity and lack of an effective, positive policy of supply recovery where veteran trainees had failed to complete educational courses due to their own fault, the Veterans Administration neglected an opportunity to effect substantial reductions in the over-all cost of the supply program and to curtail veteran supply abuses

Under the terms of Public Law 346 in 1944, the Veterans' Administration was specifically given complete discretion with regard to the entire subject of supply recovery. This statute stated that supplies furnished a veteran trainee would be deemed released to him provided "that if he fail, because of fault on his part, to complete the course of training or education afforded thereunder, he may be required, in the discretion of the Administrator, to return any or all of such books, supplies, or equipment not actually expended or to repay the reasonable value thereof." To date, this authority from Congress has remained unaltered except that, upon request of the Veterans' Administration itself, Public Law 268 in 1945 added a further elaboration to the effect that recovered supplies might be turned in to educational institutions for credit under such terms as approved by the Administrator or disposed of in any other manner approved by the Administrator. Thus, since the Veterans' Administration has had a specific grant of discretionary authority in the supply recovery field since 1944 and since it is one field in the veteran educational program for which the Veterans' Administration alone has been clearly and fully responsible for both policy formulation and execution, it is virtually impossible for the Veterans' Administration to share the responsibility for what has, or has not, happened in supply recovery with any other party associated with the veteran educational program.

This committee, in attempting to evaluate the Veterans' Administration supply recovery program, wrote some Veterans' Administration regional offices requesting a chronological analysis of their regional
policy with respect to implementation of central office policies on supply recovery. Most of the regional offices answered in some detail, and rather frankly, as evidenced by the following excerpts:

(a) Dallas, Tex., regional office:

During the period from August 1, 1946, through approximately August 1948 the Veterans' Administration policy was applied liberally and very few recovery actions were effectuated in comparison with the total number of cases terminated. This liberal application was based on the emphasis given by supervisors, who frequently visited the regional office, on that part of the policy which specified that the trainee should be given the benefit of every reasonable doubt when determining whether his failure to complete his course was because of his fault and on that part of the policy which provided for considerable latitude in determining the meritoriousness of a case even though the veteran may have been at fault. The expense of recovery action in comparison with the value of recovered items, many of which were unserviceable or were not suitable for reissuance, also contributed to the liberal application of the policy. Consequently, recovery action during this period was limited usually to those cases in one or more of the following circumstances and the Veterans' Administration training officer made the necessary arrangements for shipping items to the regional office:

(a) The training institution or the veteran indicated to the Veterans' Administration that the nonexpendable supplies had been left at the place of training, or

(b) The veteran indicated to the Veterans' Administration that he did not desire to retain the items of training supplies, or

(c) It was obvious to the Veterans' Administration training officer who frequently visited the place of training that the veteran was at fault, he was not a meritorious case, and the items of supplies were in satisfactory condition to reissue to other trainees.

It became evident during this period that more rigid application of the policy was necessary to remove certain evidence of abuse. As for example, it was indicated that some veterans were enrolling in courses of training for only such minimum periods of time necessary to receive desired items of supplies. As soon as this became evident necessary steps were taken to see to it that a judicious decision was made in such terminated case and the facts recorded in the veteran's folder by a responsible officer in the Vocational Rehabilitation and Education Division. Although the decision made may have required recovery action and was documented as such in the veteran's folder, follow-up action could not be assured in every case until approximately July 1, 1950, due to the large volume of such terminated cases and the limited number of personnel available for this work.

Beginning in July 1950 this office was in a position to make a determination and effect follow-up action to dispose of the training supplies furnished each trainee who failed to complete his course.

(b) Waco, Tex., regional office:

During the calendar year 1945, and for most of 1946, this regional office acted under the general announcement of policy contained in the Veterans' Administration service letter dated October 31, 1945, which had to do with the disposition of supplies which had been recovered from enrollees. This policy letter was supervised by training officers who would determine whether or not such supplies should be recovered, would recover these supplies, and return them to the supply officer. Lack of training officer personnel and lack of adequate procedure for training officers to recover, transport, and deliver such supplies to the supply officer, made it most difficult for proper action to be taken where supplies should be recovered. However, at our colleges and universities where training officers were assigned, large quantities of textbooks and other training material were recovered by the training officers. These were finally accounted for and turned in to the supply officer at this regional office.

On July 25, 1947, we received an information bulletin from construction, supply, and real-estate service of our branch office, Dallas, Tex., concerning release of training in enrollee tools. This document cited that the procedure then in effect would require the training officer to return the supplies to the supply officer who would be required to pick them up on his property record prior to reissue. This information bulletin suggested that training officers who had on hand recovered
supplies could reissue such supplies to another enrollee needing identical material. No effective working procedure resulted from these instructions.

In view of the great difficulty of disposing of such supplies and equipment, very few enrollee supplies were recovered by training officers during this period. Furthermore, a liberal interpretation was applied to the then current regulations dealing with considering cases meritorious and permitting enrollees to retain such supplies as had been issued. A directive in the form of a technical bulletin, TB 7-111, was issued by central office on disposal of returned books, supplies, and equipment furnished through an educational institution. Acting under the authority of this technical bulletin, we were able to contract with all educational institutions in this region providing that such institutions would accept from the enrollees such tools and supplies as were turned in when an enrollee abandoned his course prior to its completion. These supplies were then reissued to other veterans who enrolled in the institution in the same course. At the same time, a procedure was inaugurated whereby the regional office made the determination as to whether or not such enrollee abandoned his training under conditions which were deemed to be fault on his part. Where fault was determined, the enrollee was informed that he must either return or pay for such supplies as had been issued him while in training. The weakness in the procedure at that time was a lack of clear instruction as to how such enrollee would return these supplies and as to what action could be taken where these supplies were not returned. In other words, there was a lack of instruction on procedure to secure payment where such supplies were not returned.

A procedure was implemented to correct these shortcomings and was forwarded to the regional offices under certain policy letters answering specific questions presented by regional offices on this problem. Letters on this point were to Providence, R. I., dated January 9, 1950, Lincoln, Neb., dated January 24, 1950, to all regional offices dated February 27, 1950, and to Nashville, Tenn., dated March 27, 1950.

(c) Washington, D. C., regional office:

[In 1949] It is recalled that much discussion was held regarding instructions received to this date. Emphasis was placed on the statement of policy [central office] to the effect that in making the determination as to the presence or absence of fault "the trainee will be given the benefit of every reasonable doubt." Much emphasis was also placed on the fact that certain cases could be regarded as meritorious even though the veteran was deemed to be at fault, and as a result training supplies being used by a veteran in bona fide employment were not subject to recovery.

(d) Baltimore, Md., regional office:

(f) August 1949: A thorough study of the problem of recovering tools from individuals was undertaken. This included requesting information from other regional offices and the trial of various operating procedures in this office.

(g) December 13, 1949: The result of the effort indicated immediately above was the publication of a uniform policy and procedure statement on this date. This procedure was initially applied only to job-training terminations. A copy of the local publication is attached as exhibit A.

(h) July 1950: Representatives of this office initiated the practice of visiting pawn shops to secure the names of veterans who had pawned their tools. Recovery was effected in those individual cases when appropriate. This practice was discontinued in October 1950 after its primary purpose of assisting in the determination of the extent to which tools issued by schools were actually used in training had been served. At this time we were attempting to reduce or eliminate the issuance of tools by schools and thereby reduce the recovery problem.

(i) July 31, 1950, the recovery of tools from individuals was extended to former school trainees who were applying for certificates of eligibility to pursue further training but in a different course in which the previously issued tools would be of no use.

(j) September 1950: Initiated a review of cases of all veterans who terminated training in July 1950 and recovered books, tools, and supplies when that was in order. This review was completed in January 1951.

Relatively few recoveries were made from individuals until late in 1949 when all job trainees who terminated their training were requested to return or pay for tools if they were found at fault under R & P, R-10525. The number of these
cases in which recovery was considered ranged from 20 to 50 per month until the latter part of 1950. After our procedures were changed to call for the consideration of terminated school cases (1950) on a limited basis the number of recovery adjudications per month rose to approximately 200.

From the foregoing, it is apparent that very little concerted effort was made from 1944 until approximately the beginning of 1950 to recover supplies due to two principal factors:

(a) The basic policy as expressed by central office strongly emphasized a liberal attitude toward recovery. For instance, a central-office instruction on this matter in 1945 stated that "the trainee will be given the benefit of every reasonable doubt" in determining whether the trainee is at fault or not and that notwithstanding the determination of fault, items of supply useful in employment "which have already served their purpose as implements of training and * * * would improve his chances for making practical use of knowledge or skills acquired from training courses" need not be recovered.

(b) In the comparatively few cases where recovery was determined appropriate under the foregoing conditions, there was no clear procedure posted by central office for effecting the return of supplies or their value in money. The central office recovery procedures were concerned fundamentally with on-the-job trainees (not school trainees) and with the disposition of supplies already returned and avoided the key issue of how to get the supplies or its money equivalent back from the trainee if he was found to be at fault as well as not meriting leniency.

Considering the number of veterans who interrupted school courses under circumstances which did not merit leniency in this respect and the monetary value of the supplies involved, the amount of money wasted through Veterans' Administration inactivity must have been tremendous. Some idea of what is involved was intimated by the Assistant Administrator for Vocational Rehabilitation and Education, when he testified before this committee that the Veterans' Administration recognized that there were hundreds of thousands of cases in which no recovery action had been taken against the veteran who discontinued an educational course and that probably millions of dollars were involved.

One of the chief reasons offered as a contributory factor to this neglect was lack of Veterans' Administration personnel necessary to pursue the recovery activity. This committee recognizes the fact that since 1948 there has been a marked reduction in Veterans' Administration personnel; however, it also believes that supply recovery is one aspect of the educational and training program wherein the potential savings and income to be realized would more than compensate the Government for the cost of the personnel involved and would actually result in a net financial gain to the Government. For example, the Baltimore regional office made a survey in 1950 and discovered that an average of 1,450 veterans interrupted their education every month for irregular reasons (i.e., reasons other than completion of a course, exhaustion of entitlement, or end of the school term), each one of which it considered a potential recovery case. Considering that the survey was initiated in the closing stages of the veteran educational program when participation was declining and

Veterans' Administration Service Letter dated October 31, 1945.
regulation of the veteran stricter, it is difficult to speculate on what a survey of all 65 regional offices in 1947 or 1948 would have revealed.

Besides economy considerations, there is another aspect to supply recovery which involves the veteran and his attitude toward the educational program. Some of the most common veteran abuses have involved supplies due to the fact that, once issued, supplies became the veteran's property. Some veterans admittedly have entered trade-school courses merely to obtain the tools furnished at Government expense (some of which are valued up to $300 or $400) and, once having obtained possession, withdrew from the course and entered another to obtain the tools. Supplies, tools in particular, have been sold or pledged at pawn shops by veterans. A regional office's survey in the city of Baltimore, Md., in 1950, made with the assistance of the city police, led it to conclude:

After a review of these records [pawn shop records and files listing all items pawned in the city area] we estimated that approximately 95 percent of all tools being pawned in the Baltimore city area were tools being furnished by trade and vocational schools.

The survey also disclosed that many of the tool kits pawned by veterans had not been used at all or very little. A check of Veterans' Administration files on individual veterans involved in pawning activities revealed the following type of situations generally:

(a) ————, entered training October 31, 1949; terminated training March 14, 1950, on account of excessive absences.
(b) ————, entered the * * * school on April 3, 1950, on a half-time basis and terminated his training on June 28, 1950.
(c) ————, entered training September 13, 1948, in a course of combined air conditioning, refrigeration, and electricity, and completed the course on September 8, 1949; reentered training in the same institution in course jewelry making and leather fabrication on October 3, 1949, and is currently in training.

It can readily be appreciated how the lack of an effective supply recovery program could contribute to the opportunity for, and the particular veteran attitude which resulted in, such lamentable use of veteran benefits. A more timely, adequate, and stringent program of recovery in the field of institutional training would have, undoubtedly, helped much to curb and prevent veteran supply abuses of the type described above as well as contributed greatly to the type of general atmosphere which would have been less inviting to those veterans motivated by other than the sincere desire for an education.

EDUCATIONAL INSTITUTIONS' CONDUCT OF THE SUPPLY PHASE OF THE EDUCATIONAL PROGRAM

Notwithstanding the fact that there has been a tendency on the part of the Veterans' Administration to allow supply, policy to develop rather slowly and as a reaction to excesses or abuses rather than as a timely development of a positive instrument of guidance; that VA administration of the supply program has been often misleading and confusing; that some of the supply excesses perpetrated by schools were honest and overly generous attempts to assist the veteran with no thought of institutional or personal gain—notwithstanding all these mitigating factors, there were too many institutions in all sectors of the educational system which exceeded the bounds of normal pru-
dence and ignored the obvious intent and spirit of the Servicemen's
Readjustment Act as well as the Government's interest with respect
to veteran supplies. Indeed, in some cases it appeared as though some
educational institutions, both public and private and profit and non-
profit, considered the veterans' educational program as something akin
to a financial windfall and as an opportunity to improve their finan-
cial status, to initiate hitherto unrealizable pet projects long in the
planning stage (involving better facilities, better equipment, etc.),
and to pursue similar activities long denied them under ordinary
circumstances.

Audits conducted by the General Accounting Office, Veterans' Ad-
ministration investigations, and the investigations of this committee
reveal that much was amiss in this area of the veteran supply program.
True, the criticisms recounted below do not, by any means, apply to all
educational institutions and, equally true, oftentimes the only distinction
between willful abuse and innocent mistake is motivation. Yet, far
too many schools were involved in supply activities which transcended not necessarily legality, but certainly the bounds of ordinary
prudence and propriety—especially when one considers the high
esteem and trust in which the Nation generally holds its educational
system.

Administrative procedures in connection with the veteran supply
program were often careless or inefficient, creating an atmosphere
conducive to either costly mistakes and unintentional waste or,
worst, sharp practices and deliberate abuse.

It is often difficult to delineate between careless administration and
intentional abuse in the supply program. In two cases, the circum-
stances and results might be identical from the Government's point
of view, yet differing intent behind these identical sets of surface
facts might well label one a fraudulent practice and the other an inno-
cent mistake. The common denominator in both cases, however, is
poor administration which usually culminates in an unnecessary in-
crease in the cost of the supply program.

For example, veterans have been required by schools to sign blank
receipts for supplies; veteran receipts covering issuance of supplies
have not indicated the quantity of supplies being issued; and school
charges to the Government for supplies have not been supported by
evidence of veteran receipts. Yet, since 1944, the Veterans' Adminis-
tration has required that schools retain sufficient evidence to substan-
tiate that veterans have received the supplies voucheded and paid for
by the Government. This evidence in the form of proper receipts
from the veteran has been the only method by which supply payments
could be checked in detail and verified as to correctness if any question
arose at some later date. Hence, in many instances, a system of de-
fective receipts has served to camouflage various types of undesirable
supply practices (i.e., where a school deliberately billed the Govern-
ment for unissued supplies); however, in certain other cases, improper
receipts merely reflected nothing more than inefficiency.

In the same vein were instances where it was discovered that there
was no accounting by the school for supplies turned back to it by
veterans who had interrupted their training; little or no school control
was maintained over the issuance of supplies; supplies were not fur-
nished by schools as specified by their contract with the Veterans' Administration; supplies were furnished in unauthorized courses; supplies were furnished in contravention to the school's established policy; and no records were maintained to substantiate the payments made by schools to its supply sources for veteran supplies (as required by the Veterans' Administration to verify the reasonableness of the price charged the Government). Obviously, in a program—such as the supply program—involving the expenditure of many tens of millions of dollars by schools as agents of the Government, the Government has a right to expect from the schools at least the minimum accountability and administrative proficiency which would preclude waste and needless expenditures under any guise—and particularly in cases where a handling charge was being allowed for that specific purpose.

The price or quality or quantity of supplies required by some educational institutions of veterans exceeded that required of nonveterans attending the same school and pursuing the same, or similar, courses.

From the outset of Public Law 316, the Veterans' Administration strongly emphasized the fact that the veteran was to be treated the same as the nonveteran with respect to the variety, quality, amount, and price of supplies to be furnished at Government expense. This philosophy was intended to serve as the fundamental criteria of, and chief restraint on, the supply program, on the premise that a school's customary supply practice would be precisely defined in its treatment of nonveteran students.

Yet, in the General Accounting Office's report on its survey of the veterans' educational and training program, it was noted that "payments [were] made for books and supplies furnished veterans but not required for nonveterans pursuing the same courses"; that "charges [were] made for books and supplies furnished veterans at prices in excess of those charged nonveterans"; that "equipment [was] purchased for veteran students although not required for nonveterans pursuing the same or similar course"; and that "erroneous approvals were given to veteran students for the purchase of scientific equipment not required by nonveteran students taking the same courses."

The following examples from General Accounting Office and Veterans' Administration reports are illustrative of the type of situation wherein various requirements and aspects of the veteran supply program were excessive when compared to those in force for the nonveteran:

(a) A beauty culture school's requirements for veterans included supplies not required to be personally owned by nonveterans pursuing the same courses. Investigation revealed that this had, in the past, inflated the cost of the supply program at that school by approximately $3,900 which was subsequently recovered.

(b) At a drafting school, nonveterans were charged only for the actual quantity of supplies used while the Government was charged a flat fee for supplies for veterans, irrespective of the amounts furnished. Since the school was unable to substantiate the veteran charges with signed receipts or other acceptable data, an informal audit inquiry amounting to $80,761.23 was initiated by the General Accounting Office.
(c) A beauty culture school charged the Government $75 for supplies for each veteran when the same supplies were furnished by the school to nonveterans without charge. The Veterans' Administration took action to recover approximately $2,600 in overpayments which occurred as a result of the practice.

(d) A vocational school charged the Government $86.23 for an auto mechanic's tool kit whereas only $55 was charged to nonveterans for kits of similar tools. The school refunded $10,000 when confronted with this situation by the Veterans' Administration.

(e) A State university required all veteran students to purchase supplies at an incorporated bookstore owned by the students of the university on a profit-sharing basis. Annual refunds, ranging from 7 to 15 percent, were paid annually on the basis of gross individual purchases. However, by resolution of this corporation, these rebates were not paid on supplies purchased by the Federal Government. Hence, the nonveteran student received a cash rebate, part of which was apparently at the expense of the veteran or the Government which paid the bills in the veteran's behalf. In effect, this tactic allowed nonveterans to purchase supplies at a lower price than the Government was given for veterans.

The Government was billed, and paid for, supplies which were never furnished to the veteran.

Since schools normally handled the entire cycle of purchasing, issuing, and charging the Government for supplies, the supply program was particularly vulnerable to this type of practice if the school was inclined to adopt it. It has been one of the undesirable supply activities with a high incidence of occurrence.

Fundamentally, it has been present in two forms: a charge for individual items of supplies not furnished or a flat charge for a specified kit of supplies (usually, tool kits) with only partial kits being issued.

Typical of this practice are the following examples taken from General Accounting Office and Veterans' Administration investigations:

(a) A profit watchmaking school issued "tool due slips" in lieu of tools to veterans and required the veteran to sign a receipt acknowledging issuance of the tools. The receipt was then used by the school as a means of billing the Government. Payment was made by the Government to the school on the basis of actual issuance, but, in many instances, the "tool due slips" were never redeemed by the school.

(b) A profit trade school billed the Veterans' Administration for tools supposedly issued to veterans and, in addition, obtained an allowance in its tuition rate of approximately $3.60 per month per student for miscellaneous veteran supplies. Subsequently, interviews with former students, together with information from the school records, revealed that the tools had not been issued as claimed on invoices and that, for one period of about 18 months, no miscellaneous supplies whatsoever had been issued. It was calculated that an overpayment to the school in excess of $12,000 had occurred as a result of this situation.

(c) Another profit vocational and trade school requested veterans to sign in advance for required supplies, but, subsequently, only part of the supplies were furnished. Meanwhile, the school had been paid
for the full amount of supplies. The Veterans' Administration recovered approximately $2,500 in overpayments in this case.

(d) A profit vocational and trade school enrolling veterans in a course teaching production of ophthalmic and optical elements contracted with the Veterans' Administration to furnish each veteran with $250 worth of supplies. The school billed for, and received, payment for furnishing these supplies but subsequent investigation divulged that veterans had not been issued the supplies. The Veterans' Administration recovered the overpayments involved.

(e) A profit technical institute was paid for over $10,000 worth of supplies which were never issued to veteran students as claimed. The amount involved was subsequently recovered and the owner of the school indicted.

(f) A profit vocational school not only billed the Government for tools which were not issued to veterans, but for used tools at the price of new tools. Also, there was some indication that where veterans had quit prior to completion of their course and turned in their tools to the school—tools which had originally been bought by the veteran by the Veterans' Administration—the school had reissued these items to other veterans and again made a charge for them. The president of the school was indicted, pled guilty, and was fined $2,000.

Various undesirable practices—such as unreasonable mark-ups in the prices charged, sundry types of overcharges and charges in violation of specific and clear-cut contract terms—were used by schools to increase their income from supplies and resulted in an unnecessary inflation of the cost of the supply program.

Numerous examples of the undesirable techniques employed by schools to increase profits from supplies exist in Veterans' Administration and General Accounting Office reports of investigation. One—that of the supply affiliate, dummy corporation, or some similar agency in close relation to the school—is deemed sufficiently important to merit a separate section in this report. Otherwise, the following cases taken from Veterans' Administration and General Accounting Office investigations will suffice to demonstrate the methods employed:

(a) A barber school chain furnished students a tool kit which included electric clippers. Veterans were offered their choice between two electric clippers, one valued at $19.50 and the other at $32.50. However, the Veterans' Administration was charged $85 for the kit of tools involved irrespective of which clipper was furnished, the $85 price being based on the more expensive clipper. Receipts signed by veterans did not contain the price or description of the clipper actually furnished.

(b) The General Accounting Office Report of Survey cites as undesirable supply practices of institutions of higher learning that "overcharges * * * for books, supplies, and equipment were made" and "flat rates charged for small supplies regardless of amount issued."

(c) The Government was billed by a photography school for supplies at a 20-percent mark-up plus 10 percent handling charges when, in fact, the contract provided the material should be furnished to veterans at cost to the institution. The excessive charges involved, amounting to $16,188.63, were recovered as overpayments. A similar
situation existed with reference to a radio school and over $7,000 was recovered in overpayments.

(d) A beauty culture school charged the Government four times the cost to the school for tool kits furnished to veterans. In addition, the school frequently did not furnish the kits to veterans until the course of training had been completed and State examinations taken, although vouchers for the kits were, in the meanwhile, submitted to, and paid by, the Veterans' Administration. Overpayments are being recovered.

(e) Duplicate charges were often made for supplies. For example, one school was paid for laboratory fees and supplies for veterans who, prior to the completion of their courses, discontinued training. Subsequently, some of the same veterans reentered training in the same school and, at that time, the school was again paid for the same items. The overpayments resulting from duplication were recovered.51

In some cases, the material advantages to be realized from the amount of supplies furnished at Government expense was used as one of the major means of attracting veteran enrollments, and as a result, the supply policies of some schools became governed by the competitive aspect of inducing veteran enrollments rather than normal educational criteria.

This situation occurred most often and most blatantly in the case of profit trade schools which had been organized specifically to cater to veterans after the inception of the Servicemen's Readjustment Act. Since supplies were being furnished at Government expense, a school could very well afford to inflate its supply requirements for students and then use the greater gain to be realized by the student from this excessive situation as a lure to attract veteran enrollments. As a result, in such schools where this attitude was adopted, the supply program became, instead of a necessary and reasonable adjunct to proper training and education, a form of rather costly advertising at Government expense.

The following offers, prominently advertised in newspapers, handbills, and so forth, are examples of this type of undesirable practice:

(a) One midwestern tailoring school had a large newspaper advertisement which held forth this inducement for veterans to enroll:

Special Offer Today—$100.00 Suit FREE to Veteran Students. Every Veteran Student who enters the * * * SCHOOL during the offer will receive material to make one suit, which would retail at $100.00. Before Completing the course you will receive material for: FIVE ADDITIONAL SUITS, 2 TOP COATS, A LADY'S SUIT, and 2 SPORT COATS. Over $600.00 IN ALL. These clothes will fit you, they will be cut to your measure. Take advantage of the opportunity. Bring your Discharge to the School and enter immediately. Don't delay or you may lose your place. Classes are filling up.

51 The VA has not been without its own difficulties in connection with supply duplication where veterans transferred from one institution to another. Individual trainee records maintained by the VA normally did not indicate what supplies had been issued to the veteran in the first school nor did the second school have access to this information. Due to the administrative complexities that would have been inherent in making this determination from the first school's records, in 1950 the VA central office proposed a certificate from veterans transferring schools that they would not accept any nonexpendable supplies which duplicated items previously issued them at Government expense. Though long apparent, this was the first constructive and serious step taken by the VA to cope with the problem.
(b) A southern trade school offering automotive courses had such statements in their newspaper advertisements as the following:

All GI's that are Interested in Body, Fender and Motor Auto Mechanic's Work, Upholstery and Glass. Applications Are Being Taken at • • • Bldg. in • • •. $100 worth of tools given to each man. Students can have their own cars repaired free at the school.

(c) An eastern trade school offering various related automotive repair courses had, as the nucleus of a newspaper advertisement, a large photograph showing the lay-out of a rather comprehensive set of auto mechanic tools (in excess of 50 individual items shown) and the following statement with reference to the tools:

Veterans receive these approved tools. TO USE DURING TRAINING—
TO KEEP AFTER COMPLETING TRAINING. Here is the opportunity of a lifetime. • • • Learn this interesting profitable trade—and OWN the tools to go right to work within the field.

It can readily be understood how, in a competitive situation, the attitude that led to such advertising and less extreme forms of publicity in connection with the supply aspect of the program could ultimately deteriorate into undesirable situations where the amount of supplies offered tended to assume something akin to the nature of a "bargain day leader to get customers into the store."

The irresponsible and indiscriminate use of consumable supplies furnished at Government expense to obtain financial advantages and for various other purposes not consonant with the intent of the Servicemen's Readjustment Act or the obvious interest of the Government resulted in unwarranted inflations in the cost of providing the courses involved.

Consumable supplies are considered to be that class of supplies which are either consumed, destroyed, or expended by the student or the instructor during the process of instruction. It was in trade schools particularly where consumable supplies created a problem, inasmuch as it was necessary in most trade courses to provide the student with a sufficient amount of material for him to acquire a minimum level of actual skill in the trade through practical work projects. Some of the materials involved were quite expensive, such as linoleum for a course in the laying of linoleum flooring, goods for tailoring courses, and so forth.

In the early part of the training program, the Veterans' Administration allowed the institutions to determine the amount and kind of consumable supplies that would be required for courses. Subsequent investigations—particularly beginning in 1937 with the wider adoption of the cost formula wherein consumable supplies were an item of expense used to determine the fair and reasonable tuition rate allowable and, thereby, subject to analysis and justification—revealed that certain undesirable practices had developed in this field. It was found, for instance, that excessive standards, both as pertains to the amount and quality of consumable supplies, had been adopted for veterans by some schools when compared to normal requirements for nonveterans in that type of instruction and that the Government was receiving little or no consideration in cases where it was paying for consumable supplies used to produce salable articles (often valued in excess of the original cost of the supplies) or used in projects which resulted in objects of permanent value to the school or student.
Actually, certain of the undesirable features in the consumable supply field are extreme expressions of legitimate customary practices which were followed prior to World War II in many trade and vocational courses. For instance, it had generally been the practice that where a trade course involved the student producing some relatively inexpensive article with a utility value, the student was allowed to keep the item (i.e., a small hat rack in a woodworking type of course); however, these projects were judiciously selected on a basis in which economy was a large factor. Also, it was, and is, undeniable that the more practical work projects included in trade courses, the better the training; yet, up to the inception of veteran training, there was a limit imposed on this aspect by cost considerations. Prior to the Servicemen's Readjustment Act, neither public nor private schools offering trade courses would have considered furnishing each student with over $1,600 worth of consumable supplies, nor would many prospective students have considered paying for such courses where the bill for consumable supplies alone rose to such heights. Yet, a school offering a luggage-fabrication course attempted to have the Veterans' Administration pay for that amount of consumable supplies for each veteran enrollee. Therefore, in certain cases it is not a question of the basic principle being at variance with long-established customary practice in the educational field, but a matter of irresponsibility in application of the principle to the veterans' training program.

Undoubtedly, the failure of the Veterans' Administration until 1949 to place more definitive limitations on the consumable supply aspect of the supply program did contribute materially to an atmosphere which made possible the growth of these undesirable situations. This may, in many cases, absolve schools of legal, but not moral, responsibilities for excessive or abusive practices.

Circumstances existed which created incentives for the less scrupulous school to abandon moderate consumable supplies practice. For example, a majority of the trade and vocational schools became subject to determination of a fair and reasonable tuition rate through application of a cost formula devised by the Veterans' Administration. Consumable supplies was one of the standard items of expense in the cost formula, and in many cases, was included in the group of expenses used as a basis for computing the one-ninth profit allowed schools by the Veterans' Administration. Thus, there was an incentive for schools seeking increased profits to inflate abnormally their consumable-supply requirements in order to increase costs and, in turn, the dollar amount of profit allowed as a standard percentage of those costs.

Consumable supplies were also used as a means of attracting veteran enrollments. Some schools placed a great emphasis on expensive articles which the student would produce from consumable supplies during the course and be allowed to retain, such as a television or radio set, five or six suits, or similar articles. The tenor of some advertising was such that these lucrative byproducts of the course appeared to be the primary benefit that would be enjoyed by the veteran. If two or more schools in the same general area were competing for veteran enrollments, it can be seen how a pressure to increase the amount of consumable supplies being made available to veterans could be easily generated by a criteria quite remote from normal educational stand-
ards; and, all other factors being equal, the veteran did tend to gravitate to the school offering the most. Meanwhile, the attendant increase in the cost of the course was passed on to the Government under the guise of good education or a customary practice.

General Accounting Office and Veterans' Administration reports of investigation contain many examples of these and related undesirable practices involving consumable supplies. In 1950, the Administrator of Veterans' Affairs report on Education and Training Under the Servicemen's Readjustment Act, as Amended, addressed to the Senate Committee on Labor and Public Welfare, objected to the fact that—

1. Schools were claiming the cost of repair parts used to repair automobiles which were the property of private individuals.

2. Schools were claiming the cost of items used to build expensive articles which became the property of the student, such as radio sets, jewelry, furniture, clothing.

3. Certain trade schools furnishing training in the building trades on actual construction projects were claiming the cost of supplies used in building permanent buildings for the institution or for outside parties.

4. Schools offering the type of practice training wherein the students produce salable items were claiming large amounts as loss on the grounds that the return from the sale of the end product was alleged to be less than the initial cost of the materials used.

The specific cases cited below are indicative of some of the irresponsible and excessive activities which have been encountered in connection with consumable supplies:

(a) In one of the Eastern States, it was found that a chain of five trade schools, under the joint ownership and control of two individuals, was involved in a number of discrepancies which ultimately resulted in the owners' indictment by a Federal grand jury. One of the discrepancies discovered was that veterans attending the schools paid for practically all consumable supplies, although the Government was being charged also for these same supplies.

(b) The Veterans' Administration contracted with one profit trade school to furnish at Government expense a certain amount of consumable supplies to veterans. It later developed that the full amount of supplies was not being issued. Investigation revealed that almost $30,000 worth of supplies had been withheld. The Veterans' Administration took action to recover the overpayments.

(c) In connection with a custom-tailoring course offered by a profit trade school, the Veterans' Administration reported: "The school used expensive materials as consumable supplies and permitted students to retain the valuable end product. This was corrected in subsequent contract rates with an estimated saving of approximately $215,000."  

(d) Another profit trade school contracted to provide monthly to veterans in courses of tailoring and auto mechanics supplies valued at $11.25 and $10.36. The actual amount issued by the school, however, averaged $10.36 and $3.37 per month, which resulted in overpayments by the Government (or extra profits to the school) amounting to $60,000.

(e) A profit vocational school offered a dress-design course in which sufficient consumable supplies were being required and paid for by the Government to make 16 different garments. All garments became the property of the veteran. Under the circumstances, the Veterans' Administration concluded that "the making of the wardrobe was a primary incentive for veteran students to enroll in the course."
(f) One school, offering a course in the laying of linoleum flooring and wall covering, attempted to obtain Veterans' Administration agreement to pay $643.77 per veteran student per 50-week course for consumable supplies to be used (and destroyed) in the practice of linoleum laying. The gross cost for consumable supplies for 170 students would have been approximately $110,000, which represented approximately half of the total cost claimed by the school for offering the course. It was revealed that the school only had $8,180 in actual capital assets although it had borrowed some money, presumably for working capital, upon which it paid $1,200 interest. On the single item of consumable supplies alone, the one-ninth profit allowed by the Veterans' Administration would have amounted to over $12,000 per year—more by several thousands of dollars than the combined capital assets and interest charge—had the $110,000 claim for consumable supplies been allowed. Fortunately, in this case, the Veterans' Administration would not accept the school's claims as reasonable.

(g) In another instance similar to the foregoing one, a school offering a 51-week course in luggage fabrication presented the Veterans' Administration with cost data as a basis for determining a fair and reasonable tuition rate. The largest single item of expense claimed was over $260,000 (adjusted for 50-percent salvage) for consumable supplies which represented over one-half of the total costs claimed for the course. Investigations disclosed that the school was formerly a luggage factory which had failed and been sold to the partnership owning the school; that the operator (and part-owner) of the school had contact with the factory's old sales outlets and intended to sell the luggage constructed by veterans from basic materials paid for by the Government; and that, instead of a 50-percent salvage ratio on the cost of consumable supplies, 80 percent would be more realistic. After 15 weeks of school operation, experience indicated that around $17,700 would be a more nearly valid request for consumable supplies than the $210,000 originally claimed by the school.

(h) The owners and operators of a television and radio school were indicted by a Federal grand jury on the charge of falsification of cost data through fraudulent inflation of the cost of consumable supplies and other means. Apparently, the school had an arrangement with its suppliers whereby the suppliers furnished invoices for consumable supplies not delivered and then "kicked back" the majority of the payments for these fictitious supplies to the school. Evidence indicated that, in some instances, checks made payable for fictitious supplies were drawn and then cashed with endorsements made by the president of the school. Meanwhile, the Government had been paying a tuition rate partially predicated upon a false and inflated cost for consumable supplies.

Some of the persons connected with this school were also affiliated with another school wherein audits reflected tentative overpayments on consumable supplies and nonexpendable supplies in excess of $29,000 and $2,000, respectively. Warrants for the arrest of several officers and a fictitious supplier have been issued.
The adoption of various middleman techniques by some schools with respect to the furnishing of supplies in order to obtain advantages and achieve objectives not consonant with the spirit and intent of the Servicemen's Readjustment Act and resulting in an unnecessary inflation in the price charged the Government for supplies

This entire matter of unwarranted middleman techniques is a subsidiary problem of the basis-of-charge question. Its fundamental expression, where it has occurred in the trade-school field, has been in the form of a supply affiliate or dummy corporation which, though ostensibly a separate entity from the school, was in fact interlocked or closely associated with the school through common ownership or officials, family relationships, and similar ties. The affiliate purchased supplies on a dealer's or wholesaler's terms and resold them to the school at a mark-up. The school operator billed the Government for these supplies at the mark-up price (usually the retail price) and represented this price as a "cost to the institution" charge from which no profit was derived by the school. However, in reality, the school owner, through his interest in the supply affiliate, was realizing the profit represented by the margin between the prices at which the affiliate purchased supplies and sold them to the school. In many cases, little more than a bookkeeping transaction transpired.

There were, and are still, many ramifications to this problem, since it revolved about the conditions under which one could charge the Government for supplies bought from himself. There has been the question of a school operator using as his source of supplies a business which he owned and operated prior to the advent of the Servicemen's Readjustment Act and to the establishment of his school. Similar variations and circumstances have tended to complicate any approach to the problem. However, there were areas where there could be little doubt that the supply company was in fact nothing more than a subsidiary of the school. Frequently, in such cases, the school operators or owners contended that the supply affiliate or corporation was a legitimate business venture established to meet a need in the area and which they hoped to continue as a thriving enterprise long after the termination of the veterans' educational program. On the other hand, the circumstances under which the affiliate was founded and its method of operation (i.e., the absence of salesmen to solicit orders from customers other than the school, use of school employees for corporation duties, the extremely small percentage of the total volume of the corporation's business originating outside the school, and so forth) tended to indicate that it was a device for the primary, if not sole, purpose of obtaining additional supply profits from the veterans' educational program.

On the other hand, there has been the question of what regulatory barrier existed to prohibit this practice. The Veterans' Administration regulations, pertaining to the basis of charge for veteran supplies, did not become clearly definitive until June 1930; therefore, in some cases where supply affiliates or dummy corporations operated prior to that time and Veterans' Administration contracts with the school did not specify a "cost to the institution" charge for supplies, there is some doubt as to whether there was any technical restriction prohibiting the practice. In any event, it is noteworthy that the Veterans' Administration was fully aware of the "dummy supply" device
at least as early as October 1948, when a central-office letter instruction was issued to all Veterans' Administration branch offices calling attention to the practice and expressly prohibiting it; and, yet, it was June 1950 before a specific restriction was published in the R. and Pr. Regulations and the Federal Register. Too, some Veterans' Administration regional offices have admitted that they were fully aware of the practice, but took no action because they did not consider that regulations prevented it. For instance, various General Accounting Office reports of audits and investigations have had the following comments to make on this aspect:

Practically all of the large overpayments currently being disclosed involve exorbitant tuition rates allowed under the "fair and reasonable" cost formula prescribed by VA regulations, and the practice of some of the schools of organizing affiliated companies to handle the furnishing of tools to veterans at prices considerably in excess of cost, contrary to contractual intent. It is obvious that in a number of instances information which should have disclosed the claim for an unwarranted tuition rate, or the existence of dummy organizations handling tools, was available or known to the contracting officers [of the Veterans' Administration] at the time of contract negotiations, but was either ignored, the significance thereof not realized, or considered legally permissible because it was not specifically prohibited by VA regulations.

Insofar as could be determined, the Veterans' Administration regional office has taken no action and contemplates no activity toward any attempt to recover the apparent excessive cost of tools paid ** *. The consensus of opinions of officials of the regional office with respect to this matter appears to be:

That ** billed for tool and supply costs as allowable under the applicable contracts.

That prior to June 22, 1950, there were no regulations nor policies in respect to the requirement of competitive bidding in procurement of tools, books, and supplies, nor were there such regulations covering the nonprofit procurement of such tools, etc., from dummy or affiliated supply establishments.

Thus, as in most other aspects of the supply program, neither the Veterans' Administration nor the schools can be considered immune from criticism for their conduct—the former for failing to insure adequate protection of the Government's interest and the latter for failing to operate within the spirit and intent of the Servicemen's Readjustment Act.

In hearings before this committee on the extent of this supply practice in the single field of watchmaking schools, the committee uncovered evidence which appeared to implicate C. & E. Marshall Co. of Chicago, Ill.—one of the largest manufacturers and sellers of horological tools, supplies, and equipment in the United States—as the central figure in a conspiracy involving many watchmaking schools all over the Nation. Prior to 1944, this corporation sold its products to only 6 or 7 horological schools, but with enactment of the Servicemen's Readjustment Act its list of school customers expanded to approximately 70.

Originally, sales were made directly to the horological schools on a variable discount basis, averaging around 33 1/3 percent. However, in May 1950, coincident with a central office advance release of information concerning a Veterans' Administration regulation to require most trade schools to pass on to the Government the benefit of trade discounts on supplies, C. & E. Marshall Co. discontinued trade discounts to such trade schools. Simultaneously, C. & E. Marshall Co. turned over most of these school accounts to the U. S. Jeweler's Supply Co., also of Chicago, Ill. U. S. Jeweler's Supply Co. was ostensibly a separate corporation formed in September 1949 to manufacture watch
crystals and sell watch attachments. However, an unusually intimate relationship between U. S. Jeweler's Supply Co. and C. & E. Marshall Co. was revealed in the hearings, wherein it was testified that—

(a) J. K. Marshall, president of C. & E. Marshall Co., organized the U. S. Jeweler's Supply Co. and then placed it under a trust agreement with his grandchildren as the primary beneficiaries.

(b) Of the three officials and directors of U. S. Jeweler's Supply Co., all appointed by J. K. Marshall, two were employees of the C. & E. Marshall Co.; one, the president of U. S. Jeweler's Supply Co., was employed as an accountant in C. & E. Marshall Co., spent as little as 10 percent of his time on the affairs of the U. S. Jeweler's Supply Co., and served in his capacity as president without compensation; the other was secretary to J. K. Marshall.

(c) In May 1950 the C. & E. Marshall Co. first began to turn over school supply orders to U. S. Jeweler's Supply Co. The school orders soon amounted to as much as 90 percent of the U. S. Jeweler's Supply Co.'s business.

(d) The U. S. Jeweler's Supply Co. continued to sell the trade schools at substantially the same discount terms as originally offered by the C. & E. Marshall Co., and at prices set by the C. & E. Marshall Co., and billed the schools at the same prices as C. & E. Marshall Co. charged the supply company.

(e) Most orders sent to U. S. Jeweler's Supply Co. were merely invoiced through U. S. Jeweler's Supply Co., but were filled and shipped by C. & E. Marshall Co.

(f) Much of the correspondence and business arrangements of U. S. Jeweler's Supply Co. were carried on by officials of C. & E. Marshall Co. One high official of C. & E. Marshall Co. transposed his initials on all U. S. Jeweler's Supply Co. correspondence he conducted.

It was against this background of relationship and operation with respect to the C. & E. Marshall Co. and U. S. Jeweler's Supply Co. that the supply manipulations of a number of the watchmaking schools took place. The following are typical of some of the situations encountered in the committee's investigations:

(a) Two trade schools, one in Texas and the other in Louisiana, organized after 1944 under common ownership, purchased watchmaking supplies from distributors and jobbers in the Dallas area until sometime in 1948 when they started purchasing exclusively from C. & E. Marshall Co. At the time, the tools and supplies were purchased at an average discount of 33 1/3 percent and were billed to the Veterans' Administration at cost to the institution giving the Government advantage of the discount.

Around May 1950 C. & E. Marshall Co. notified the schools that supplies could no longer be sold to them at a discount. About the same time, according to secretary-treasurer of these trade schools, an arrangement was consummated by an official of C. & E. Marshall Co. whereby a corporation was formed by the school to receive the supply discount which was supposed to have been discontinued. Under these circumstances, the Government no longer received the benefit of the discount arrangement from the school, although C. & E. Marshall Co. was still allowing the discount.

The president of this new corporation was the secretary-treasurer of the trade schools. The corporation never ordered or pur-
chased any supplies for the trade schools or anyone else; yet it received a "sales commission" check from C. & E. Marshall Co. for the period May 22 to August 1, 1950, in the amount of $1,138.34, on watchmaking supplies ostensibly furnished to the two trade schools at a list price (without any discount) and billed to the Government by the schools on a list price basis.

Apparently, then, the major purpose of this new corporation was to allow the schools to realize a profit on supplies. The corporation merely collected the discounts on school purchases under the guise of a "sales commission." The result of this maneuver was to inflate the cost to the Government of those supplies by 33½ percent. Further, from the timing and circumstances, it appeared that this procedure was designed specifically to circumvent the Veterans' Administration requirement that supplies be furnished by the two trade schools at a cost-to-the-institution basis and that it would not have been possible without the active collaboration of the C. & E. Marshall Co.

(b) Another watchmaking school in Kentucky organized in 1947 illustrates the more common form of supply affiliate or dummy corporation. The school organized a supply corporation in early 1948, upon the recommendation of the C. & E. Marshall Co. because, as stated in a letter from C. & E. Marshall Co., "the Veterans' Administration offices are getting very strict with respect to the contracts they are now writing, and most of them are calling for the invoice of tools at the schools' cost, plus 10 percent for handling" and "the only way that you can get your full profit on the tools under these circumstances is to have your own tool purchasing company." This supply corporation purchased watchmaking supplies at an average discount of 33½ percent from list price and resold the supplies to the school at list price. The Government was billed by the school for the supplies at list price on the understanding that it was a "cost-to-the-institution" price.

In 1949, when a new contract was being negotiated with the school, the Veterans' Administration refused to allow the school to purchase from its supply affiliate without the discount heretofore taken by the supply corporation being passed on to the Government. As a result, the supply corporation was disbanded by the school; however, a new supply corporation was then organized under a different name and with different stockholders—one of the school owner's mother-in-law, her sister, and a sister-in-law. The school then purchased its supplies from this new corporation under practically the identical arrangement as prevailed with the original corporation and with the same results; the new corporation earned approximately 33½ percent on discounts while the Government continued to be billed a full list price by the school for supplies.

Subsequent investigations and audits revealed that these dummy supply corporation transactions had caused the cost of supplies to be inflated by $70,000. Two of the school officials have since been convicted by a Federal court.

Other examples of affiliates and dummy supply corporations, as contained in General Accounting Office and Veterans' Administration reports of investigation, are the following:

(a) The ** Trade School inflated cost data used to determine the fair and reasonable rate paid this institution. The owner of the institution estab-
lished two dummy corporations, which, under his direction, issued invoices to
the school purportedly for supplies for use by the school in veteran training.
Checks were issued by the institution in payment to the prime dummy supply com-
pany and deposited to its account. Checks were issued by the prime dummy
supply company to a secondary dummy supply company which proved to be non-
existent. The bank account of the secondary company was carried under the
name of the wife of the school owner. The ledgers of the school recording pur-
chases of supplies were apparently maintained in good order, being supported by
invoices, vouchers, and canceled checks. Preliminary audits established an esti-
mated overpayment in the amount of $57,843 obtained through the inflated tuition
rate based upon false cost.

(b) All of these schools have had very generous contracts with the VA and
have apparently enjoyed a lucrative income by purchasing tools at wholesale
and delivering them to the veterans through a dummy tool corporation at exorbi-
tant prices. Audits and investigations have been under way in these schools for
some time. There are known overpayments in the amount of $23,000 against
* * * Technical Institute and an estimated overpayment of $100,000 against
* * * Trade School, Inc., * * *.

(c) In one instance a shipment of tools was disclosed to have been made direct
from a supply company to the school. However, the accounts of the supply com-
pany indicated that the account receivable was billed against the dummy corpora-
tion whose members included relatives of the school officials, and this dummy cor-
poration in turn billed the school. The value of the tools, as invoiced by the
supply company, was $12,085, whereas the amount billed by the dummy corpora-
tion for these same tools was $22,086.

(d) The owners and operators of the school [a profit vocational school] estab-
lished and operated a dummy tool and supply company in the names of their wives
and close relatives, under the guise of a legitimate company, from which the
school purchased tools, supplies, and equipment. The trade discounts received
by the supply company were not passed on to the school and the profits taken
by the supply company resulted ultimately in increased costs to the Veterans'
Administration. By a single manipulation where a bona fide supply company
transferred its billing from the school to the dummy supply company, which in
turn billed the school at higher prices, the dummy supply company realized an
income of approximately $10,000.

(e) Prior to February 1948 this school [a profit vocational school] purchased
its supplies from a national distributor in Chicago. In February three members of
the board of directors of the school purchased a local supply company and
proceeded to sell supplies to the school at a 33 1/3-percent mark-up over the former
price.

Meanwhile, some colleges have pursued, or allowed, a supply prac-
tice which, in its effect upon the Government, has been quite close to
that of the dummy supply corporation practice. Student union book
stores or student co-op book stores have been organized at colleges as
a student venture in the form of a nonprofit corporation or a coopera-
tive. While there have been several methods of operation, the basic
pattern was for the student book store to allow a discount, rebate, or
some other type of dividend at stipulated periods to students—or to
nonveteran students only in some cases—based on the amount of sup-
plies purchased through the book store or based on the amount of
surplus accumulated.

Obviously, the student book stores could not have existed on the
campus or functioned in the fashion they did without an extremely
close relationship with the college authorities; on the other hand, the
colleges contended that since the student book store was not a part of
the college’s operation and since the college received no distribu-
tion of its rebates or surpluses, the college itself had no real control
over the book store’s method of operation and could not be held ac-
countable for the book store’s activities. To date, the Veterans’ Ad-
ministration has tended to agree with the colleges in their contention
despite the fact that various Veterans’ Administration instructions
on supplies have stipulated, since 1947, if a discount is granted to students on supplies, the charge to the Veterans' Administration for supplies will be on the basis of the net price to the students and the fact that a standard provision in Veterans' Administration contracts with schools is that charges for veteran supplies will not be in excess of those generally made to nonveteran students. The sum effect of this type of practice has been to allow substantial increases in the cost of furnishing supplies to veterans which are not contemplated by Veterans' Administration regulations.

Typical examples of this supply condition are the following cases which have come to the attention of this committee:

(a) In 1946, a student union book store was organized on a nonprofit basis at an incorporated midwestern State university as a part of a university memorial organization. The memorial organization had been incorporated and was a legal entity separate and distinct from the corporation operating the university itself. The memorial corporation was governed by a board of directors composed of 21 members. Consistently, 10 of the members of the board of directors have been active members of the university staff and most of the remainder closely associated with the university in various capacities (i. e., retired members of the university staff, student organization representatives, and so forth).

A book store committee directed the activities of the book store itself, but was subject to the general supervision of the memorial corporation board of directors. The book store committee consisted of five to six members, three of which have been consistently university staff members and one, a student.

Each veteran was furnished a university requisition form to obtain supplies from the book store. The book store billed the university for such supplies on a standard State voucher form which was forwarded by the university to the State treasurer. Normally, the book store received payment from the State treasurer within a month. There was no contract or written agreement between the book store and the university on the business arrangements of these supply transactions; so obviously there was a more intimate relationship between the student union book store and the university than that between the normal vendor and buyer.

Since the bookstore was nonprofit, it declared, periodically, a "patronage refund" which in effect—since it applied only to cash sales—went only to nonveteran students and not veterans. Yet, veterans comprised 60.6 percent of the enrollment of that university from January 1, 1947, through June 30, 1949, and, thus, at least that proportion of the book store's customers. This meant, then, that the nonveteran student was obtaining the benefit of cheaper supplies at the expense of the veteran and, in turn, the Government.

Since the university was receiving advance payments on training from the Government in the amount of 75 percent of the anticipated costs, it was requested by the manager of the Veterans' Administration regional office that the university take advantage of this discount or rebate by paying cash for veteran supplies at the student union book store. However, the chancellor of the university replied that—

* * * no refund has been received by the university in any form for books or supplies for the benefit of veterans, nor does the university intend to apply for any refund or rebate. Furthermore, it is not the intention of the student
union book store to make any refund to the university on any purchases of books and supplies for veterans.

Although it was figured that, for the 2-year period of June 30, 1947, to June 30, 1949, alone, some $77,000 was at stake from the Government's viewpoint, the Veterans' Administration ruled in this case that since there were two separate corporations involved and since the money was—

paid to some students by the vendor, irrespective of whether denominated "discount", "rebate", or "percentage dividend", it was "not a factor in determining the price properly chargeable by the school to the Veterans' Administration assuming, of course, that the school did not receive any such distribution.

Now, while this situation may be legally tenable, it is somewhat questionable whether faith is being kept with the spirit and intent of the Servicemen's Readjustment Act. From the Government's standpoint, there seems to be much merit to the thought that regardless of whether money is being paid to a profit school owner and his associates as stockholders in a dummy supply corporation, or to some nonveteran students as stockholders in a student union book store organized as a corporation for nonprofit, the Government is fundamentally in the same position; that is, it is losing, in the case of the dummy supply corporation, the margin of the mark-up; and, in the case of the students' corporation, the margin of the rebate or discount given to others. Yet, in both cases, the corporations are distinct, but with a more intimate relationship to the school than that of the normal vendor and buyer.

(b) A Western State university required all veteran students to purchase supplies at the university book store. This book store, a corporation owned by the students of the university, shared profits with the student owners by way of an annual refund on gross individual purchases. These refunds ranged from 7 to 15 percent and were declared and paid annually to eligible students who presented book-store cash-register receipts for purchases during the year. However, by resolution of the corporation, these rebates were not to be made on supplies paid for by the Federal or State Government.

Prior to September 1945 the book store invoiced the university at a retail price less 10 percent discount for supplies furnished; thereafter, at a retail price without any discount. The university has billed the Government for these supplies on the same basis as the book-store invoicing except, after 1946, 10 percent was added by the university to vouchers as a handling charge.

The Veterans' Administration has recently held that "the school has no means of forcing the corporation to allow it a rebate, and it is hardly likely that the school would contract to charge the VA a less price than the school is required to pay the vendor for the same merchandise," therefore, the procedure is valid.

Again, as in the previous case cited, it appears to this committee that, while the school's position in this matter may be legally justifiable, it tends to disregard the obvious interest of the Government to the point of discrimination and, in the process, circumvent the true intent of the Servicemen's Readjustment Act: An education for veterans on the same basis as an ordinary nonveteran student with the Government merely assuming the paternal role of paying the veterans' bills.

It might be added as a footnote that the General Accounting Office has presented both of the cases cited above to the Administrator for
adjustment; however, the Administrator ruled that under the conditions the payments were legal and proper and that there was no justification for recovery action. In view of the finality of the Administrator's authority, there has been no further effort to adjust these situations.

Problems Involving Vocational Rehabilitation and Education Personnel

The Veterans' Administration was confronted with unprecedented problems in the administration of Public Law 346, Seventy-eighth Congress, many of which were completely outside the experience of the Veterans' Administration management and personnel. When Public Law 346, Seventy-eighth Congress, was passed there was no basis for an accurate estimate of the number of veterans who would choose to secure educational benefits under the act. There was considerable opinion among educational circles that a relatively small number of veterans would avail themselves of educational benefits. These estimates proved to be entirely inaccurate and the educational program underwent a tremendous expansion during the years 1944 through 1947. Veterans entitled to benefits under the act demanded attention and schools desiring to cater to these veterans demanded contracts with the Veterans' Administration. There was no period available for planning and assembling an adequate staff to handle the rapidly growing educational program and many phases of the program operated in the absence of satisfactory regulations during the first few years.

In response to a request by the chairman of the committee, the Veterans' Administration furnished answers to certain questions relative to their personnel difficulties. The answers to these questions appear below:

Question A. Do you feel that the supervisory personnel in the vocational rehabilitation and educational program possess satisfactory background and experience in the educational field? If not, what corrective measures do you think should be taken?

Answer. It is felt that supervisory personnel in the V. R. & E. program do possess satisfactory background and experience in the educational field. This opinion is based upon consideration of the following factors:

1. Analysis of the personnel folders of all departmental V. R. & E. employees at grade GS-12 and above.
2. Analysis of personnel folders of all chiefs, V. R. & E. Division. This field position is the only one in V. R. & E. for which personnel actions are centralized in Washington.
3. A brief summary of the educational background and experience of all V. R. & E. staff employees in one large and two medium-sized regional offices, prepared from data furnished by the field stations.
4. Qualification standards developed by the Assistant Administrator for Personnel, Veterans' Administration, and approved by the Civil Service Commission. This matter is discussed later. (See VII B.)

After analysis of the educational background of the 102 departmental employees in V. R. & E. at grade GS-12 and above, it was found that 99 had 2 or more years of college training and 89 of these had earned one or more collegiate degrees, 16 had attained the doctor's degree, 25 others had earned a master's degree (7 of these had considerable work completed toward a doctor's degree). An examination of experience in the field of education showed that one-fourth of these 102 employees had had 12 or more years exclusive of experience in the Veterans' Administration or in the military service. Almost half

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85 Statement of the Administrator of Veterans' Affairs prepared in response to January 29, 1951, questionnaire from chairman of the House Select Committee To Investigate the Educational Program Under the GI Bill.
of the total had had at least five creditable years of experience in public school or collegiate level teaching, supervision, or administration.

A similar analysis of the educational background of 70 chiefs, V. R. & E. Division, indicated that 65 had 2 or more years of college training and 50 of these had earned one or more degrees. Seven chiefs, V. R. & E. Division, have obtained a doctor’s degree, and 18 others have a master’s degree. Twenty-five chiefs of V. R. & E. had had 12 or more years experience directly in the field of education, exclusive of such experience in the V. R. & E. program or in the Armed Forces. On the other hand, it is fair to point out that 16 of the chiefs had no such experience and 5 others had less than 3 years’ experience. However, one must bear in mind that a traditionally accepted standard for eligibility of a permanent-status employee to fill a position at a higher grade is the completion of a minimum of 1 year’s actual experience at the next lower grade. This practice makes it possible for a clerical employee under civil-service standards to attain an administrative post based upon experience, although lacking in the educational background normally associated with the position, except in those instances for which the Civil Service Commission has established absolute minimum educational requirements. In addition, until the Civil Service Commission began to require that noncompetitive standards be as rigid as competitive standards, beginning in 1947, the old-time Government employee had considerable advantage in competition with a non-Government employee for a position which represented a one-grade promotion for the former. Until the change in 1947 noncompetitive standards (for status employees) were generally established at only two-thirds of the competitive standards (required for nonstatus employees).

The following table based on information obtained from three regional offices reflects the status of staff officers (GS-7 or above) as of February 9, 1951. It may be noted that approximately 20 percent of these regional office employees have attained a master’s degree or higher, 40 percent have the bachelor’s degree only (including LL’s, B’s), 20 percent have only some college training, and 20 percent have none. One of three staff employees at these three stations indicated teaching or supervisory experience in the field of education, exclusive of such experience in the Armed Forces or in the V. R. & E. program.

Highest degrees held by all V. R. and E. staff employees in 3 regional offices

<table>
<thead>
<tr>
<th>Educational experience</th>
<th>New York regional office</th>
<th>Washington regional office</th>
<th>Huntington regional office</th>
<th>Total staff employees</th>
<th>Individuals with teaching or supervisory experience in the field of education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctor’s degree</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Master’s degree</td>
<td>41</td>
<td>7</td>
<td>9</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>72</td>
<td>22</td>
<td>27</td>
<td>121</td>
<td></td>
</tr>
<tr>
<td>No degree</td>
<td>64</td>
<td>30</td>
<td>25</td>
<td>119</td>
<td></td>
</tr>
<tr>
<td>Some college training</td>
<td>32</td>
<td>11</td>
<td>16</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>No college training</td>
<td>32</td>
<td>10</td>
<td>10</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Total staff employees</td>
<td>180</td>
<td>50</td>
<td>62</td>
<td>301</td>
<td></td>
</tr>
<tr>
<td>Individuals with teaching or supervisory experience in the field of education</td>
<td>40</td>
<td>25</td>
<td>30</td>
<td>101</td>
<td></td>
</tr>
</tbody>
</table>

Question B. Has difficulty been experienced with civil-service job ratings?

Answer: Difficulty has been experienced with civil-service job ratings applying to classification. There has been disagreement regarding the classification of the registration officer position in the V. R. & E. program. The Civil Service Commission has ruled that the position should be down-graded from GS-9 to GS-7 but has permitted incumbents in GS-9 to be continued at that grade for the time being. The Commission has stated, however, that steps will be taken in the relatively near future to reduce all registration officers to GS-7 unless the problem is legislatively resolved. This, of course, has increased the difficulty of retaining qualified employees.

Difficulties experienced in establishing qualification standards, announcing examinations to fill V. R. & E. positions on a permanent or probational basis, and rating applicants to fill these positions have been minor. In 1946, 1947, and 1948 these matters were generally decentralized to VA branch offices and Civil Service Commission regional offices and were handled efficiently when one realizes the large number of nonstatus employees on VA rolls in the period 1946-48.
As late as June 30, 1947, only 42 percent of the VA employees had permanent or probational status; by the end of December 1948 the percentage had increased to 85 percent. The problem of obtaining status for employees in the expanding Veterans' Administration was particularly felt in a program such as V. R. & E. This was particularly true because of the very rapid increase in number of V. R. & E. employees on duty (from 8,390 on January 31, 1946, to 21,803 in May 1946), and because this increase was made up of recently discharged veterans without civil-service status supplementing the status employees available for this work.

Unassembled examinations were developed, prepared, and announced and rated in accordance with a schedule maintained by the Civil Service Commission. The announcement dates of examinations for the basic operating positions in the V. R. & E. program throughout the country were as follows:

For training officers the closing dates for filing for the examination varied from November 1940 to February 1947.

For vocational advisers the closing date was simultaneous throughout the Nation in mid-December 1946. In addition to the unassembled examination a written test was also required for this position.

For training facilities officers the dates and the examination were the same as for training officers.

For registration officers the closing dates varied from November 1947 to March 1948.

For contract officers closing dates varied from December 1947 to April 1948. However, this particular examination has never been announced for the VA regional offices in the State of New York.

Prior to the effective announcement dates indicated above, positions were filled on a temporary or indefinite basis by nonstatus employees pending the establishment of a register or by the promotion, transfer, or reassignment of status employees who were generally required to meet only two-thirds of the competitive standards as tentatively established in accordance with the commonly accepted civil-service practice. Standards for the rating of positions established by the Office of Personnel in the Veterans' Administration did not appear prior to the spring of 1946. During the wartime period prior to February 1946 the United States Civil Service Commission issued a series of examination specifications. Such specifications were developed and issued from time to time for all of the positions concerned, other than contract officer. These wartime specifications were designed for the immediate recruitment of personnel needed to prosecute the war effort, rather than for the postwar practices of building up a career service. Because of the depleted labor supply during wartime, these standards were lower than those presently in effect.

Under civil-service regulations persons employed under these lower standards, who did not have civil-service status, had to compete in an examination based on the higher standards in order to obtain such status. Persons employed under the lower standards, who already had civil-service status, did not have to compete in this manner.

Question C. Do you feel that field offices are sufficiently staffed in relation to their workload? If not, how has this affected your conduct of the program? In this connection, are vouchers rendered by educational institutions processed in a reasonable period of time? Are there backlogs in advisement and guidance? Are the offices of the Special Assistants to Director, Training Facilities Service, adequately staffed in order to handle their work expeditiously?

Answer. Since the inception of the vocational rehabilitation program in March 1943, considerable difficulty has been encountered by the Veterans' Administration in securing and retaining an adequate number of qualified personnel to administer the vocational rehabilitation and education and training programs. Both programs were commenced during World War II with the result that it was necessary to utilize the services of persons already employed by the Veterans' Administration. After the mass demobilization of the Armed Forces, which started in 1945, the demand for educational benefits increased so rapidly that it was necessary for the Veterans' Administration to employ large numbers of inexperienced people who had to be put to work immediately with a minimum of instruction. While the training load was still increasing during 1946, a general demand developed for reduction of Government expenses. As a result, the Administrator took action which checked the expansion of the vocational rehabilitation and education personnel and set in motion a retrenchment program which has continued up to the present time. This retrenchment made it necessary first to reduce and finally to eliminate supervision of individual veterans in training under Public Law 540.
On November 29, 1960, the Veterans’ Administration directed its regional offices to reduce the number of employees engaged in vocational rehabilitation and education work by approximately 650 people. An additional 400 individuals have left the Veterans’ Administration or their own volition since December 31, 1960. At the present time most field offices appear to be sufficiently staffed in relation to the workload, although a few have indicated that because of local circumstances they will not be able to keep current with present personnel.

It is the opinion of the Veterans’ Administration that under present conditions it will be difficult, if not impossible, to retain an adequate number of qualified V. R. & E. personnel in every regional office throughout the United States to carry on the necessary functions. The retrenchment program initiated in 1946, and continued up to the present time with numerous reductions in force, has undoubtedly caused employees to be apprehensive about the security of their employment, particularly in view of the fact that the number of veterans in training while still high, is declining. Apparently many employees are inclined to look with favor on alternative opportunities which have become available due to the changed employment situation resulting from forces set in motion by the Korean conflict. The problem is further aggravated by the fact that a substantial portion of the employees leaving the Veterans’ Administration to reenter military service or to take other employment are the more capable and better-qualified individuals.

**VETERANS’ ADMINISTRATION PERSONNEL PROBLEMS**

In spot checks of the qualifications of vocational rehabilitation and education personnel, the committee has found personnel lacking the education and experience necessary to qualify them as administrators of an educational program.

For example, investigations disclosed that the chief of the training facilities section of a Veterans’ Administration regional office was a high-school graduate and had completed a 1-year course in typing and shorthand. A major portion of his experience was as a timekeeper and bookkeeper for a railroad. He was later hired by the United States Department of Labor in the Wage and Hour Division of that Agency. After serving 8 years in the armed services during World War II, this person was transferred from the Wage and Hour Division of the United States Department of Labor to the Veterans’ Administration where he was made chief, training facilities, and was responsible for inspecting and approving schools and training facilities for disabled veterans under Public Law 16. He was also responsible for contracting with approximately 400 public and private schools, universities, and colleges under Public Laws 16 and 346. This person supervised the activities of a staff of contract officers and training facilities specialists, numbering from 17 to 36 at various times.

A former chief of the education and training section in the same office was a high-school graduate and had no college training. His experience in the field of education was limited solely to a short period during which he served as an instructor in a war program.

A former supervisor in the training facilities section in the same office was a machinist most of his adult life and served as an instructor and supervisor in a wartime machinist school prior to being employed by the Veterans’ Administration. This person had no college education and no experience in school administration.

The committee realizes that the Veterans’ Administration is subject to civil service regulations in hiring employees and that in many instances the Veterans’ Administration is required to accept transfers from other agencies. Yet the fact remains that a large majority of vocational rehabilitation and education personnel had little experience
in the field of education administration or vocational rehabilitation prior to their employment in veterans' training program.

The Assistant Administrator for Vocational Rehabilitation and Education was questioned in a hearing dealing with the policies of the Veterans' Administration regarding payment for books, supplies, and equipment issued to veterans and was asked to explain why the Veterans' Administration had failed to carry out a policy of recovering tools and equipment issued to veteran trainees who had been interrupted as a result of failure on their own part or who had dropped out of school a few days after enrollment. In the way of explanation, the Assistant Administrator for Vocational Rehabilitation and Education stated that since 1948 the personnel available to carry out the program of the Veterans' Administration had been reduced at a rate much greater than the decline in the workload, thus placing the Veterans' Administration in the position of having to do the most essential things first, sometimes at the expense of other desirable things which could not be accomplished due to a personnel shortage.

The General Accounting Office, in its Report of Survey—Veterans' Education and Training Program, made the following comments concerning the administration of the veterans' educational program by the Veterans' Administration:

As was to be expected in any program of such magnitude, deficiencies in administering the program developed.

After passage of Public Law No. 346, participation in the program snowballed to such an extent that the VA had neither time nor sufficient or qualified personnel to establish the necessary controls. The veterans and schools clamored for action. The inevitable confusion resulted. However, VA officials and personnel, who were certainly no less honest, sincere, and perhaps efficient than any group of similar size or class, responded to the best of their ability. Regulations were promulgated and were revised when inequities developed. High standards were established in selection of personnel to carry on the program. Notwithstanding, it was not always possible to get sufficient qualified help. A number of the more capable left for private industry, where remuneration was greater; some even left VA to open schools of their own or to participate in the management or guidance of other schools.

With the terrific expansion of the program and the tremendous volume of payments, errors were bound to occur. In cases of doubt the VA seems consistently and perhaps often with justification to have decided in favor of the veteran. Mistakes within the VA and failures of the participating schools, as well as connivance on the part of unscrupulous operators and veterans, resulted in numerous improper payments. Action has been taken in a large percentage of these cases to effect collection. Many were collected by offset against national service life insurance dividends; collection of others was waived; still others are outstanding and action thereon is pending.

There have arisen cries against the VA of unfair treatment and of undue delay in negotiating contracts or in making payment. Perhaps some of these claims were justified. However, in the majority of instances the complaints seem to have been from those bent primarily on reaping a profit for themselves with little regard to rendering a service for veterans.

Most of the matters developed in this report have been referred to the Administrator for consideration and appropriate action. In the early stages of the program the Administration disclosed little inclination to adopt remedial measures. However, as time progressed cooperation increased and some corrective actions were affected.

It is noted that General Accounting Office found that in the early stages of the program the Administration disclosed little inclination to adopt remedial measures.
REPORT BY INSPECTION AND INVESTIGATION SERVICE OF VETERANS’ ADMINISTRATION

There are listed below extracts from Veterans’ Administration inspection and investigation reports typical of the irregularities found in the vocational rehabilitation and education program:

Alleged irregularities in connection with a training school in Johnson City, Tenn.

Irregularities: It was alleged that the school made false representations in vouchers submitted to the VA covering a 3-month period early in 1950, during which little or no instruction was given students for approximately a month, and subsequently, for a period of about a month, only about 1 hour a day instruction was given, the rest of the hours being devoted to renovation and remodeling work in the school, meanwhile the school collected tuition and the students drew subsistence from the VA.

It was also alleged that the school falsely represented salaries and other operating expense in cost data submitted for the period October 1, 1948, to May 31, 1949, on which the VA contract was based.

The above allegations were substantiated, and it was also determined that a VA training officer, Johnson City, Tenn., accepted favors from the school in 1949, and was remiss in his duty, in not reporting the above incidents for proper action early in 1950, although he was aware that Public Law 10 and Public Law 346 students were being used for laboring and mechanical work not related to their instruction course.

Alleged solicitation of payoff by a training officer, V. R. & E. Division, VARO, Chattanooga, Tenn., and irregular practices of owners and operators of a trade school in Chattanooga, Tenn.:

Irregularities: The training officer referred to—
(a) Demanded $300 from owners and operators of the trade school.
(b) Demanded the use of the privately owned automobile of the owner or operator of the trade school.
(c) Assisted in the preparation of cost analysis and course outlines for the trade school.
(d) Assisted in obtaining State approval of the trade school,
(e) Accepted $1,142 and required a promissory note in his favor for the sum of $1,700 by officials of another trade school.
(f) Assisted officials of the second trade school to obtain a Reconstruction Finance Corporation loan.

Investigation of V. R. & E. program in VARO, Pass-a-Grille, Fla.:

Irregularities: It was determined that employees of the V. R. & E. Division, VARO Pass-a-Grille, Fla., had accepted gifts and gratuities from officials of schools with whom they had official relationships. The chief, training facilities section, had borrowed money and equipment from officials of schools with whom he had official relationships. He also sold advertising novelties to schools with which he had official relationships. It was disclosed that there was not only a laxity in checking the cost data submitted but inaccurate and false cost data was knowingly accepted, which effected a higher rate of tuition than was justified. The schools did not keep accurate records of supplies required of all students and it was disclosed that veteran trainees were being required to purchase more supplies than were required of civilian students.

Alleged irregularities on the part of the Chief, V. R. & E. Division, VARO, Miami, incident to termination of employment of a training specialist under the RIF program, and irregular conduct with a contract school:

Irregularities: The Chief, V. R. & E. Division, accepted $377.50 from the training specialist, to use in a joint business project, and later requested that the training specialist furnish an additional $1,000 for this project, yet declined to enter into a legal partnership for the protection of the training specialist.

The Chief, V. R. & E. Division repaid the $377.50 to the training specialist and falsely represented to the credit union the purpose of money borrowed from it which he used to repay the training specialist.

The following summarizes a series of investigations conducted in the area of the Nashville regional office concerning alleged irregularities on the part of
management and staff of the VA offices and on the part of a trade school in Murfreesboro, Tenn.: Irregularities: The school failed to adhere to the training program approved by the Tennessee Department of Education in that the school engaged in projects not related to courses of instruction authorized, made use of trainee labor for financial gain, and rendered services to the manager, VARO, Nashville, to V. R. & E. officers and subordinates.

The manager, VARO, accepted services of the school for the improvement of his country home. The manager failed to take prompt and decisive action on irregularities and defalcations engaged in by the trade school, which were called to his attention.

The chief, V. R. & E. division; chief, training facilities section, V. R. & E.; the chief, contract unit, V. R. & E.; the chief, registration and research section, V. R. & E.; the chief, education and training section, V. R. & E.; and a facilities specialist, V. R. & E., engaged in various irregularities with the school or otherwise failed to carry out their responsibilities in dealing with the school.

The finance officer, VARO, Nashville, engaged in irregular practices in dealing with the trade school and failed to protect the interests of the Government.

The action of the chief attorney, VARO, Nashville, appeared to favor the school rather than the Government.

Alleged irregularities on the part of a contract officer, V. R. & E., VARO, Detroit:

Irregularities: A contract officer, while employed by the V. R. & E. division, VARO, Detroit, performed legal services for persons and schools having contracts with that regional office and received payments therefor, in violation of the intent and provisions of R. & P. 0720 (B) and 0708 (C, D, and F). These legal services were furnished to five trade schools in the Detroit regional area.

Alleged solicitation by an employee of the VARO, Pittsburgh, Pa., during negotiation of a contract with an aviation school in Punxsutawney, Pa.:

Irregularities: A contract officer, V. R. & E. division, VARO, Pittsburgh, solicited a bribe from an officer of the above-mentioned school during the negotiation of a contract, and willfully and intentionally suggested and aided in the submission of false and fictitious cost data to the Veterans Administration.

Several contract employees of the V. R. & E. division obtained personal services from training agencies under contract with the VA in violation of R. & P. 0720 (B).

Alleged irregularities on the part of training institutions in the State of Mississippi, and of the relationships existing between such training institutions and officials of the VARO, Jackson, Miss.:

Irregularities: Numerous instances of trade schools padding cost data and manipulation of the sale of trainee tools so as to make an added profit to the school.

The matter of the fraudulent activities of some of the trade schools was referred to the Department of Justice.

The I. & I. Service recommended that the V. R. & E., employees guilty of accepting turkeys, liquor, personal services, etc., and of drinking on duty be reprimanded. The Assistant Administrator for V. R. & E. addressed a letter to the manager of the regional office calling his attention to the recommendation of the I. & I. Service and saying that he and the Assistant Administrator for Personnel concurred.

Alleged payoffs received by VA employees in VARO, Detroit, and attempts to bribe VA officials, Columbus, Ohio:

Irregularities: At Columbus, Ohio: An apparent attempt by a school owner and an ex-VA employee to influence a special assistant to the director of training facilities by the gift of an expensive piece of luggage and suggestions that he own stock in a school while retaining his position with the VA. The failure of the special assistant to immediately report this apparent attempt to unduly influence him and his continued active association with the school owner and the ex-VA employee.

At Detroit, Mich.: A voucher audit clerk's attempts to solicit part-time employment with schools to assist them in preparing their vouchers to the VA; his evidencing so much interest in a new school as to make its organizers apprehensive that he was contemplating soliciting them for a bribe; his working on the vouchers of a school at which he was a part-time student and his forging
the names of veterans to forms thus causing increased tuition to be paid the school and causing the veterans' entitlement to be consumed at an accelerated rate.

A contract officer acted in an indiscreet and questionable manner in his dealings with the organizers of a new school.

The voucher audit group approved and certified vouchers for tuition at a rate in excess of the $500 maximum without first ascertaining if the excess rate had been authorized.

That the chief of the voucher audit section knowingly authorized the assignment of a voucher audit clerk to work on the vouchers of a school in which the clerk was a part-time student.

That the finance officer failed to adequately protect the interest of the Government after overpayments to a school had been brought to his attention.

That an employee of a school, with the knowledge of the president of the school, forged the names of veterans on forms thus enabling the school to obtain tuition in excess of the $500 maximum and causing the veterans' entitlement to be consumed at an accelerated rate.

Alleged irregular practices by employees of the VARO, Miami, Fla., incident to the V. R. & E. program:

Irregularities: An institution of higher learning in Florida, during the years 1947, 1948, and 1949, made a limited number of season football tickets available to management staff and selected employees at a cost of $10 each as compared to the charge of $27.50 each to the general public and other VA employees.

The registration and research section, VARO, back-dated certificates of eligibility and entitlement in circumvention of the provisions of Instructions No. 1-A, dated September 1, 1949.

The institution of higher learning back-dated certificates of acceptance of veterans as students in circumvention of the provisions of Instructions No. 1-A, dated September 1, 1949; and during the years 1947 and 1948 back-dated records to show enrollment of veteran trainees on the first day of the semester contrary to the facts in the case causing overpayment of subsistence allowances and tuition.

Certificates of eligibility and entitlement received by the VARO, Miami, from other regional offices, Boston, Los Angeles, Providence, Hartford, New York, Nashville, and Newark, contained evidence having the appearance of back-dated action by those offices in contravention of Instruction No. 1-A, dated September 1, 1949.

Investigation of a trade school in Houston, Tex., and of alleged irregularities on the part of VA employees, Houston regional office:

Irregularities: The institution failed to meet minimum standards for a veterans' training facility, and the owner was not qualified to conduct it properly, from a standpoint of ability, education, personality, and experience.

The Houston VA regional office was negligent in not correcting the known deficiencies and unsatisfactory conditions at the school.

A former VA contract unit employee solicited personal favors from school owners and engaged in a business on the outside while so employed.

Investigator recommended action toward termination of the school's VA contract, and disapproval by Texas State approving agency, and institution of criminal action against school and owner.

Overpayments to a correspondence school in New York City:

Irregularities: In June 1946 the vouchering section of the New York regional office was being very loosely run. (It is not clear whether the voucher examining section was then under Finance or V. R. & E.). Representatives of institutions having contracts with the VA were permitted to visit the voucher examining section and discuss their problems with the section personnel. At times supervisors would refer the school officials directly to the voucher examiner handling their account. This happened in the case of the correspondence school mentioned above and the voucher examiner gave them a written opinion that they could bill the VA for correspondence lessons which had not been completed or serviced by the institution. As a result of this erroneous and unauthorized opinion the school billed the VA and received payment in the amount of $20,347.90 for unauthorized charges.

Allegations concerning a former assistant chief, advisement and guidance, and improper conduct of other V. R. & E. personnel, VARO, Pass-a-Grille, Fla.:
Irregularities: An assistant chief, advisement and guidance, obtained his employment in the Veterans' Administration through the preparation and submission of false information on his application for employment, SF-57. He was removed from his employment with the Veterans' Administration.

The chief, advisement and guidance section, VARO, Pass-a-Grille, Fla., falsely prepared and submitted a request for promotion, Form SF-62, and was promoted by reason of such data in 1947.

Alleged improper conduct and favoritism practiced by the chief, V. R. & E. division, regional office, Kansas City, Mo.;

Irregularities: The chief, V. R. & E. up to August 1948 had obtained goods and services at cut-rate prices from schools having contracts with the regional office. The chief of the V. R. & E. division was reprimanded in August 1948 for such practices.

The chief, V. R. & E. division, showed unusual interest in two contract schools operated for profit which caused much gossip and rumor, adverse to the chief, V. R. & E. division.

The chief, V. R. & E. division, required retroactive entrance of veterans into training against the expressed opinion of the registration and research section that such action was in violation of R. & P. R.

The chief, V. R. & E. division was deficient in administrative ability, in matters of supervision and coordination of activities within the division, did not exercise aggressive action to settle problems with other divisions in the regional office, failed to make appropriate distribution of policy information, gave undue consideration to minor and insignificant matters at the expense of important pending problems, he furnished erroneous information to training institutions causing embarrassment to VA employees having direct dealings with those institutions, and refused to recognize deficiencies in the division which were reported to him. These deficiencies resulted in the general breakdown of elements of the division.

The chief, registration and research section, failed to efficiently conduct the work of the section.

Alleged irregularities in connection with a training institution in Longview, Tex.;

Irregularities: The school fraudulently vouched for and received tuition payments for periods prior to dates of actual trainees attendance, subsequent to dates of interruption of training, during excessive and unexcused absences, and for full-time training in lieu of part-time training actually pursued; and also vouched for expendable supplies allegedly issued trainees without supporting evidence thereon, and failed to maintain daily classroom attendance records.

The school was not properly supervised by personnel of the regional office. Conflicting interpretations of VA directives by VA employees contributed to the undesirable situation.

Alleged irregularities by an acting chief, training facilities section, VARO, Washington, D. C.

Irregularities: An acting chief, training facilities section, falsified practically the entire application for employment, SF-57.

He attempted, in an irregular manner, to destroy certain schools and build up others; he conspired with an attorney to collect $1,000 from a tailoring school; he connived with this attorney to collect some 30 percent (?) from a business college; and advised the finance officer, VARO, that checks for the business college should be mailed to the attorney.

He demanded and accepted two watches from a watch-repair school. This school also gave one watch to the VA supervisor of tuition vouchers.

Contracts negotiated by the training facilities section, VARO, Washington, D. C., with the training agencies were susceptible to various interpretations.

Alleged irregularities, VARO, Boston, Mass.:

Irregularities: A training officer of the V. R. & E. division designated to supervise the furnishing of trainee tools and supplies usurped the functions of the supply division by authorizing trainees to procure tools and supplies direct from vendors; he also diverted this business generally to one vendor; he permitted trainees to select tools and supplies desired by them and permitted the vendor to prepare the requisition up to $100 or thereabouts; he certified to the receipt of tools and supplies by trainees without verification; and he accepted some $3,000 from a vendor incident to these transactions.
The director, V. R. & E. service, branch office No. 1, Boston, acknowledged failure of that office to properly supervise the V. R. & E. activities of the VARO, Boston. The V. R. & E. service branch office was without adequate instruction from the central office level in the matter of V. R. & E. supervision for a considerable period of time following the organization of branch offices.

The assistant manager, VARO, Boston, failed to carry out his function in his supervision over V. R. & E. and supply activities in the matter of trainee tools and supplies, and failed to relieve the unjustifiable delays in the furnishing of trainee tools and supplies.

There was a definite lack of supervision within the V. R. & E. division, VARO, Boston, in the matter of trainee tools and supplies.

The irregularities mentioned above constituted a loss of service to veteran trainees and a financial loss of some $75,000 to $100,000 to the Government.

Action taken: Charges were preferred against the assistant manager, looking toward his removal on the grounds he failed to carry out the responsibilities of his official position; no action was taken on the charges. He was placed on annual leave from October 3, 1949, to December 31, 1949, and retired on January 4, 1950, for physical disability.

The supply officer pleaded guilty to two indictments of accepting bribes and was released on personal recognition. He resigned August 1948.

A training officer was separated from the service and was indicted for accepting a bribe but was subsequently acquitted of this charge. He was reindicted September 27, 1949.

The senior procurement clerk was separated from the service and plead guilty to one indictment.

A contractor was sentenced to 18 months and fined $10,000.

Another contractor was sentenced to 4 months and fined $500.

Another contractor was sentenced to 1 year and 1 day in the Federal Penitentiary.

Another contractor was indicted but dismissed. He was reindicted September 27, 1949.

Six firms were debarred from submitting bids in response to invitations to bid, circulated by the Veterans' Administration, for a period of 1 year beginning January 24, 1949.

Alleged irregularities on the part of a trade school in Dayton, Ohio:

Irregularities: This investigation was based on preliminary inquiry conducted by representatives of the V. R. & E. Division, VARO, Cincinnati, Ohio, which disclosed that the school had either vouchedered and received payment in advance for instruction or had vouchedered and been paid for instruction not actually given. The investigation disclosed numerous fraudulent items contained in 17 vouchers submitted by the school amounting to the total sum of $64,201.70. The investigation further disclosed that 10 veterans who had interrupted school were vouchedered by the school for training, books, and supplies not received amounting to $2,055.82; 19 veterans whose tuition, books, and supplies were vouchedered in advance and at the time of the investigation training, books, and supplies in the amount of $2,042.85 had not been received by the trainees, making an actual total overpayment of $5,328.65. On August 23, 1949, after the initiation of the investigation, the president and general manager of the school forwarded the amount of $7,200 to cover possible overpayments.

It was also disclosed that the operator of the school required veterans to sign blank certification forms at the time of enrollment, and other substantiating records were not maintained by the school. It was also shown that the Chief, V. R. & E. Division, VARO, Cincinnati, Ohio, failed to take aggressive action when irregularities of a serious nature were reported to his office and subsequently authorized an investigation contrary to the then existing directives without the knowledge and concurrence of the manager.

Alleged irregularities of employees of VARO, Chicago, Ill., in connection with trade schools in Chicago:

Irregularities: (a) A training-facilities officer and a former registration officer, V. R. & E. Division, VARO, Chicago, Ill., violated R. & P. 9703 in connection with the organization of two trade schools.

(b) A training officer, V. R. & E. Division, VARO, Chicago, Ill., violated R. & P. 9703 by accepting employment with a tailoring school.

(c) A clerk, Administrative Division, VARO, Chicago, Ill., while on sick leave engaged in work at a cleaning establishment.
Alleged irregularities on the part of an interior decorating school and a Veterans' Administration training officer, VA Regional Office, New York, N. Y.:  

Irregularities: On a routine review of the records of an interior-decorating school conducted by the V. R. & E. Division, New York regional office, it was determined that the school had failed to keep adequate records to substantiate attendance charges, and it was further determined that the school had overcharged the VA in that the school failed to properly consider absenteeism of students in its charges. The school conducted its own audit and determined that they had been overpaid $3,673.05 in tuition payment for days on which veteran students were absent. Interim report was submitted by VA inspector-investigator, recommending complete audit of school and advised that attendance records were inaccurate. It was also established that a training officer had accepted the loan of an automobile and luggage from principals of the interior decorating school.

Alleged irregularities regarding payments made to flight schools, Houston, Tex.:  

Irregularities: A contract officer in the V. R. & E. Division executed a contract with an employee of a local airport, who had no legal interest in the institution.

The employee of the airport or others interested in the contract forged veterans' signatures to vouchers representing that instruction had been given and received and submitted these vouchers to the Veterans' Administration for payment.

A former voucher auditor, Finance Division, assisted in the preparation of vouchers to be submitted by schools to the regional office covering flight training. The former voucher auditor, during the employment, requested and received $75 from the owner of the airport which he did not repay. He also received gratuities from the school in the form of free use of airplanes, gasoline, oil and airport facilities, and other personal services as reimbursement for his assistance in preparing vouchers.

Alleged irregularities on the part of a television school, Chicago, Ill.  

Irregularities: The school willfully and fraudulently invoked the Veterans' Administration for unearned tuition and fees on or about 1946 through the entire period to the date of the investigation, April 21, 1948.

The General Accounting Office, in January 1947, reported an estimated payment of some $100,000 to this school resulting from fraudulent invoices submitted by the school. These invoices were fraudulent as to the periods of training, absenteeism of trainees, unauthorized leaves by trainees, and intermittent periods of absence of trainees.

The investigation reported April 21, 1948, disclosed overpayment to the school of some $116,824.87, which the school obtained through willful and fraudulent invoicing for tuition and fees. The school claimed over $92,000 for alleged training not actually provided.

The school misrepresented its program to prospective veteran trainees.

Instruction was, in part, inadequate, deficient, duplicated, and detrimental to the trainees' eligibility for training.

The region office, Chicago, did not carry out and enforce regulations of the Veterans' Administration in its dealings with this school.

A contract officer, VARO, Miami, Fla.; alleged use of office for personal gain in the relations with VA contract holders; a chief, V. R. & E. Division, VA regional office, Miami, Fla.; alleged malfeasance in office in conjunction in handling of complaints submitted by veterans taking flight training at Stuart, Fla.;

Irregularities: A contract officer solicited and obtained loans from school operators whose contracts he was processing. In most instances the loans were not repaid. He also accepted $50 from a school operator as an outright gift while the school contract was under consideration.

A flight school operator made several attempts to bribe VA employees. This flight school was failing to meet contract requirements; was forging veterans' names to vouchers and flight tickets; charging for services not rendered; and using unsafe and substandard equipment.

When the irregularities existing in the flight school were brought to the attention of the Chief of the V. R. & E. Division, he prohibited further investigation and suppressed the evidence already obtained.

Investigation of irregularities surrounding the borrowing of money and casing of checks on the part of a contract officer, Training Facilities Section, V. R. & E. Division, VA regional office, Dallas, Tex.:
Irregularities: A contract officer borrowed $300 from the owner of a school. The contract officer was soon to pass on the renewal of the school's contract. He also cashed personal checks at the school. When questioned about these matters by his supervisors he gave evasive and untruthful answers.

Alleged irregularities with reference to processing of vouchers submitted by several flight schools and other trade schools in the Dallas regional office area in connection with payments covering tuition to students enrolled in these institutions.

Irregularities: The report disclosed that some voucher examiners had, in an effort to expedite payments, processed vouchers from schools without sufficient basis evidence being in file, such as award actions, records of disbursement, contracts, etc. It also appeared that some favoritism and priority had been extended to certain schools. In some instances the voucher examiners had apparently been motivated by gifts, after-hours employment, and financial interest in the schools submitting the vouchers. In other instances the motivating force appeared to be a desire to be recognized as a "person who gets things done." Some of the employees involved were subjects of FBI investigations on bribery charges. It was concluded by the investigators that the Voucher Audit Section had not received adequate supervision prior to August 1947.

Report of investigation re allegation that a VA employee is accepting money from the proprietor and other alleged irregularities involving a photography school in Chicago, Ill.:

Irregularities: (a) A training officer, V. R. & E. Division, VARO, Chicago, Ill., accepted a check dated March 10, 1947, in the amount of $100 from the proprietor of a photography school. He also accepted two fifths of whisky as a Christmas gift from the vice president of a flight school in Chicago, Ill.

(b) The photography school mentioned above did not have adequate space and equipment or competent instructors and did not offer all courses set forth in their contract.

Report of Investigation reference to former manager, Veterans' Administration regional office, Houston and San Antonio, Tex.:

Irregularities: The investigation discloses a general and rather consistent pattern of miscreant actions, malfeasance and misconduct in office by a former manager of the Veterans' Administration regional offices at Houston and San Antonio, Tex., from February 1946 until he resigned on February 20, 1951, while under investigation, and also discloses other irregularities, including misconduct on the part of Veterans' Administration employees subordinate to this former manager, which was directed, caused, or condoned by him.

This former manager extensively engaged in irregular travel at Government expense not on official business, but solely for his personal convenience and pleasure, in connection with which he willfully executed and submitted false and fraudulent travel vouchers. Also, he directed or caused his subordinate employees to perform irregular travel at Government expense, including trips by the Chief, V. R. & E. Division, to accompany the former manager or to furnish transportation for the former manager's wife, in connection with which the Chief, V. R. & E. Division, likewise executed and submitted false and fraudulent travel vouchers. In addition, the former manager and the Chief, V. R. & E. Division, were absent without leave in connection with their irregular travel at Government expense. Furthermore, on numerous occasions the former manager willfully used or caused to be used a Government-owned passenger motor vehicle for other than official purposes, including the use thereof for the transportation of his wife and others for other than official purposes.

The former manager and employees under his supervision, partly with his knowledge and sanction, accepted extensive entertainment as well as valuable gifts, services, and other favors, including undue financial advantages in the purchases of homes, from officials of schools and other persons doing business with the Veterans' Administration. In this connection, this former manager arbitrarily directed and caused, and in other instances attempted to cause, institutions or individuals to be unduly and irregularly favored in their contractual relations with the Veterans' Administration, and also caused irregular actions in connection with the application for loan guaranty and the claim for compensation of one individual, to the detriment of the Government.

The former manager borrowed substantial sums of money on Veterans' Administration premises during official hours on several occasions from his subordinate employees and from the wife of one such employee. Also, there was borrowing
and lending of substantial sums of money between other Veterans' Administration employees on Veterans' Administration premises during official hours. The former manager arbitrarily caused some of his subordinate employees to be unduly favored in connection with their employment, while he arbitrarily and without justification directed and caused, or in some instances attempted to cause, adverse personnel actions against other subordinate employees, including his attempted reprisal actions against certain employees because of his belief that they had testified against him in this investigation.

This former manager willfully and knowingly caused his subordinate employees to irregularly authorize at Government expense his hospitalization in a private hospital and special nursing services not medically indicated as well as supplies for him while in a Government hospital, at a total cost to the Veterans' Administration of some $1,900, without any legal or regulatory authority therefor, and solely because of his personal preference, convenience, and satisfaction; and, in carrying out his directions in connection with such authorizations, the subordinate employees knowingly made false certifications that Government facilities or the services of Government salaried employees were not available on each of the several authorizations executed by them.

He received compensation from the Veterans' Administration for total disability from September 8, 1949, until his reentrunce upon active duty with the Air Force on February 21, 1951, despite the fact that he was not incapacitated for full-time employment and not only lost no time from his work on account of disability between December 20, 1949, and February 20, 1951, but engaged in extensive and arduous fishing and hunting activities and upon his physical examination by the Air Force on February 20, 1951, was found to have no condition considered disabling.

**INVESTIGATIONS BY COMMITTEE**

This committee investigated the activities of a number of Veterans' Administration employees of the vocational rehabilitation and education divisions and found involvement of these employees in the offices checked widespread and commonplace. The committee's findings closely paralleled the findings of the Inspection and Investigation Service of the Veterans' Administration and support the conclusions of Mr. John R. Galbraith, Director of the Inspection and Investigation Service, with regard to the degree of involvement of Veterans' Administration personnel. Appearing below are summaries of some of the irregularities involving Veterans' Administration personnel found by the committee:

Subject: Former Chief, Education and Training Division, Dallas Branch Office No. 10.

This former Veterans' Administration official testified that while he was Chief, Education and Training Division, Dallas Branch Office, he borrowed $8,000 from the owners of a chain of private trade schools under contract with the Veterans' Administration. The loans were secured by a personal note with no collateral. Approximately $400 of the loan was repaid on December 14, 1950. The same Veterans' Administration official entered into a partnership in a retail jewelry business and his partner was employed as a director of a trade school training veterans under contract with the Veterans' Administration. The trade school official testified that he hired the Veterans' Administration official's partner because of his connection with the Veterans' Administration. The Veterans' Administration official attempted to sell equipment to the same school operator at prices which the school operator considered excessive.

Subject: Chief, Training Facilities Section, Veterans' Administration regional office, Dallas, Tex.

This Veterans' Administration official testified that he accepted a Buick automobile and $1,000 in cash from a school owner who was contracting with the Veterans' Administration for the training of veterans. No promissory notes were signed. Veterans' Administration investigators who audited the accounts of the school following the investigation by the committee concluded that the
contract for the school had been negotiated on an irregular basis in favor of the school.

Subject: Training facilities specialist, Veterans' Administration regional office, Waco, Tex.

This Veterans' Administration employee borrowed $2,000 from the partners of a chain of private trade schools under contract with the Veterans' Administration for the training of veterans. Several of the schools were under the direct supervision of the Veterans' Administration employee. About $120 was repaid on the loans. This same Veterans' Administration employee passed bogus checks to school operators which were usually redeemed by the school operator. This employee induced a school operator to sell a new car to his relative at a time when new cars were very scarce.

Subject: Contract supervisor, Veterans' Administration regional office, Houston, Tex.

This Veterans' Administration employee borrowed a total of approximately $2,800 from school operators under contract with Veterans' Administration for the training of veterans, of which $50 had been repaid at the time of investigation. A school operator secured his loan from a bank. This loan was repaid with the exception of $42. This same employee received $1,200 from a school operator under contract with Veterans' Administration. No note had been signed and no repayment made.

Subject: Two Veterans' Administration training officers, Veterans' Administration regional office, Dallas, Tex.

These training officers stationed in Forth Worth, Tex., entered into a partnership with a private school operator to establish a private school. At the time of the agreement the school operator had several other schools which were supervised by these training officers. The ownership of the school was placed in the name of the training officers' parents; however, all negotiation was conducted personally by the two Veterans' Administration employees.

Subject: Three Veterans' Administration training officers, Veterans' Administration regional office, Waco, Tex.

One of these Veterans' Administration training facilities officers resigned on one day and began operation of his school on the next day. The second Veterans' Administration training facilities officer surveyed the school and recommended approval, later resigned from Veterans' Administration to enter into partnership in another school with the same Veterans' Administration training facilities officer. A third Veterans' Administration training facilities officer owned interest in one of the schools while he was employed by Veterans' Administration. This school was also surveyed and approved by the second Veterans' Administration employee mentioned. Later a third school was formed in which all three were partners.

Subject: Veterans' Administration training officer, Veterans' Administration regional office, Dallas, Tex.

As a Veterans' Administration employee this training officer surveyed his own school, secured approval and resigned to operate the school. He was later sentenced to 18 months in Federal prison for stealing a Veterans' Administration typewriter. He testified in court that he had made $90,000 profit the previous year. Veterans' Administration allowed his school to operate until the school was closed by the State approving agency.

Subject: Veterans' Administration registration clerk, Veterans' Administration regional office, Philadelphia, Pa.

While employed as a registration clerk by the Veterans' Administration, this person was enrolled as a student in a trade school and employed as a night clerk by the same school. This registration clerk, who has subsequently been removed from his job, testified that he accepted money from veteran students and marked these students present when they were not actually in attendance. He stated also that he accepted money from school operators to expedite transfers in the Registration and Research Section. At the same time, he was also receiving subsistence payments as a student and a salary from the school as a night clerk.
Subject: Veterans' Administration training facilities officer, Veterans' Administration regional office, Dallas, Tex.

While employed as a Veterans' Administration training facilities officer, this employee owned interest in a private trade school which was under contract with the Veterans' Administration.

CONDITIONS IN VOCATIONAL REHABILITATION AND EDUCATION SERVICE REPORTED TO ADMINISTRATOR BY INSPECTION AND INVESTIGATION SERVICE OF THE VETERANS' ADMINISTRATION

The serious involvement of Vocational Rehabilitation and Education personnel found by the Inspection and Investigation Service and the committee is accurately described in a report dated August 21, 1950, addressed to the Administrator of Veterans' Affairs by the Director of Inspection and Investigation Service.

To: Administrator. Date: August 21, 1950.
From: Director, Inspection and Investigation Service.
Subject: Reports of investigations and inspection regarding vocational rehabilitation and education matters.

1. In accordance with instructions contained in your memorandum of August 11, 1950, I have carefully reviewed reports of investigation and inspections conducted both by the former branch offices and central office for the past 5 years. An abstract of these reports discloses the following irregularities and deficiencies, and the percentage of cases in which the various irregularities were found: Insofar as possible, effort was made to distinguish between those items of irregularity or deficiency which were attributable to the VA, and those attributable to the training institutions:

   Total number of reports abstracted, 108.

I. Irregularities or deficiencies attributable to VA

(Note: The following are based upon definite findings and conclusions in the reports, and it may be reasonably assumed that the deficiencies shown in other reports may have been partially or wholly attributable to VA, but no definite finding or conclusion was made in the report.)

<table>
<thead>
<tr>
<th>Type of irregularity or deficiency</th>
<th>Number</th>
<th>Percent of cases reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irregularities or deficiencies due to negligence or faulty supervision by VA employees..........................</td>
<td>37</td>
<td>34.2</td>
</tr>
<tr>
<td>Maladministration within V, R, and E divisions.................................................................</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>VA employees accepting gifts, gratuities, or favors from schools or school officials..................</td>
<td>17</td>
<td>15.7</td>
</tr>
<tr>
<td>VA employees owning financial interest in schools, or accepting employment with schools while on VA payroll..........................</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Due to lack of, faulty or ambiguous VA directives...............................................................</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>Due to faulty contracts.............................................</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Unapproved school permitted to train veterans.................................................................</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Central office delay in replies to correspondence from field offices.................................</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>VA delay in entering students in training.................................................................................</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>VA delay in making subsistence payments to trainees.........................................................</td>
<td>2</td>
<td>1.9</td>
</tr>
</tbody>
</table>
II. Irregularities and deficiencies attributable to schools and institutions

<table>
<thead>
<tr>
<th>Type of irregularity or deficiency</th>
<th>Number</th>
<th>Percent of cases reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Tuition:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges in excess of contract rate</td>
<td>4</td>
<td>3.6</td>
</tr>
<tr>
<td>False cost data submitted by schools as basis for fixing reasonable tuition rate</td>
<td>10</td>
<td>9.3</td>
</tr>
<tr>
<td>Schools charging students additional tuition over contract rate, and not refunded to students</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Absenteeism not reported</td>
<td>10</td>
<td>9.3</td>
</tr>
<tr>
<td>Charging VA tuition prior to enrollment</td>
<td>8</td>
<td>7.4</td>
</tr>
<tr>
<td>Charging VA tuition after interruption date</td>
<td>10</td>
<td>9.3</td>
</tr>
<tr>
<td>Charging tuition in excess of that charged to nonveteran students</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Unauthorized charge of tuition in excess of $500</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>B. Tools, supplies, and equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inadequate equipment for training</td>
<td>7</td>
<td>5.5</td>
</tr>
<tr>
<td>Excessive charge for tools and/or supplies</td>
<td>22</td>
<td>20.0</td>
</tr>
<tr>
<td>Tools furnished through &quot;dummy&quot; firm at excessive mark-up to VA</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>C. Training not furnished:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing for flight training not furnished</td>
<td>11</td>
<td>10.2</td>
</tr>
<tr>
<td>Failure to maintain minimum instructional requirements</td>
<td>22</td>
<td>20.0</td>
</tr>
<tr>
<td>Billing for training not furnished (does not include flight training reported above)</td>
<td>24</td>
<td>22.2</td>
</tr>
<tr>
<td>D. Records:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inadequate records maintained by school</td>
<td>11</td>
<td>10.2</td>
</tr>
<tr>
<td>Back-dating certificates of eligibility (Public Law 206) and enrollment</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>Fraudulent alteration of school records</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>E. Trainees:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>School employees receiving subsistence as students, and tuition paid</td>
<td>5</td>
<td>4.8</td>
</tr>
<tr>
<td>Kick-back of subsistence by students to school</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Schools profiting by use of student labor</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>F. Enrollments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment in excess of approval by State agency</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>G. Training not approved:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improper use of &quot;live&quot; projects utilizing student labor</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>H. Solicitation of students:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-pressure solicitation of students for enrollment</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>False offer of employment to justify flight training (Public Law 862)</td>
<td>1</td>
<td>0.9</td>
</tr>
</tbody>
</table>

2. In connection with the above, it has not been possible to comply with your request that you be advised as to the action taken in these cases by the responsible services, for the reason that many of these investigations were conducted by the former branch offices, and the reports do not contain a record of all action taken to correct the irregularities and deficiencies shown. Although some of the reports indicate all action taken, a summarization of these few cases would obviously present a somewhat distorted picture as to the policy and practice of the interested services in effecting corrective action. However, it is possible from a review of these reports to state that, generally speaking, the interested services did take obviously indicated action in the individual cases, but there is no indication that positive over-all action was taken to prevent future repetition of the numerous irregularities, by the issuance of statements of policy, regulations, instructions and/or procedures designed to prevent future irregularities. [Italics supplied.]

3. It is interesting to note that in 37, or 34.2 percent of the 108 reports reviewed, the evidence definitely shows that the irregularities or deficiencies reported were traceable to the negligence and/or faulty supervision on the part of VA employees. In this connection, it should be pointed out that many of the investigations made by the former branch offices did not specifically go into the question of administrative responsibility, misfeasance, or malfeasance on the part of VA employees which may have contributed to the irregularities and deficiencies, and it is the opinion of the undersigned that had that phase been looked into, the percentage of cases in which VA employees were remiss would be much higher. It is also interesting to note that in 17, or 15.7 percent of the 108 reports reviewed, it was shown that VA employees were accepting gifts, gratuities, or favors from schools, or school officials. Again, it is my opinion that further inquiry into this phase would demonstrate that such conduct on the part of VA employees is much more widespread than is indicated by the above figures. [Italics supplied.]

4. In addition to the above reported cases, it is deemed appropriate to report additional cases now actively under investigation which demonstrate not only that the above-reported irregularities are continuing, but that they are becoming more numerous and of larger proportions than in the past. For example, in-
vestigators have recently completed an investigation of two large schools in New York City and Brooklyn, namely, the Meat Cutters School of Manhattan, and the Meat Cutters School of Manhattan, Brooklyn Annex. The report is not fully completed, but the evidence definitely shows erroneous payments to the two schools of approximately $203,000, and, if the policy of the General Accounting Office of rejecting in toto all vouchers which are tainted with fraud is applicable, the erroneous payments will reach between $500,000 and $600,000. Furthermore, these figures do not take into account the amount of subsistence erroneously paid to student-veterans, which would probably amount to $1,000,000. Current investigations are also being conducted of meat-cutting schools in Philadelphia and Baltimore which, to all intents and purposes are apparently owned and operated by the same group who operate the schools in New York, and preliminary reports from the auditors and investigators indicate the probability of similar irregularities and overpayments in these schools. Current investigation of two schools in Memphis, Tenn., indicate similar irregularities and overpayments, and a large-scale investigation in Detroit, Mich., indicates not only irregularities and overpayments to the school, but also considerable involvement of VA employees in the acceptance of favors, gifts, and gratuities from schools and school officials. As a result of recent Investigation in the State of Florida, and disclosure of extensive irregularities and involvement of VA personnel, recommendations were made that a number of profit schools in that area be audited for determination of the extent of fraudulent claims against the VA. One of the reports reviewed involved Investigation of the trainee tool situation in the Boston regional office, in which it was shown that VA personnel were deeply involved in the acceptance of graft and bribes, and manipulated the fraudulent purchase of trainee tools for which the VA was billed in excess of $100,000, which was paid by the VA.

5. While all of the cases reviewed do not show the ultimate overpayments to these schools, such overpayments were definitely shown in 38 of these cases, which reached the total of $1,190,000, or an average overpayment of $31,335. This includes only the charges for tuition, tools, and supplies, and does not take into consideration the amount of subsistence payment to student-veterans which were erroneously paid because of fraudulent acts on the part of the schools involved. In this connection, and based upon my experience in these matters, it is my considered opinion that we have merely scratched the surface, so to speak, in uncovering these irregularities, and it is my further opinion, that with additional investigative and audit personnel it would be shown that these irregularities are rather general and widespread throughout the United States. Because of limited personnel available to this service, we have been unable to carry out investigations on the scale which is indicated, and we have been compelled to refer many of such cases to other Government agencies, particularly the FBI. This generally has not been too satisfactory, for the reason that the FBI is primarily concerned with the criminal phases of such cases, and does not inquire into the administrative shortcomings, or the total amounts of erroneous payments to such schools. [Italics supplied.]

6. The abstracts of the reports are attached.

JOHN R. GALBRAITH.

In summary, a review by the Inspection and Investigation Service of 108 reports of investigation and inspections conducted by both the former branch offices and the central office of the Veterans' Administration for the period 1945 to 1950 led to the following conclusions:

1. Thirty-four percent of the irregularities investigated by the Inspection and Investigation Service resulted from irregularities, deficiencies, maladministration, Veterans' Administration employees accepting gifts, gratuities, and favors from schools or school officials, Veterans' Administration employees owning financial interest in schools, and other failure on the part of vocational rehabilitation and education personnel.

2. There is no indication that positive over-all action was taken to prevent future repetition of these numerous irregularities.

3. That further inquiry into this phase of Veterans' Administration activities would demonstrate that such conduct on the part
of Veterans' Administration employees is much more widespread than indicated by the above figures.


5. That additional audits and investigations would show that irregularities in private trade schools are rather general and widespread throughout the United States.

6. That the investigations and operation of the Inspection and Investigation Service have been handicapped for the reason that they were compelled to refer criminal cases to the FBI, thus dividing the responsibility between the two agencies.

It is noted that the Inspection and Investigation Service found no indication of positive over-all action to prevent repetition of the numerous irregularities involving Veterans' Administration personnel. There is no evidence available to the committee which indicates positive action was taken to prevent repetition of these irregularities.

**CONDITIONS FOUND IN THE VETERANS' ADMINISTRATION REGIONAL OFFICE, NASHVILLE, TENN.**

A serious situation developed in the Nashville regional office and became so bad that it was necessary for the Administrator to reprimand or admonish 38 employees. Administrative charges were preferred against 10 other employees, which resulted in 3 persons being fired, 4 were allowed to resign, 2 were reduced in grade, 1 employee was reprimanded and reassigned to another station.

The investigation disclosed that virtually all of the vocational rehabilitation and education employees in the office were accepting gifts, gratuities, and services from schools under contract with the Veterans' Administration. Officials of the Vocational Rehabilitation and Education Division were charged with neglecting their duties, favoring certain schools, and authorizing illegal payments. A number of Veterans' Administration employees were found to have ownership in schools under contract with the Veterans' Administration. It was later discovered that many of the contracts negotiated by the regional office had been negotiated on an erroneous basis and subsequent audits resulted in the recovery of large sums of money in many schools.

The situation was so involved in the State of Tennessee as to bring about a virtual collapse of the administration of the vocational rehabilitation and education program. It was necessary that the Veterans' Administration Inspection and Investigation Service, Veterans' Administration central office audit teams, and Veterans' Administration employees from other States be moved into Tennessee to restore the situation. Many of the accounts of private trade schools are now being audited. It has been found that a majority of the contracts were negotiated on an erroneous basis, under conditions unfavorable to the Government.

An indication of the serious failure of the vocational rehabilitation and education program in the Nashville regional office may be had by a study of a report of survey dated October 4, 1950, prepared by Mr. William T. Murphy, Acting Chief, Vocational Rehabilitation and Education Division, and addressed to the acting manager. Mr.
Murphy had replaced one of the Veterans' Administration officials who had been fired by the Administrator. There is quoted below pertinent portions of Mr. Murphy's report to the acting manager:

The contract unit of training facilities is in about as bad a condition at the present time as a contract unit could possibly get. Almost 100 percent of the contracts upon which frozen rates have been made are in error and should be reviewed for the purpose of renegotiating the whole contract at a rate far more favorable to the Government. This is a project in itself separate and apart from the regular duties of the contract unit in keeping current with the regular flow of contracts.

Further indication of conditions existing in the vocational rehabilitation and education program in the State of Tennessee is set forth in a report to the Veterans' Administration central office dated September 26, 1950, by Mr. H. W. Farmer, acting manager. Mr. Farmer replaced one of the Veterans' Administration officials discharged by the Administrator.

There are 121 profit trade schools in the State of Tennessee with a total enrollment of 10,000 veterans; 7,713 are Negroes. Seventy-six of these schools have been organized and approved since the issuance of Technical Bulletin 7-87, March 25, 1948. It is estimated that about 65 percent of the veterans enrolled in these schools are attending evening classes and most of these are working on full-time jobs. A limited sampling indicates that there is not, in most cases, any connection between regular employment and the course being studied in these trade schools. 7,813 of these veterans are enrolled in automobile mechanics classes; 1,776 are in radio and television repair; 1,637 are in tailoring.

It is apparent that there has been no limitation of enrollment in types of courses with consideration for the need of training in the various communities within this State. There are about 2,000 trainees in automobile mechanics in the city of Nashville. Check with employment agencies has indicated that there is practically no demand, or anticipated demand, for automobile mechanics in this area and that men who have no experience other than graduation from these schools are rather difficult to place when they do have openings.

There are about 1,000 veterans in training in tailoring courses in the city of Knoxville. Most of these are Negroes. We are told that at one time approximately 2 percent of the entire population of the city were enrolled in tailoring courses. There does not appear to be any possibility for the vast majority of these veterans to earn a livelihood in the city of Knoxville as tailors. Some of them may find employment in this field by moving to other localities.

In the towns of Shelbyville, Murfreesboro, Winchester, McMinnville, and Lebanon there are 1,670 veterans enrolled in building trades courses. These towns are located in a rather compact rural area southeast of Nashville where there is very little demand for workers in the building trades.

In the city of Memphis, a Negro barber school had an enrollment at one time of more than 500. This enrollment has dropped to less than 200, but is still entirely too high to meet any possible need for Negro barbers in the Memphis area.

There are 46 profit trade schools offering trade courses to Negroes exclusively and 6 schools offering identical courses to both Negroes and whites. There are 245 Negroes enrolled in watchmaking schools. Our experience with Public Law 16 trainees has shown that placement is very difficult in this field for white veterans, and the Negro will, in most cases, have to set up his own shop in order to have any possible chance for employment.

Most of these schools do not have any entrance requirements other than a certificate of eligibility. There has been no consideration given to either physical or mental aptitude on the part of the veteran to succeed in the trade for which he is training. This has caused an enormous waste of money and enticement. Where the instructors have made any effort at all to do a good job, a great percentage of the veterans who have no aptitude are weeded out or drop out. Our vocational advisers have found that a large percentage of these veterans with whom they have come in contact enrolled in the school because of the fact that it was close enough to their homes for them to supplement their regular income by attending evening classes. Many of them admit that they have never had any interest in learning the trade.
All of these schools have had very generous contracts with the VA and have apparently enjoyed a lucrative income by purchasing tools at wholesale and delivering them to the veterans through a dummy tool corporation at exorbitant prices. Audits and investigations have been under way in these schools for some time. There are known overpayments in the amount of $23,000 against Chattanooga Technical Institute, and an estimated overpayment of $100,000 against Boone-Higgins Trade School, Inc., Memphis, Tenn., and audit is now being made in Boone-Higgins School of Watchmaking, Memphis.

Mr. Carl R. Stevens, former training officer, owns and operates the following schools in the city of Nashville: Southern Automotive Trade School; Southern School of Upholstery; Nashville School of Tailoring, and Clarksville Branch of School of Tailoring. An audit of Southern Automotive Trade School reveals approximate overpayment of $50,000. Payments are not now being made to these schools because of the fact that Mr. Stevens, upon advice of counsel, refused to make his records available to the FBI. The exact purpose of the FBI investigation is not known to us.

Mr. C. J. McCandless appears to be the principal operator of the following group of schools: Tri-City Training School, Johnson City; Southern Technical Institute, Inc., Memphis (this is two schools, one Negro and one white); and Draughon's College of Mechanics, Memphis. An investigation has been made of the Tri-City Training School by Inspection-Investigation Service and what appears to be an overpayment of about $50,000 has been turned over to the General Accounting Office for settlement.

We now have audits pending in 31 schools and audits are under way in two of them; audits have been completed in six schools since the first of this year. It is estimated that we have at least 45 man-months of work to complete audits now pending. There is reason to believe that numerous additional audits will have to be made before the end of this fiscal year because of unusual conditions in profit schools of this State. Spot checks and partial audits have indicated in many cases fraudulent billings against the Government in connection with tuition, tools, books, and supplies. There are indications of many dummy tool corporations operating for the purpose of charging the Government excessive costs for supplies furnished veterans in training. Irregularities in several schools have been referred to the United States attorney for possible civil and/or criminal action. We do not know how many cases have been placed in the hands of the United States attorney because referrals have been made by other agencies referred to above.

There are at least 35 schools in which former VA, State approving agency or service organization employees, or persons in positions of political prominence, own stock, or are responsible for directing.

It is apparent that many of these schools are being operated by irresponsible persons who are not educators and who have no ability or background for the operation of a vocational school. The investigations made so far have shown in most cases that little or no instruction of value is being given to veterans enrolled. There are some of these profit schools providing reasonably good training, but in many instances, the training is being provided in a field of work that will not provide employment on completion. It is our opinion that a great percentage of the money being spent for training in these schools serves no purpose other than increased income for the veterans and profit for the operators. In view of the present demand for economy in nonessential activities and the growing need for manpower in our military services, consideration should be given to curtailment of enrollment in all of them that are not definitely preparing men for employment in essential industries. [Italics supplied.]

The General Accounting Office made the following report concerning the administration of the vocational rehabilitation and education program by the Veterans' Administration regional office, Nashville:

Practically all of the large overpayments currently being disclosed involve exorbitant tuition rates allowed under the "fair and reasonable" cost formulas prescribed by VA regulations, and the practice of some of the schools of organizing affiliated companies to handle the furnishing of tools to veterans at prices considerably in excess of cost, contrary to contractual intent. It is obvious that in a number of instances information which should have disclosed the claim for an unwarranted tuition rate, or the existence of dummy corporations
The investigation offices located officials cation so, if Tennessee Federal Government. education, Service civil-service central the Education Service open manager, the assistant manager, the chief, vocational rehabilitation and education, the chief, training facilities. The manager resigned and did not contest his case. The action of the Administrator was sustained by the fifth civil service regional office. The three cases were appealed to the Civil Service Commission, Washington, D. C., which set aside the action of the Administrator and the civil service regional office and restored the three Veterans' Administration employees retroactively to their former positions.

The committee conducted extensive examinations in the State of Tennessee and examined the investigation reports of Veterans' Administration relative to the three Veterans' Administration officials. It is difficult to assume that the Administrator of Veterans' Affairs erred in his decision to discharge these officials, largely responsible for the Tennessee scandal, for in fact there appeared to be no other course open to him.

The committee believes that the Civil Service Commission should have sustained the Administrator in his action, and would have done so, if the Commission had been aware of the deplorable condition which existed in Tennessee schools directly chargeable to the manager, the assistant manager, the chief, vocational rehabilitation and education, and the chief, training facilities section, since these officials were responsible for protecting the interest of the veteran and the Federal Government.

It is apparent that supervision by the Vocational Rehabilitation and Education Service was seriously inadequate and failed to detect these widespread irregularities prior to the development of a public scandal. The investigation which brought the situation to light was conducted by the Inspection and Investigation Service, Veterans' Administration central office, Washington, D. C.

**EFFECT OF IRREGULARITIES ON THE PART OF VOCATIONAL REHABILITATION AND EDUCATION PERSONNEL**

Investigations by this committee and the Inspection and Investigation Service of the Veterans' Administration disclosed major irregularities on the part of one or more Vocational Rehabilitation and Education officials or employees in the Veterans' Administration regional offices located at Nashville, Tenn.; Detroit, Mich.; Miami, Fla.; Jack-
son, Miss.; Washington, D. C.; Boston, Mass.; San Antonio, Tex.; Chicago, Ill.; and Waco, Tex. The irregular activities of Vocational Rehabilitation and Education personnel in these and other offices had a serious detrimental effect on the administration of the entire program. One contract officer who is accepting bribes, gifts, favors, or loans or who is otherwise involved with a private school could seriously jeopardize the position of the Veterans' Administration in a State. A training facilities officer, who is responsible for inspecting and recommending schools for approval under Public Law 16, and making spot checks to determine the need for further audits, is in a position to greatly influence the nature of the schools under his jurisdiction and will obviously be inclined to be lenient if he owns interest in a private school or is involved with the owners of private schools.

Officials in the Vocational Rehabilitation and Education Division approved the payments of hundreds of millions of dollars. They have authority to suspend or withhold payments, withdraw approval of a school, audit the accounts of schools, make decisions regarding reclaims and overpayments, and, in view of the Administrator's final authority, are in a position to make binding decisions on schools located in their region, subject to review by other Veterans' Administration officials. Such unlimited authority presents a great advantage to the unscrupulous individual who chooses to exploit his position. A scattering of such individuals throughout the program has resulted in a failure, in many instances, to carry out the veterans' educational program in the best interests of the Federal Government and the veteran and in at least one State the situation was so bad as to bring about a virtual collapse of the administration of the program in that State.

It was to be expected that such a program, involving a large amount of money and involving thousands of persons, would suffer from the misdeeds of a few dishonest persons. It appears, however, that as the pattern of corruption and involvement of Vocational Rehabilitation and Education personnel began to assert itself, strong and positive action should have been taken by the central office to eliminate a recurrence. It is the opinion of this committee that aggressive action was not taken by the Veterans' Administration central office to reduce the possibility of collusion, bribery, fraud, and inefficiency on the part of certain employees and as a result millions of dollars of overpayments have resulted and the best interests of the Federal Government and the veteran have suffered.

Central Office Organization and Supervision of Field Activities

Function of Inspection and Investigation Service

The Administrator of Veterans' Affairs, Mr. Carl R. Gray, Jr., assisted by the Deputy Administrator of Veterans' Affairs, Mr. O. W. Clark, is directly responsible for administration of the various programs operated by the Veterans' Administration, namely, the medical program; vocational rehabilitation and education program; insurance program; and the pension claims program, etc. The Administrator of Veterans' Affairs is assisted by the following Administrators: Assistant Administrator for Contact and Administrative Services; Assistant Administrator for Finance; Assistant Adminis-
trator for Personnel; Assistant Administrator for Special Services; Assistant Administrator for Vocational Rehabilitation and Education; Assistant Administrator for Claims; Assistant Administrator for Insurance; Assistant Administrator for Construction, Supply and Real Estate; Assistant Administrator for Legislation. The following officers are also on a level with the Assistant Administrators: The Solicitor; the Chief Medical Director, Department of Medicine and Surgery; the Chairman of the Board of Veterans' Appeals. The Administrator is assisted by the following staff officers, who report directly to the Deputy Administrator: Director, Inspection and Investigation Service; Director, Coordination Service; Director, Budget Service; Director, Foreign Relations Service; and Director, Information Service. (See attached organizational chart, appendix —.) Theoretically, the Administrator of Veterans' Affairs makes all administrative decisions pertaining to the various programs administered by the Veterans' Administration. In actual operation, the Assistant Administrator for each program is responsible for matters arising directly in his service and his decision are usually endorsed by the Administrator.

The Inspection and Investigation Service reports directly to the Administrator, through the Deputy Administrator, and conducts inspections and investigations at the specific direction of the Administrator. At the present time there is not functioning in the Veterans' Administration an effective administrative inspection system to survey and inspect the field services for the purpose of making reports directly to the Administrator. The Administrator is entirely dependent upon reports from the various Assistant Administrators, except for a so-called management supervision program which requires no written report.

Following the reorganization of the Veterans' Administration in 1945, under the administration of General Bradley and the establishment of branch offices, there was set up an independent agency to conduct regular, routine inspections of field stations, with the view of keeping the Administrator and Deputy Administrators fully apprised of the over-all operation of these stations. This was referred to as "inspection" and placed in the Inspection-Investigation Service. The inspection phases of this service were never fully operative, although some inspections were conducted at the central office level and some of the branch offices made available sufficient personnel to carry on this phase of the work. However, before inspection became fully operative, either at the branch office level or at the central office level, the branch offices were abolished and the inspection phases at the central office were curtailed.

Since closing of the branch offices in 1949, the Inspection-Investigation Service has not performed all of the functions and duties set forth in Organization Manual, MEC-4, in that no inspections of any Veterans' Administration installation, activity, or organizational element have been conducted, nor have any been authorized or requested, by either the Administrator or any Assistant Administrator.

Veterans' Administration Manual MP-5, Manual of Inspection, dated October 29, 1946, described the mission of inspection as follows:

1. The mission of inspection is that of objective inquiry into all phases of the Administration. It purpose is to furnish the Administrator, his Assistants, and

* Not printed
his Deputies, accurate information on the manner in which the responsibilities imposed upon the Administrator by Congress have been carried out. Inspection presupposes an objective approach by the inspector and cooperation between the inspector and those inspected.

2. Inspection appraises the manner in which responsibilities have been discharged. It has the authority to inquire into broad problems as well as specific conditions. The scope of the inspector is limited only by the jurisdiction of the Administration as a whole. There is no organizational limitation to hinder an inspection, whether the assignment covers one function individually, or functions, severally.

It is noted that the Veterans' Administration Manual MP-5 authorized the Inspection and Investigation Service of the Veterans' Administration to conduct inspections into all phases of the Administration. The activities of the Inspection and Investigation Service in the field of inspection were not limited to assignments specifically made by the Administrator. Veterans' Administration Manual MP-5 provided for a continuous inspection program with its objective "the enhancement of the level of efficiency and service rendered by an Administration activity.”

Veterans' Administration Manual MP-5 was rescinded February 15, 1949.

Change 5 to Veterans' Administration Manual MEC-4, dated January 19, 1948, described the functions of the Inspection and Investigation Division with regards to inspection as follows:

The Inspection and Investigation Division, under a Chief, performs the following functions:

(1) For the purpose of intensive analyses of administrative and operative methods, practices, and functions of the VA and in connection with alleged irregularities, maladministration, violation of Federal statutes, regulations, instructions, policies, and procedures, conducts the following activities and submits appropriate reports and recommendations:

(a) Regular and special inspections of activities of the VA at central office and all other levels.

(b) Investigations of any activity of the VA at all levels and inquiries or investigations concerning the activities of any public, quasi-public association, corporation, or private individual rendering or seeking to render paid or gratuitous service to the Administration.

(c) Special studies, inquiries, surveys, or analyses of any VA activity, operation, or procedure.

It is noted that this change does not restrict inspection activities to specific assignments by the Administrator. This change states that regular and special inspections of activities of Veterans' Administration at central office and all other levels will be made. On October 15, 1948, Mr. Carl R. Gray, Jr., Administrator of Veterans' Affairs, issued the following order:

It is desired that necessary action be taken to abolish the inspection functions now being performed by the investigations service both in central office and in the branches. The purpose of this change is to eliminate duplication of supervisory activities. It is considered that performance by field supervisors, who are specifically trained in their particular fields and who regularly visit all Veterans' Administration installations, together with field inspection trips by top officials, provide adequate coverage.

Accordingly, Veterans' Administration Manual MEC-4 was changed by Change 65 on February 25, 1949. Change 69 to Veterans' Administration Manual MEC-4, dated July 22, 1949, outlines the duties of the Inspection and Investigation Service with respect to inspection as follows:

(1) Directs and conducts administrative appraisals and analyses through investigations, surveys, inspections, and special studies authorized by the Admin-
vestigators in 204 TRAINING and tinely conducted would inspection the Administrator
some by the Administrator; and disseminates information contained in the reports to the Assistant Administrators and other designated officials of the VA.

It is noted that administrative appraisals and analyses through investigations, survey and inspection were limited to those authorized by the Administrator or his designate.

Inspections conducted by the Inspection and Investigation Service and its counterparts in the branch offices from 1946 to 1949 brought to light many minor as well as major deficiencies and irregularities, some of which were immediately corrected. However, the program was not considered fully effective, especially from the central office level, due to the fact that the Assistant Administrators and the Deputy Administrator apparently did not support the program, which resulted in ineffective follow-through on inspection reports. There was continual opposition on the part of these officials to the inspection program, which reached its climax at the time the branch offices were closed, and when the activities of the service were recentralized in 1949, the Administrator determined that regular, periodic inspections would be discontinued and that such inspections as may be conducted would be only on his specific authority and instruction. Hence, the inspection phases of the Inspection and Investigation Service have functioned in name only.

The committee finds that there is assigned to the Inspection and Investigation Service 20 inspector-investigators to conduct investigations throughout the continental limits of the United States. Conceding that an investigation service, as such, exists in the Veterans' Administration, it is difficult to understand how they have accomplished so much with so little. The several hundred reports of investigations that have been made available to this committee establish beyond any question of a doubt what could be accomplished if adequate support were given the Inspection and Investigation Service.

These reports have been very thorough and detailed and highly professional in their preparation. Inspector-investigators from the Inspection and Investigation Service have carried out investigation assignments by the committee and have worked with committee investigators in joint investigations and review of reports. The work of the Inspection and Investigation Service observed by this committee has been highly satisfactory.

It is apparent that the main effect of the Service has been lost, since the Inspection and Investigation Service has not been allowed to place into operation an inspection process designed to eliminate irregularities at their source. The Inspection and Investigation Service has had no authority to conclude disciplinary action in cases which came under their examination. Most of these completed cases were routinely referred by the Administrator to the Assistant Administrator of the service involved and there is ample evidence that in many cases action taken by the Assistant Administrator of Vocational Rehabilitation and Education has been ineffective and indecisive in dealing with problems arising in the Vocational Rehabilitation and Educa-
tion Service. In most cases the disciplinary action taken does not appear consistent with the seriousness of the irregularity. This unwarranted condition is particularly obvious with respect to the handling of irregularities among Vocational Rehabilitation and Education personnel.

Under the present system no inspection is done, and investigations conducted by the Inspection and Investigation Service must be first authorized by either the Administrator or Deputy Administrator, and usually the concurrence of the Assistant Administrator concerned is required or obtained before the issuance of the authority. Complaints and reports of undesirable conditions are routed to the interested Assistant Administrator, who may or may not recommend an investigation. It is doubtful that an Assistant Administrator would recommend an investigation of any situation, if he believes that such investigation would develop information or facts reflecting adversely upon the administration of himself or members of his staff in central office; and there is evidence that they are sometimes reluctant to recommend an investigation that may adversely reflect upon counterparts of their service in field stations. In other words, the Inspection and Investigation Service is "hamstrung" to such an extent that it cannot, and does not, fully and effectively perform its mission of detecting and bringing to light many deficiencies, irregularities, including violations of Federal statutes on the part of personnel and others which interfere with and impede service to veterans and their dependents and materially affect the efficient operation of the Veterans' Administration. Furthermore, as in the case of inspections, reports of investigations many times do not receive the attention and action that the facts developed deserve.

**EXAMPLES OF INADEQUATE AND INEFFECTIVE SUPERVISION ON THE PART OF THE INTERESTED OPERATING SERVICES**

A. On February 6, 1950, in a personal and confidential letter to the Director, Loan Guaranty Service, the Manager, Veterans' Administration Regional Office, San Diego, Calif., suggested that a survey be made by central office of the loan-guaranty program in that office because a few instances of apparent irregularities had been brought to his attention. In accordance with this suggestion, a survey was conducted of the loan-guaranty activities at San Diego, covering the period March 13–21, 1950. This survey was conducted by three representatives of the loan-guaranty service from central office. Only minor administrative irregularities, principally dealing with the examining section, loan service, and claims and property management, were disclosed. This survey was apparently the first ever made by central office of the San Diego loan-guaranty activities. A subsequent survey was conducted by a loan-guaranty supervisor into the loan-guaranty activities of the San Diego regional office, covering the period September 15–18, 1950. This survey likewise only disclosed minor administrative irregularities resulting in approximately 14 recommendations. The two aforementioned surveys, aimed at a review of operations and procedures, were made by personnel skilled in the operations and procedures under consideration, but failed to uncover the deliberate criminal violations of law and regulations which were later found to
have existed for the past several years of a magnitude not heretofore disclosed in the history of the loan-guaranty service of the Veterans' Administration. These subsequent disclosures were developed by the Inspection and Investigation Service in investigation conducted over period from May 22 to August 30, 1951.

The investigation conducted by the Inspection and Investigation Service, in collaboration with the FBI, developed evidence of violation of criminal statutes, as well as the regulatory laws, and involved the acceptance of bribes by employees of the Veterans' Administration, circumvention of the credit restrictions, falsification and alteration of documents by Veterans' Administration personnel, and unauthorized increases in reasonable values by Veterans' Administration personnel, and the purchase of GI rights by individuals associated with builders and lenders. The investigation disclosed the need for a complete reorganization of the Loan Guaranty Service, and four employees tendered their resignations during the course of the investigation. Through the FBI, the unlawful acts of Veterans' Administration employees and others were referred to the local United States attorney for consideration of criminal prosecution. Among those who resigned and whose cases were referred for criminal prosecution was a VA employee who was found to own a financial interest in, and was an official of, a firm doing business with the Veterans' Administration and had actively participated in the operation of this concern while employed by the VA. The Veterans' Administration employees involved were shown to be more interested in their personal financial gain and the protection of lending agencies and builders to the detriment of veterans.

This committee is convinced that if the Inspection and Investigation Service can detect and report such gross and outstanding irregularities, the interested operating services should have, through supervision, been aware of these conditions and reported same to the Administrator. The committee is constrained to feel that the loan guaranty supervisors were derelict in their duties and responsibilities in that either through inefficiency they failed to discover these irregularities that existed during the course of their supervision, or they knew about them and failed to report them. In either instance, they are to be censured. It was only after the case was placed under examination by the Inspection and Investigation Service that the true facts were known.

B. Another investigation conducted in California involving the Los Angeles regional office, which was conducted over the period from August 28 to October 13, 1950, disclosed serious irregularities in the Loan Guaranty Service, in that approximately 40 employees of the Division had received gifts, gratuities, and discounts from persons doing business with the Loan Guaranty Division. In addition, it was disclosed that one of the loan guaranty supervisors from central office and the Chief, Construction and Evaluation Division, Loan Guaranty Service, central office, when visiting the Loan Guaranty Division, VA regional office, Los Angeles, on official business had been entertained on more than one occasion by the loan guaranty officer and the chief appraiser. In addition, the Chief, Construction and Evaluation Division, accepted the hospitality of one who had official dealings with the Veterans' Administration. Officials of the Loan Guaranty Service in
central office, when questioned, displayed an indifferent attitude toward the practice disclosed and more or less condoned same. The visit by officials of the Loan Guaranty Service was useless and a follow-up by the Inspection and Investigation Service was required.

C. The third illustration in the Loan Guaranty Service involved the Veterans' Administration regional office at San Antonio, Tex., and the investigation was conducted over the period September 6 to October 16, 1950. This report established, and it was freely admitted by the former chief appraiser that he, while employed as chief appraiser, had drawn plans for a fee for builders doing business with the Loan Guaranty Division, since sometime in 1948, and it was further shown that he made no effort to conceal his activities which were well known to everyone in the Loan Guaranty Division. It was contended by the loan guaranty officer and the chief appraiser that two different loan guaranty supervisors from central office had been informed of the fact that the chief appraiser was drawing plans for builders doing business with the Veterans' Administration and that the supervisors made no comment or intimation that they considered the action improper and that no instructions to discontinue such practice were received. Insofar as was determined by the investigator, no oral or written report of this was submitted by the supervisors. In this report, as in the previous one, employees of the Loan Guaranty Division accepted gifts, gratuities, and discounts from firms or individuals doing business with the Loan Guaranty Division, thus obligating themselves to such concerns.

Illustrative of the attitude of officials in central office toward such practice, there is quoted from the report of investigation involving the San Antonio office a paragraph which is considered pertinent:

Throughout all of these investigations, it is quite apparent from the attitude of the employees involved that they believe there is no harm in the acceptance of gifts, gratuities, discounts, entertainment, etc., and, in many instances, these employees are inclined to ridicule the rules and regulations against such practices and, even after receipt of recent instructions emphasizing the applicable regulations, have in great measure ignored them. Although in some of these investigations there is the inference that central-office officials have, in part, set the example for regional-office employees by the acceptance of entertainment, these activities have not been the subject of investigation in the past. However, as an example of the attitude of central-office officials, attention is invited to the testimony of Mr. Asa B. Groves, Chief, Appraisal Division, Loan Guaranty Service, copy of which is contained in this report (p. 208 (24–208 (48)). This testimony was taken in connection with the Los Angeles investigation, and the original testimony will be contained in that report and fully discussed therein. In this testimony by Mr. Groves, the matter of acceptance of gifts, discounts, entertainment, etc., was discussed at great length and, without pointing out any specific statement alone, a review of the entire testimony would indicate an attitude on the part of Mr. Groves that there is really nothing wrong or harmful in the conduct of employees disclosed by these investigations. Mr. Groves was apparently inclined to express himself at greater length "off the record," and in effect stated that the giving and acceptance of gifts was a "great American custom"; that it has been the practice in FHA for many years to accept such gifts, and that it was the usual custom in real estate, finance, and building industries. On one occasion he asked, in effect, "What are you going to do when these employees receive gifts? Make them destroy them or give them back?" or "require them to pour the liquor down the sink as the prohibition agents did?" Furthermore, it is pointed out that following submission of the reports of investigation covering the acceptance of gifts, etc., by employees of the Miami and Jacksonville, Fla., offices, dated June 30 and August 3, 1950, respectively, no written instructions have been issued by the Loan Guaranty Service to field offices concerning the acceptance of gifts, etc.,
and the only directive found by the investigators is letter of February 20, 1950, which pertained only to "outside activities" of employees and made no reference to acceptance of gifts, etc. There is further some indication that the central-office employees who are required to conduct surveys or supervisions of the Regional Office Loan Guaranty Divisions give little or no attention to such activities on the part of field employees and are not sufficiently alert to these matters. In the instant case, it is apparent that at least two of the central-office officials visiting the San Antonio office were advised of the fact that Mr. Rogers, chief appraiser, was drawing plans for houses which were being processed through the Loan Guaranty Division; yet, this advice apparently did not "register" with them or put them on notice that some inquiry was indicated. Hereafter, there has been no specific directive or policy with reference to the acceptance by such central-office supervisors of entertainment from officials or employees of the field offices visited, and it has been well known to investigators for some years that it was the custom and practice to accept such entertainment; and, apparently, little consideration has been given to the question whether the supervisors might possibly be placed under obligation to field-station employees to the extent that their supervision or reports might be affected. With the issuance of TB DC-58, dated August 28, 1950, it is provided in paragraph 6 (b), Conduct of Supervisor, that "He will avoid incurring obligations, the appearance of bias, favoritism, or association which may become embarrassing or provide any basis for criticism of his official activities," and it is believed that this should be rigidly enforced in the future. Certainly, it cannot reasonably be expected that field-station employees can be duly impressed with the seriousness of such conduct when the responsible central-office officials are either not in accord with spirit of regulations prohibiting such activities or demonstrate by their own actions and conduct that they do not propose to enforce the regulations.

D. In the V. R. & E. program an illustration of the failure of top-level administrative supervision is well illustrated by the situations disclosed during the investigation conducted beginning in January 1951, and closing in March 1951, at the San Antonio Regional Office, and surrounding areas. First, it was established that the director of the branch office, V. R. & E. Service, located at Dallas, Tex., accepted entertainment through the manager of the VA regional office at the expense of an operator of schools training veterans under the GI bill; and it was further established that this director of the V. R. & E. Service used his position to effect the procurement of an automobile in an unusual and unwarranted manner from an owner-operator of a chain of schools training veterans under the GI bill, and also accepted entertainment from this owner-operator. The Chief of Education and Training borrowed $8,000 from private-school operators under contract with Veterans' Administration. The actions of the director of the Vocational Rehabilitation and Education Service of the branch office set a pattern for other VA employees occupying positions of lesser responsibility and status, thereby preventing the director from conducting effective supervision and correction of irregularities.

Second, the representative of central office, V. R. & E. Service, who was located at Dallas and responsible for supervising all contractual activities in that area, including the San Antonio and Houston regional offices, apparently found no irregularities in his continuous contacts with the offices and institutions officially associated with the VA. Inspection and investigation reports reflect that he extended unusual support to the manager of the San Antonio regional office, and interfered with the central-office investigation of V. R. & E. activities which disclosed many irregularities on the part of the manager, the Chief, V. R. & E. Division, and subordinates in the V. R. & E. Division of the San Antonio regional office in V. R. & E. matters.
Third, the central-office supervisor located at Denver, Colo., and responsible for supervising V. R. & E. activities over a large area, visited the San Antonio regional office for one day, during the period of the investigation above referred to, and during that time visited with the manager of the regional office off the station. This central-office representative commended the manager as being unusually effective in his administration of V. R. & E. activities, and in this connection it may be noted that the former manager of that office, when appearing at an open hearing before this committee, called attention to the statements of that V. R. & E. supervisor as a defense against the findings of many irregularities on the part of this manager, which involved acceptance by him of expensive entertainment from owners of schools training veterans under the GI bill, the acceptance of gifts from the schools, the falsification of travel vouchers in connection with the alleged supervision of V. R. & E. activities and many other irregularities in the administration of the V. R. & E. program.

The absence of investigative authority in the Inspection and Investigation Service to cause immediate and effective correction of known and established irregular practices, inadequate and ineffective supervision and administration between given services, leaves the services involved the choice of action or no action on the disclosures made by the investigations.

E. In addition to the evidence developed by the committee through its own investigations and through hearings held in Pennsylvania, the investigations conducted by the Inspection and Investigation Service in Philadelphia, Pa., during the last half of 1950 disclosed that the schools engaged in numerous irregularities in connection with maintenance of attendance records, issuance of tools, billings to the Veterans’ Administration for tuition and tools, and compilation and submission of cost data statements upon which the tuition rate was determined. It was found that many applications for education and training were processed in violation of Veterans’ Administration instructions and procedures, particularly by certain registration officers, some of whom were strongly suspected of having a tie-in with the school operators. Several employees had part-time employment with trade schools, and at least one of these employees collected and received from veteran students in one school monthly sums for marking the school’s attendance records to show the students present when in fact they were not attending classes, enabling the school to illegally collect tuition and the veterans to collect subsistence payments from the Veterans’ Administration. Periodic supervisions were conducted in the regional office by central-office representatives; and, although irregularities and deficiencies were noted on the processing of veterans applications for education and training, the extent of the irregular and unlawful practices engaged in by some of the personnel of the regional office was not detected or brought to the attention of the Administrator until the investigation was authorized and conducted by the Inspection and Investigation Service.

F. Lengthy investigation conducted in the Nashville, Tenn., regional office, during the latter part of 1949 and the first part of 1950, involved practically the entire office, including management. The investigation disclosed numerous irregularities in the vocational rehabilitation and education program, involving a number of trade
schools, present and former employees of the Veterans' Administration regional office, some of whom engaged in illegal practices, irregularities and violations of Veterans' Administration policies and instructions in the administration of finance functions; some irregularities and failure to follow Veterans' Administration regulations and procedures in the adjudication of claims, including unlawful practices engaged in by some individuals in connection with claims matters, and maladministration and improper supervision on the part of management of that office. The conditions found in several organizational elements of that regional office were so glaring and of such reprehensible nature that the Administrator of Veterans' Affairs ordered a complete housecleaning, starting with replacement of the manager and several of his staff. Although representatives from the several services in central office conducted supervisions in this regional office from time to time, the true conditions existing in that office were not detected or brought to the attention of the Administrator until after the investigation by the Inspection-Investigation Service was completed.

The committee is confronted with the problem of determining the reasons why supervisors from the interested operating services fail to detect the many and glaring irregularities that were disclosed by the evidence developed by investigators. In other words, if Veterans' Administration investigators can and do detect irregularities and report same, why can't supervisors who are technically trained and devote their full time to one particular service discover such irregularities?

**NEED FOR EFFECTIVE INSPECTION SYSTEM**

The Veterans' Administration should be concerned with preventing irregularities rather than belatedly finding that such irregularities exist through investigations. It is apparent that the Administrator cannot rely solely upon the interested officials of the field service affected to keep him accurately informed as to the functions of these services at the field station level. The many reports of investigations available to this committee are too voluminous to discuss in detail; however, they disclose that when the Administrator is finally apprised of the facts, it is not through the supervisors or the interested operating services, but through an impartial fact-finding agency, independent of the operating services, namely the Inspection-Investigation Service. A review of the supervisory reports submitted by the Vocational Rehabilitation and Education Service fail to reveal that V. R. & E. supervisors detected involvement of their personnel with schools or considered the matter serious enough to warrant a report.

This committee is aware of the necessity for the Assistant Administrator for Vocational Rehabilitation and Education to maintain a program of supervision by technical supervisors in order that he may be intimately acquainted with administrative details under his jurisdiction, yet it is obvious that the Administrator of Veterans' Affairs is in a very poor position to administer the veterans program if he is to depend entirely on the Assistant Administrator of the service concerned for reports concerning inadequacies which exist in that service. It is not likely that an Assistant Administrator will make factual and, in some cases, harsh reports to the Administrator
concerning undesirable conditions which exist in his service, particularly when the Assistant Administrator is dependent on the very persons who may be involved for his information.

In order that the Inspection and Investigation Service can carry out its prescribed function as outlined in MEC-4, it will be necessary that the Inspection and Investigation Service be given authority and sufficient personnel to carry out those functions. The Inspection and Investigation Service, to be effective, should function directly for and under the Administrator of Veterans' Affairs and its Director should have authority at least equal to that of the Assistant Administrators of the services which he is to inspect and investigate. It is believed that the Administrator of Veterans' Affairs, who is charged with the administration of multitudinous benefits for veterans, involving the outlay of billions of dollars of Federal funds each year, should strengthen his administration and protect his personal position by maintaining a vigorous and effective instrument in the form of an inspection and investigation service which could—

(1) Carry out a constant and vigorous program of administrative inspections as a preventive precaution;

(2) Carry out thorough and detailed investigations of irregularities coming to the attention of the Administrator, and

(3) Assist and act for the Administrator in obtaining corrective action indicated by inspection or investigation reports.

The findings of this committee indicate that the Administrator of Veterans' Affairs has largely relinquished his authority over the vocational rehabilitation and education program and has looked to the Assistant Administrator for Vocational Rehabilitation and Education to detect and correct deficiencies arising in the V. R. & E. Service. There is ample evidence of ineffective personnel management within the Vocational Rehabilitation and Education Service. The attitude of V. R. & E. personnel, the widespread involvement of those personnel, as evidenced in the section of this report relating to Veterans' Administration personnel has been a major contributing factor to the undesirable conditions which have existed in the vocational rehabilitation and education program.

This committee has found no evidence or indication that the Assistant Administrator for Vocational Rehabilitation and Education who was responsible for the administration of the vocational rehabilitation and education program from its inception in 1944 until the middle of 1951, Mr. Harold V. Stirling, was aware of the deplorable conditions which existed throughout his service or that, if such an awareness did exist on his part, that he was inclined to report such conditions to the Administrator of Veterans' Affairs and to take any positive over-all steps to prevent recurrence of such conditions. The disclosures as to the operation of the Vocational Rehabilitation and Education Service and the wide-spread involvement of its personnel in the ownership of private schools, acceptance of gifts, loans and bribes and other serious irregularities have come to light as a result of the efforts of the Inspection and Investigation Service and this committee and are a matter of common knowledge on the field level among Veterans' Administration personnel, State and local educational circles and the public as a whole. In view of the tremendous amount of Federal funds involved and the number of veterans whose time and
efforts were involved, it is regrettable indeed that an awareness of this condition comes in a declining period of the program, after expenditures of approximately 13 billion dollars.

**Report on Education and Training Under the Servicemen's Readjustment Act, as Amended, from the Administrator of Veterans' Affairs**

In compliance with the request of the Committee on Labor and Public Welfare as contained in Senate Report No. 1156, dated October 11, 1949 (to accompany S. 2596, 81st Cong.) the Administrator of Veterans' Affairs transmitted under date of January 25, 1950 a detailed report on the education and training program under the Servicemen's Readjustment Act of 1944, as amended. This report purports to be factual and exact, and was submitted with supplementary data and appendices, also purported to be factual and accurate.

Comments of this committee relative to this report will be restricted to appendix D, "Typical examples of problems confronted by Veterans' Administration in its relationship with educational institutions."

Appendix D of this report sets forth in numerical sequence 258 separate cases and are generalized in the text as being "technical problems confronting the Veterans' Administration in its relationship with educational institutions." No further qualification or explanation of the 258 cases is made and the normal assumption by any reader would be that each case was equal; that the total problem was one entirely of the school listed; that the problem was, in each case, discovered by the Veterans' Administration; and that corrective action was taken or was in the process of being taken by or at the direction of the Veterans' Administration.

This report of 258 cases was at first received at face value; however, as the printed report began to be circulated by individual Congressmen, interested school officials, interested school groups, interested school organizations and interested veterans' organizations, inquiries began to reach this committee as to the identity of individual cases. School owners and operators, school boards, and school groups asked concerning individual cases as to whether reference was to their particular school. It developed in review that facts presented in the individual listings so nearly alluded to particular situations and individual schools that identification was a simple process for those school officials who had intimate knowledge of their individual case.

As this information became known among the school groups and others, individual schools began writing to Congressmen and Senators asking if an individual case was their particular school. In many cases the schools stated categorically that the facts were not as set forth in the report and asked that they be given a chance to be heard and be given the opportunity to correct statements made as fact by the Administrator of Veterans' Affairs in his official report to the chairman of the Labor and Public Welfare Committee of the Senate.

As the clamor for identification became more prevalent and reports of incorrect presentation increased, the chairman of this committee asked in a letter to the Administrator of Veterans' Affairs for the identity of the schools listed in appendix D of the Administrator's report in order that a rebuttal could be accorded any and all schools indicating that an erroneous and incorrect report had been made to
The Congress. The reply received from the Administrator of Veterans' Affairs in substance refused to release the names of the schools for the following reasons:

1. The pattern followed in the report of the Veterans' Administration was that of presenting the sample cases on a strictly anonymous basis, for the obvious purpose of avoiding any charge of unduly publicizing the difficulties of particular institutions.

2. In a number of these cases legal action, civil or criminal, or both, has either been taken, or is in contemplation. It is evident that public disclosure of the circumstances coupled with the identity of certain of these cases might seriously interfere with their effective disposition by the Government. The charges, and defense, are within the judicial power of the Government.

3. The 258 cases cited in appendix D of the report including the 20 percent thereof to which you have heretofore referred do not comprise the full number of instances in which special problems have been experienced or abuses noted by the Veterans' Administration. It follows that publication of the facts respecting a limited group would expose that group to discriminatory treatment. It should be noted that in a number of these situations the difficulties with the institutions have been composed and, while the facts which occurred at some past period exemplified certain problems and abuses faced by the Veterans' Administration, it might be unfair at this time to stigmatize these institutions by singling them out for publicity.

The requests for the identity of these individual schools continued to grow and it became increasingly clear that in many of the examples listed were incorrect statements. Therefore, subsequent requests were made to the Administrator for additional facts and evidence and under date of October 5, 1950, the Administrator of Veterans' Affairs did release to this committee the names and addresses of the 258 schools listed in appendix D. Again it was suggested by the Administrator that for the purpose of the report the names of the schools remain anonymous.

With the identity already established in many of the cases by the individual schools and the facts and circumstances presented by the schools in many cases at variance with the report, this committee determined that each school listed should be given an opportunity to substantiate or repudiate the charges made by the Administrator of Veterans' Affairs. Consequently, letters were directed to each school listed and each school was presented the opportunity to forward comments regarding the case set forth. Concurrently, this committee directed letters to each manager of the Veterans' Administration regional office asking each such manager to reply to certain questions about each case listed located within his jurisdiction. Concurrently, this committee directed one of its investigators to proceed to the office of Mr. H. V. Stirling, Assistant Administrator for V. R. & E., Veterans' Administration, and review the files from which each of the 258 cases was developed. This investigation revealed that an initial request for information from the Veterans' Administration regional offices for facts and details in compiling this report to the Congress went forth as a TWX to each regional office manager under date of November 8, 1949, and was signed by Mr. O. W. Clark, Deputy Administrator. Veterans' Administration Forms 7-9230 and 7-9231 were subsequently forwarded to each regional office manager for the purpose of compiling statistical information relative to numbers of schools and other pertinent statistical data. There was no uniform procedure established at that time, nor at a later date, nor were any forms developed upon which the regional offices could prepare
written explanation of the specific examples of abuses of the education and training program under Public Law 346, Seventy-eighth Congress, as amended.

A review of the files in Mr. H. V. Stirling’s office indicated that the statistical information was received on the prepared forms and in a uniform pattern. However, the summaries of the specific examples requested for abuses were received in all types and forms, from a mere mention of the abuse in the school to elaborate narrative reports with alleged substantiating evidence.

To develop the 258 cases as appearing in appendix D and to afford some uniformity in the presentation, each of the cases submitted by the regional offices were transferred to a summary form by several staff assistants under the direct supervision of Mr. John C. Corris, at that time special assistant to Mr. A. H. Monk, Director of Training Facilities Service for V. R. & E., Veterans’ Administration. These individual summaries as developed by the staff assistants were reviewed and edited by Mr. A. H. Monk preparatory to assembling the final report.

It appeared at this point, however, that there were not sufficient alleged abuses submitted by the regional offices to constitute what was determined by Gen. Carl R. Gray, Administrator, Veterans’ Administration, and Mr. H. V. Stirling, the then Assistant Administrator, V. R. & E., to make an adequate report to the Congress. A further attempt was made to develop as many cases of alleged abuses as was possible within the allotted time for the submission of the report to the Congress. There was no attempt to recontact the Veterans’ Administration regional office managers to obtain more specific examples, but the staff assistants, under the direct supervision of Mr. John C. Corris, were assigned the duty of reviewing all files and correspondence wherein some alleged abuse by a school might be uncovered. This assignment constituted a review of all the files in the Finance Management Service, the records of the Inspection and Investigation Division, files and correspondence within the Training Facilities Service, V. R. & E., and from reports submitted by each of the nine regional special assistants to director, Training Facilities Service, V. R. & E. These individual cases of alleged abuse were brought into a uniform pattern and again edited. It was from this total search and review by several staff assistants over a period of 4 weeks that Gen. Carl R. Gray was able to present 258 cases as “typical examples reported to the central office of the Veterans’ Administration.”

It should be noted at this point that the files on each case, presented to the Congress in appendix D of subject report, which were developed as fully substantiated proof of each case and which were reviewed in the office of Mr. H. V. Stirling, do not reflect complete documentation of each individual case. The base document in the form of a handwritten summary developed on a standard form in many cases in no way reflects any official documentation with which to substantiate the case. Detailed information on all but the few cases developed from the files of the Inspection and Investigation Division are not held in the central office of the Veterans’ Administration. However, as stated above, no subsequent request for detailed documentation was ever submitted to regional office managers, whose offices held the original documents and files on each case.
The study of these 258 cases by this committee reveals some amazing inaccuracies as reported to the Congress by the Administrator of Veterans' Affairs which, in the view of this committee, are inexcusable. It has required much time and effort on the part of this committee to obtain the true facts regarding these 258 cases. The report is further questionable upon the fact that 258 schools are reported as abusing the education and training provisions of the Servicemen's Readjustment Act, as amended, by an agency of the Federal Government without first ascertaining the facts.

After study and evaluation of each case, the cases have been subdivided into different categories as follows: 25—no abuse, incorrect report in every respect; 50—no abuse, misunderstanding or misinterpretation of regulations by Veterans' Administration or the school or no regulation to govern; 177—actual abuse existed; 6 actual duplicate cases included.

This committee has given the benefit of the doubt to the Veterans' Administration and charged the cases in the summary report as actual abuses where complete details were not available due to the fact that the school was no longer in business, had not had sufficient time to gather all the details, or the alleged abuse was in the process of appeal by the school to the Veterans' Tuition Appeals Board. More than 30 percent of the cases were false or erroneous presentations by the Veterans' Administration, even when the committee charged the doubtful cases as actual abuses.

Since the submission of the report to the Congress, and as late as October 3, 1950, the Administrator has sent forward periodically, at the request of this committee, 162 corrections, refutations, and amendments to as many cases. However, no formal action has been taken on his part to clear the record as it appears in his original report.

It is not indicated whether this report of abuses is cumulative, but a majority of those cited happened before 1948 or 1949. Usually, in reviewing the details of these cases, it has been generally noted that there were no basic instructions or regulations or the regulations were most general or inadequate in nature.

**Finality of Determinations by the Administrator**

Title II of the Servicemen's Readjustment Act of 1944, entitled "Education of Veterans" (Public Law 346, 78th Cong., 58 Stat. 284, 287, 38 U. S. C. 701 (f)), is itself an amendment of section 1, title I, Public Law 2, Seventy-third Congress, approved March 20, 1933, as amended, which relates to pensions for veterans (48 Stat. 8, 38 U. S. C. 701, et seq.). Title VI of the 1944 act, entitled "General Administrative and Penal Provisions," provides by section 1500 thereof that "the administrative, definitive, and penal provisions" of the 1933 act, as amended, "shall be for application under this act." Section 5, title I, of the 1933 act reads as follows:

All decisions rendered by the Administrator of Veterans' Affairs under the provisions of this title, or the regulations issued pursuant thereto, shall be final and conclusive on all questions of law and fact, and no official or court of the United States shall have jurisdiction to review by mandamus or otherwise any such decision.
Section 11 of the act of October 17, 1940 (Public Law 866, 76th Cong., 54 Stat. 1193), which amended the World War Veterans’ Act of 1924, as amended, provides:

Notwithstanding any other provisions of law, except as provided in section 19 of the World War Veterans’ Act, 1924, as amended, and in section 817 of the National Service Life Insurance Act of 1940, the decisions of the Administrator of Veterans’ Affairs on any question of law or fact concerning a claim for benefits or payments under this or any other act administered by the Veterans’ Administration shall be final and conclusive and no other official or any court of the United States shall have power or jurisdiction to review any such decisions.

The above-quoted provisions of law as amended (38 U. S. C. 705 and 11a–2) (sometimes referred to as “finality” statutes), have been construed by the Veterans’ Administration and by the courts as all-embracing, that is, as precluding any review of decisions of the Administrator concerning veterans’ benefits. However, it is the view of this committee that it was never intended that these “finality” statutes should be applied to decisions relating to amounts payable for services and supplies furnished by educational institutions.

APPLICATION TO EXISTING PROGRAM

Due to the broad authority thus vested in the Administrator the educational and training program has been administered with the view that determinations by the Veterans’ Administration relating to such program are final and conclusive, and not subject to review. This has resulted in depriving the Congress of the normal safeguard of audit by the General Accounting Office of the transactions of the Veterans’ Administration with educational institutions for furnishing training services, as well as equipment, books, and supplies incident thereto, and by depriving educational institutions and establishments of their usual remedy to pursue claims before the General Accounting Office and the courts. In other words, review of the Administrator’s regulations and decisions, including those directly relating to payments to institutions under the education and training program, by anyone other than the Congress itself is precluded. A review, even by the Congress, may be accomplished only by prospective legislation. Thus, the Veterans’ Administration has been in the position of contracting with educational institutions and ruling on the construction and validity of those contracts, and has undertaken to make final decisions concerning the legislative intent of the law, the meaning of administrative regulations, and other questions arising in connection with the operation of the program.

Many actions on the part of the Veterans’ Administration in the administration of this program have been in apparent conflict with the expressed intent of Congress as contained in the pertinent legislation, and have necessitated action by the Congress in the form of amendatory legislation and prompted the adoption of resolutions setting forth the congressional intent. As a result of more or less organized protest from school owners and their associations, a Veterans’ Tuition Appeals Board was provided for in Public Law 266, approved August 24, 1949, whereby educational and training institutions, dissatisfied with a determination of a rate of payment for tuition, fees, or other charges, were entitled to a review of such deter-
mination. Five months elapsed before the Administrator appointed the members and no decisions were handed down during the remaining 6 months of its existence.

Public Law 610, Eighty-first Congress, approved July 13, 1950, established a new Veterans' Education Appeals Board, the members of which were appointed by the President rather than the Administrator on September 14, 1950.

In a debate on the floor of the Senate on October 12, 1949, in connection with certain amendatory legislation, the Honorable Hubert M. Humphrey stated:

* * * if enacted into law, will definitely prescribe certain regulations as to the amount of authority the Veterans' Administration has in promulgating regulations. Somebody might say "Why should we do this?" I will tell the Senate why. A conference report on an appropriations bill came to the floor of the Senate, and the Senate disagreed with certain language in the report. Thereafter the Senate Committee on Labor and Public Welfare held hearings in order to write the kind of language that would protect not only the veteran but the school and the Government. That language was carefully written. It was discussed with the Veterans' Administration. A proviso was placed in the appropriation bill which we thought, in view of the hearings, in view of the constant conversation and talk we had had on the subject, would clarify this situation once and for all. But, Mr. President, despite the language, despite the complete understanding we had, the Veterans' Administration in instruction 1-A simply ignored what we had done and ignored the whole background and the legislative intent of the proviso which we incorporated.

During the same debate Senator Douglas made the following observations:

Is not one of the great difficulties without [the] whole system of administration the fact that the various Government departments, instead of going to the Attorney General to obtain a legal opinion, have set up their own legal departments, with solicitors and lawyers in them, named by the heads of the departments, and then they ask their subordinates as to what they can do, and in nearly every case they receive opinions in support of what they contend to be their powers.

On the same subject Senator Chavez made the following statement:

The law should be interpreted the way it was intended by Congress. As the Senator from Illinois, Mr. Douglas, has so well pointed out, the reason the Veterans' Administration acts in the way it does is that the interpretation of the law comes from within the Administration. The law is interpreted by those who are working for the Veterans' Administration, and not by those who are interested in interpreting the law for the benefit of the ones whom Congress intended to benefit.

In the attempt to impose its will on the agency, the Congress has resorted to resolutions reaffirming the intent of the law. Senate Resolution 124, debated by the Senate August 27, 1951, reveals the extent to which relations between the executive and the legislative branches of government have deteriorated. Senator Humphrey stated:

First of all, we passed a specific bill on this subject, which was cosponsored, as I recall, by the senior Senator from Ohio, Mr. Taft, and in the House of Representatives by Congressman Toumague, of Texas, I believe. The bill was passed unanimously and it was signed by the President. Despite that, the Veterans' Administration counsel decided he knew more than the Congress and continued to rule just as he had ruled previously. Then we had a conference report in connection with an appropriation bill which spelled out the language we wanted, the legislative intent, and again the Veterans' Administration legal counsel said, "We are right and Congress is wrong."

So what the resolution amounts to is a directive to the Veterans' Administration to administer the Servicemen's Readjustment Act, pertaining to its educational features as the law is written, as the legislative intent of the Congress
is written in the report, and as it is found in the debates on the House and Senate floors. The resolution provides that the law shall be administered, notwithstanding the legal counsel, as it was intended to be administered by the Congress.

VIEWS OF THE COMMITTEE ON EXPENDITURES

The report of the Committee on Expenditures in the Executive Departments concerning the operations and fiscal cost of the Veterans' Administration national service life-insurance program (H. Rept. 2761, 81st Cong., 2d sess.) is critical of legislation which gives the Administrator final authority with regard to insurance matters (sec. 608, Public Law 801, approved October 8, 1940). This committee endorses the sentiments expressed therein as being applicable also to the situation which exists in the vocational rehabilitation and education program. Quoting from page 55 of House Report No. 2761:

POLICY AND ECONOMY REQUIRE AMENDMENT OF SECTION 608

Succinctly stated, the position of the Veterans' Administration * * * is predicated on the premise that dictatorship is the most efficient form of administration and sophistry that without the powers granted therein efficiency of operation is impossible. This is the antithesis of our philosophy of democratic government. It violates the fundamental principles of the Constitution; * * *.

The powers of section 608 are not more peculiarly needed, and perhaps wanted, by the Veterans' Administrator than the heads of other executive departments and agencies. If, however, similar powers were given to others, there would be little need for the General Accounting Office or the Bureau of the Budget. Yet Congress in its wisdom saw the need for and established both of these agencies to provide a system of checks and balances to obtain the greatest degree of efficiency of operation and fiscal frugality in the functions of the Government.

This subcommittee feels that there exists no valid reason why the operations of national service life insurance should not be subjected to the same scrutiny, checks, and balances as other Government functions * * *. Therefore, the subcommittee is of the opinion that Congress should consider amending section 608 so as to * * * make the decisions of the Administrator final as to findings of fact if supported by substantial evidence and reserve to the courts final decisions on issues of law.

The same congressional committee, in House Report 3243 previously mentioned, Eighty-first Congress, second session, an inquiry into the operations of the Veterans' Administration leave policy, observed:

The Comptroller General again has called attention to the unlimited authority which the Congress has bestowed upon the Administrator of Veterans' Affairs. These broad powers have prevented the Comptroller General from taking direct action with respect to expenditures resulting from the interpretations of the Veterans' Administration * * *.

VIEWS OF THE COMPTROLLER GENERAL OF THE UNITED STATES RELATING TO ADMINISTRATIVE FINALITY

In testimony before the Committee on Expenditures, page 52 of the bill, H. R. 2761, Mr. Frank L. Yates, Assistant Comptroller General, said:

The Comptroller General has at every opportunity, I think I can say accurately, advised committees of the Congress and the Congress against grants of such complete and final authority to any agencies of the Government * * *.

This committee (the Committee on Expenditures) last year had this to say on the subject (H. R. 1441, 81st Cong., 1st sess.) : "During the past 10 or 15 years a great deal of legislation has been enacted which, bit by bit, has the effect of removing the financial controls and checks of the legislative branch, leaving the executive free to do as it wills in its spend-
ing actions. To the extent that Congress enacts such legislation it relinquishes its control of public expenditures. It is a control the exercise of which should be jealously guarded and any further encroachments upon it—either by making actions of the spending agencies with regard to financial matters final and conclusive, or by curtailing independent audit and control powers—should be vigorously attacked and beaten back."

I think the time has come, Mr. Chairman, if I may so state, for the Congress to reexamine all such grants of authority, to reevaluate them, to determine whether or not they should not be repealed absolutely, some of them, or perhaps all of them modified.

It is frequently said, well those authorities really do not limit the effectiveness of the work of the General Accounting Office because the Comptroller General can always write a letter to Congress and tell the Congress what has been happening, even though he may be disenabled by such provisions to take effective action himself without reporting them to Congress.

What has happened * * * is a pretty good illustration of how ineffective a mere report to the Congress can be, even though committees * * * are very diligent as soon as time makes it possible to consider such reports because I believe it was well after the Comptroller General's report to the Congress informing it of the situation with respect to such dividend payments that the Veterans' Administration, knowing that the report was pending before the Congress, nevertheless made the payments without asking Congress to clarify the law authorizing them.

With reference to S. 1940, Eighty-first Congress, which proposed to extend educational benefits to veterans of the Korean conflict, a representative of the Comptroller General in testifying September 18, 1951, before the Senate Committee on Labor and Public Welfare, stated:

There is one more matter which I feel should be brought to your attention at this time. This is a matter which is of serious concern to the General Accounting Office and the Comptroller General himself. Under the bill, as under Public Law 346, broad authority is vested in the Administrator of Veterans' Affairs to administer the program, and it would appear that, by implication at least, the bill would incorporate specific statutory authority to vest in the Administrator finality of decision as to all matters arising thereunder. As this committee undoubtedly is aware, the Comptroller General and the Assistant Comptroller General have on many occasions voiced their strong opposition to the vesting of final authority over expenditures in administrative offices of the Government under other than extremely emergent conditions. In the present instance, it would appear that the bill might have the effect of making decisions of the Administrator, as to all matters covered by the bill including contracts and agreements with educational institutions, final and conclusive and not subject to review by the General Accounting Office or by the courts. This could circumvent the operations of the General Accounting Office, and might eliminate any possibility that the Office by direct action through its audit and investigative functions could recoup monies erroneously expended. In other words, it could reduce the functions of the Office to that of reporting any abuses to the Congress. The General Accounting Office would not be so concerned if this was purely a veterans' benefit bill providing for pensions or some form of gratuity to veterans. However, since the bill would authorize the negotiation and contracting with various institutions throughout the country, the General Accounting Office fails to perceive any necessity or cogent reason for vesting the final authority in connection with such matters in the administrative agency. In our report on this bill, the Acting Comptroller General urged strongly that the bill be amended to vest final authority in the Administrator of Veterans' Affairs as to matters concerning veterans' entitlement only and to provide that the decision on all other matters shall constitute final administrative action only and be subject to review in the usual manner.

THE VIEWS OF THE STATE APPROVAL AGENCIES

Testimony of a representative of the National Association of State Approval Agencies before this committee is as follows:

The presence of the Administrator's unquestioned authority in today's program has resulted in continual dissatisfaction on the part of the State departments of
education, the colleges and universities, and other educational institutions. Under the present act, there is no appeal and no recourse from the Administrator of Veterans' Affairs and even though millions of dollars are involved and the lives of thousands of veterans are affected, the Administrator and/or his designated officers are allowed to make the final determination which cannot be set aside by the courts, the General Accounting Office, or even the legislative body of the United States Government without formal action.

FINDINGS AND RECOMMENDATIONS OF THE SELECT COMMITTEE

It is the view of this committee that the unique authority enjoyed by the Administrator of Veterans' Affairs is contrary to the established policies of our Government and represents an unwarranted encroachment upon the control by the Congress over public expenditures. It is evident that this final authority vested in the Administrator has resulted in arbitrary and unwarranted construction and application of statutory enactments; has militated against the inherent rights of educational institutions to an independent review of their transactions and agreements; and has resulted in the payment of many millions of dollars under the education and training program for which neither the veteran nor the Government received any real or tangible benefit and for which no clear legislative authority existed.

It is unrealistic to assume that the Congress is in a position to review the numerous decisions and regulations of the Administrator in order to rectify those which are considered unreasonable especially since his policy precludes coming to the Congress and requesting amendatory legislation. The result is legislation by regulation without the restraining influence of the courts or the General Accounting Office and often without the knowledge of the Congress. The dangers of such a situation are obvious.

A system of checks and balances designed to afford a review of administrative expenditures has always been an integral part of our system of government. During the last session, after due deliberation and study, the Congress reaffirmed its position with respect to the review and control of public expenditures by the enactment of the Budget and Accounting Procedures Act of 1950. This act continued and strengthened the authority vested in the Comptroller General of the United States, as the agent of the Congress, to examine and audit all public transactions and expenditures.

In the light of this well-established policy, this committee recommends most strongly that in any future legislation providing for education and training of veterans, the authority of the Administrator should be clearly delineated. Final authority of the Administrator should be limited to decisions concerning entitlement only. All other matters should be subject to review in the usual manner. It is the opinion of the committee that this position is in harmony with the true intent of the Congress in the original enactment of the so-called finality statutes.

AN EVALUATION OF THE VETERANS' TRAINING PROGRAM

ACCOMPLISHMENTS OF THE VETERANS' TRAINING PROGRAM

There can be no doubt that, in spite of certain undesirable conditions in the program as pointed out in this report, a great deal of benefit has resulted to the veterans who participated and to the
Nation as a whole. Whether in all cases the benefits have been commensurate with the cost is another question.

As a readjustment device, there is little question that the educational program provided a spot for literally millions of young bewildered veterans. It provided a place where they could learn, live, and at the same time adjust themselves to their civilian surroundings. Almost every American knows a young ex-serviceman who entered training, found his life's work, settled down, and is now doing well. It is significant to note that there has been no national incident of any importance involving disgruntled ex-servicemen during the 7 years following the termination of World War II. This fact cannot be overemphasized. Our servicemen returned in great numbers at a time when industry was attempting to switch to peacetime production and the future of the Nation was uncertain.

When one considers the cost of the educational program, one must also take into account that those funds spent wisely and not dissipated represent a sound investment which will return dividends in increased earning power of millions of veterans.

**COLLEGE-LEVEL PROGRAM**

The veterans' training program at the college level has enjoyed more harmony and success than any other phase of the program. Those veterans attending established, accredited colleges and universities who pursued their courses with sincerity received the best training available in this country. Some inefficiency and training of questionable value has resulted in the enthusiasm of some colleges in establishing extension schools and night classes for persons not interested in a standard college course. In some extension and night schools the quality of training has been questionable and persons have been enrolled who probably were not qualified to pursue college-level courses. In some colleges extension courses and night courses have taken on a promotional aspect. Many of the courses given in night and extension schools border on avocational courses when pursued outside a regular college program. Considered as a whole, there is little question that better training was received at the college level for less money than in any other phase of the veterans' training program.

**VOCATIONAL TRADES AND TECHNICAL TRAINING IN PUBLIC AND PRIVATE SCHOOLS**

The greatest amount of waste, inefficiency, and fraud has occurred in this field of training. It is pointed out that there were many public and private schools which gave good training in the trades and technical field. However, the great influx of new trade schools catering to the veteran student have caused the greatest single problem in the administration of the program.

**APPRENTICE AND OTHER TRAINING ON THE JOB**

This type of training is less costly than other types, since no tuition is paid and subsistence payments are reduced periodically as the veterans' earnings increased. Early in the program, prior to the passage of Public Law 679, Seventy-eighth Congress, the on-the-job
training program was severely exploited. Public Law 679, Seventy-eighth Congress, required the application of certain standards to all participating firms and many were excluded from the approved list. When Public Law 679 was in full effect many of the early abuses were eliminated. The apprentice-training program has received guidance from the Department of Labor and has followed a pattern established prior to 1944. Many of the observations applicable to on-the-job training also apply to the apprentice-training program. The apprentice program has been criticized for the excessive length of some of its training courses. At the present time the apprentice and other training on-the-job programs are small and where they operate in firms and plants which are capable of operating a training program, they are successful in training veterans for a job.

INSTITUTIONAL ON-THE-FARM TRAINING

The institutional on-the-farm training program has been notably successful in some States and subject to exploitation in others. It has served a need in educating and stabilizing young farmers who otherwise could not have participated in any training program. The training plan for veterans in the employ of another has not been successful and should be eliminated from future programs. The farm program has experienced difficulty since veterans who did not have a proper farm set-up were enrolled and in other cases veterans with large farms and a good background in agriculture were allowed to participate.

FLIGHT-TRAINING PROGRAM

A great deal of abuse occurred in this program, since it was not properly controlled in the beginning. This abuse served to place a stigma on all flight training. Flight training under the proper circumstances is a legitimate and desirable type of training which provides vocational opportunity to those who successfully complete a proper course. Flight training is expensive and highly technical. Schools should be approved only when they have a background in flight training, have adequate equipment and experienced personnel. Veterans should not be enrolled in flight courses unless they are physically and mentally qualified to fly commercially.

We, the members of the House Select Committee to Investigate the Education and Loan Guaranty Programs under the GI Bill, pursuant to House Resolution 93, Eighty-second Congress, concur in this report.

Olin E. Teague, Chairman.
Clair Engle.
Joe L. Evins.
Earl Chudoff.
Harold A. Patten.
Alvin F. Weichel.
J. Glenn Beall.
Hubert B. Scudder.
Thurston B. Morton.
APPENDIX

The photographs which follow were taken of schools which were surveyed and recommended for approval by Veterans' Administration employees and later disapproved. In most instances these schools were surveyed and recommended for approval by employees listed in the section of this report entitled "Problems Involving Vocational Rehabilitation and Education Personnel."
This tailoring trade school was approved for the training of 50 veterans during each shift. (Outside and inside views.)
This automobile mechanics' trade school was approved for the training of 25 veterans per class and later disapproved. (Outside and inside views.)
This auto mechanics' trade school was approved for the training of 50 veterans per shift and later disapproved. (Outside and inside views.)
This school offering "mechanical dentistry" was recommended for approval for Part VIII veterans, was not approved for Part VII veterans. It was subsequently disapproved.

This auto mechanics' trade school was approved for the training of 45 veterans during each shift.
This trade school was approved for the training of 132 veterans in cabinetmaking, carpentry, and furniture repair. This school was owned by a Veterans' Administration training facilities officer and two former VA training officers. The school was disapproved in this location.

This automobile mechanics' trade school was approved for the enrollment of 25 veterans per class and later disapproved.