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REPORT TO THE COMMITTEE
ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

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L1M050429

Significant Audit
Findings In The Civil
Departments And Agencies
Of The Government

B-106190

General Services Administration

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

090429

964724

FEB. 6, 1974

GENERAL SERVICES ADMINISTRATION

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GENERAL SERVICES ADMINISTRATION

AUTOMATED DATA AND
TELECOMMUNICATIONS SERVICE

Opportunities for improving management
of local telephone service

The Federal Telecommunications System (FTS), which is managed by the General Services Administration (GSA), provides, among its many services, intercity and local telephone service. As part of this telephone service GSA manages over 400 switchboards in the United States. At 153 of these switchboards GSA manages 4,634 local service trunks, costing an estimated \$989,000 annually.

Periodic traffic studies provide a measure of the traffic volume, which, in part, determine the number of local service trunks required at a switchboard. However, limitations of these studies restricted their usefulness to GSA's management for achieving optimum economical and efficient service and providing it on an equal basis to all customers.

GSA and telephone company studies (1) were not performed at all switchboard locations, (2) had not included all local trunks managed by GSA at each location, and (3) sampling periods were too limited at some locations. Also, telephone company studies were not frequent enough to disclose seasonal changes and growth or decline trends.

The different methods used to convert traffic volume into trunk requirements produced dissimilar results when applied to the same statistics. For example, GAO estimated that one method would require 78 fewer trunks--costing \$25,400 annually--than those proposed by telephone companies using another method at 10 selected switchboards. However, telephone company reports did not include sufficient detailed information for GSA to independently evaluate or recompute the information.

GAO proposed that the Administrator of GSA (1) establish standard methods and procedures for determining trunk requirements, (2) negotiate with telephone companies for improved traffic studies and statistics, (3) instruct regional offices on the evaluation and/or performance of traffic studies, conversion to trunk requirements, and implementation of changes, and (4) expand and implement internal control procedures.

GSA's response to material included in this report was in general agreement with GAO's findings. GSA is currently preparing a report of actions taken in response to this report. (B-146864, Mar. 19, 1973.)

GENERAL SERVICES ADMINISTRATION

FEDERAL SUPPLY SERVICE

Opportunities for savings in
the procurement of tab paper

GAO examined into the procedures for procuring marginally punched, continuous forms (tab paper) because an estimated \$100 million is spent annually by the Government for tab paper for use with over 6,700 computers at 1,700 locations.

GSA is responsible for procuring the Government's tab paper but has delegated authority to the Government Printing Office (GPO) to procure most of the tab paper. GSA purchases and stocks six commonly used tab paper forms. GPO annually awards contracts against which installations place orders, within prescribed dollar limitations, for tab paper not available from GSA stock. The GPO contracts are awarded to all responsive suppliers on a nationwide basis.

GAO examined fiscal year 1971 tab paper purchases of \$6.5 million that were made by 45 installations. The most favorable prices for tab paper were obtained by six installations purchasing their tab paper in volume under competitive contracts. Prices paid by the six installations were about \$500,000, or 22 percent, less than the lowest prices available under the GPO contracts for the same volume of paper.

Most installations procure their tab paper periodically throughout the year from the GPO contracts rather than estimating their annual tab paper requirements and purchasing in volume under competitive contracts.

Although installations are required to obtain their tab paper from the lowest priced supplier under the GPO contracts, more than half of the installations obtaining tab paper under the GPO contracts had made purchases from other than the lowest priced supplier. On total orders against GPO contracts of \$2.2 million, GAO found that the prices exceeded those of the lowest priced suppliers by \$54,000. If this condition is representative of all reported orders against GPO contracts totaling \$11.8 million for the year ended November 1971, the costs of tab paper were \$300,000 more than if purchased from the lowest priced sources.

In addition, some installations were purchasing higher priced, wide-carbon tab paper when narrow-carbon paper may have been suitable for their use. Installations used GPO contracts to purchase wide-carbon paper costing \$600,000. If narrow-carbon paper had been adopted for use in all cases, the \$600,000 cost could have been reduced by \$172,000, or 28 percent.

To realize the opportunities for savings in the procurement of the Government's tab paper GAO suggested that GSA:

- Instruct installations to determine their annual tab paper needs and GSA or GPO use this information to make volume purchases under competitive contracts or authorize the installations to award such contracts directly.

GENERAL SERVICES ADMINISTRATION

FEDERAL SUPPLY SERVICE (continued)

- Consider, in conjunction with GPO, a more competitive method of awarding the GPO contracts, such as making awards of the more commonly used types of tab paper on a geographic basis to the single supplier offering the lowest prices for each type of paper or by limiting the number of multiple suppliers to be awarded contracts on a nationwide basis.

- Instruct heads of departments and agencies to establish procedures for systematic monitoring and internal reviews of recent and ongoing procurements to identify use of other than the lowest priced paper suitable for installations' needs.

GSA agreed with our suggestions, but GPO was concerned that the methods GAO had proposed for awarding the GPO contracts would not result in more competition and lower prices. GAO recognizes that other alternatives may be available. GAO believes, and GSA agrees, that efforts should be made to develop a method of awarding the GPO contracts under more competitive conditions.

GENERAL SERVICES ADMINISTRATION

NATIONAL ARCHIVES AND RECORDS SERVICE

Ways to improve records management
practices in the Federal Government

GAO reviewed the effectiveness of the National Archives and Records Service (NARS) of GSA in improving records management programs throughout the Government because of the substantial increases in the costs of paperwork preparation, handling, and storage. GAO estimated that, since 1966, Federal costs of paperwork have increased from \$8 billion to \$15 billion a year. Similarly, the Government's record holdings have increased by about 4 million cubic feet and now total about 30 million cubic feet. Holdings by Federal Records Centers are at an alltime high and now total over 11.5 million cubic feet. As a result, storage space has become critical and may have to be expanded by 30 percent.

NARS has had limited success in persuading agencies to correct weaknesses in their records management programs. One reason is that NARS identifies needed improvements and recommends rather sweeping changes without showing corresponding savings, a factor of vital concern to agency management. Another reason for the limited success is that NARS has never exercised the authority contained in Public Law 90-620 to report to the President, the Congress, or the Office of Management and Budget (OMB), a particular agency's poor records management program, even though the NARS evaluation teams consistently have found serious weaknesses in agencies' programs.

In addition, NARS could be more effective in minimizing the time that records are stored in Federal Records Centers by establishing closer surveillance of agency records control schedules, by developing a better method of evaluating the validity of the record retention periods specified by agencies, and through better procedures for removing from storage those records that are eligible for disposal.

GAO suggested that NARS and GSA:

- Point out how agencies could save money if they would implement NARS recommendations.
- Develop criteria describing circumstances when NARS would report weaknesses or deficiencies in agency records management programs to the President, the Congress, or OMB.
- If an agency fails after a reasonable time to correct serious weaknesses in its records program on the basis of this criteria, then inform the President, the Congress, or OMB.
- Monitor agencies more closely to see that they maintain an up-to-date schedule showing retention periods for all their records.
- Develop, on a pilot basis, a method to evaluate records usage patterns at centers and to provide agencies with feedback as a basis for establishing more realistic retention periods.

GENERAL SERVICES ADMINISTRATION

NATIONAL ARCHIVES AND RECORDS SERVICE (continued)

--Revise procedures at centers so that records eligible for destruction are destroyed promptly.

GSA and NARS have initiated a program to implement all of the GAO suggestions. (B-146743, Aug. 13, 1973.)

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Participation certificates sold at higher interest rates than those obtainable for long-term Government bonds

Section 5 of Public Law 92-313, dated June 16, 1972, authorized GSA for 3 years to enter into purchase contracts with private developers who would finance and construct public buildings to GSA specifications. GSA would make periodic installment payments during the contract period to amortize construction and financing costs. At the end of the contract period--not to exceed 30 years--title to the building would transfer to the Government.

In sponsoring Public Law 92-313, GSA asked the Congress in 1971 for purchase contract authority for 3 years as a stop-gap expedient that would eliminate the construction backlog of about 60 projects estimated to cost about \$750 million. These projects had been authorized by the Congress for Federal construction but had not been funded. In addition to the 60 buildings authorized by Public Law 92-313, GSA requested approval in January 1973 for construction and funding, under purchase contract arrangement, of three Social Security Administration payment centers estimated to cost \$110 million.

GSA has been obtaining most of its financing through the sale of 30-year participation certificates by the GSA trustee, the First National City Bank of New York. At the time GAO first wrote to GSA on February 27, 1973, about its method of financing, GSA had sold \$396 million of participation certificates.

By the end of March 1973, GSA had sold another issue of certificates. All together GSA has sold three issues of participation certificates amounting to \$522.5 million. The first, amounting to \$196.5 million, was sold in increments from October 30 through November 3, 1972, and had interest rates varying from 7.125 to 7.4 percent; the second, amounting to \$200 million, was sold on December 13, 1972, and had an interest rate of 7.15 percent; and the third, amounting to \$126 million, was sold on March 14, 1973, and had an interest rate of 7.5 percent. The issues were sold at a total discount of about \$4.6 million, which resulted in an overall effective interest rate of 7.25 percent on the first and second issues and 7.90 percent on the third issue.

Public Law 92-313 and its legislative history are silent concerning the financing with participation certificates. The Comptroller General has ruled, however, that this method is within the framework of the law. Also, the Attorney General has advised GSA that the certificates are general obligations of the United States, backed by its full faith and credit.

On the basis of market conditions at the time GSA participation certificates were issued, GAO estimated that the Treasury could have issued long-term Government bonds for about 3/4 of 1 percent less than the effective interest rate for the certificates. The additional interest costs associated with the \$522.5 million of participation certificates is about \$3.92 million a year, which amounts to \$117.6 million for the 30-year term.

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Commerce; Department of Defense;
General Services Administration; Department of Health,
Education, and Welfare; Department of Labor;
and Veterans Administration)

Opportunities for reducing the cost of
constructing and operating health facilities

Pursuant to a law enacted by Congress, GAO undertook a comprehensive study of the costs of constructing and operating health facilities and reported to the Congress on ways to reduce these costs for facilities built with assistance provided under the Public Health Service Act. GAO also examined ways in which the demand for facilities could be reduced or eliminated.

Constructing and
operating health facilities

In a November 1972 report to the Congress, GAO identified many opportunities for improved planning, construction, and operation of health facilities, including advance analysis of specific health care needs, identification of alternative sources of funds, reuse of building designs, and different construction techniques.

Hospital planners generally do not evaluate on a life-cycle basis alternative construction techniques, material, designs, and operating systems. Many hospital administrators and architects, in efforts to curb the rising cost of hospital construction, search for obvious savings in initial construction. These initial savings often preclude later savings in operations and maintenance that exceed the initial cost savings.

To demonstrate the impact that certain alternatives would have on initial construction and life-cycle costs, GAO selected a recently opened hospital for detailed study. The demonstration showed that:

- Initial construction costs of the redesigned facility would have been as much as 8.6 percent lower than those of the facility that was built.
- Life-cycle costs of as much as \$10.4 million could have been saved by incorporating the improvement alternatives into the redesigned hospital.

GAO recommended that the Secretary of HEW (1) compile and publish information on the essential factors to be considered in project planning, (2) explore the feasibility of reusing hospital designs, (3) adopt a common set of construction requirements for HEW-administered programs, (4) develop and disseminate a scientific base of knowledge on construction requirements, and (5) require that the fast-track and total concept approaches be considered for health facility projects assisted under the Public Health Service Act.

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Commerce; Department of Defense;
General Services Administration; Department of Health,
Education, and Welfare; Department of Labor;
and Veterans Administration)

GAO also recommended that HEW establish the capacity to provide life-cycle cost data to health facility planners and require that applicants for Federal funding justify the use of construction techniques, materials, designs, and operating systems which differ from those recommended by HEW. GAO recommended further that, until HEW establishes the capacity to provide life-cycle cost data to health facility planners, HEW should encourage planners to consider the information presented in this report, along with local operating conditions and costs, in identifying the alternatives for life-cycle analysis that are likely to be the most appropriate for inclusion in the facility.

Demand for health
facility construction

GAO also identified and studied ways in which health facility construction could be avoided by either reducing the demand for such facilities or increasing the productivity of existing facilities. The study showed that the demand for hospitals and, to a lesser extent, other health care facilities could be reduced and that, by more efficiently using existing facilities, millions of dollars in construction costs would not need to be spent. These results could be attained by (1) placing greater emphasis on preventive medicine, (2) making more appropriate use of various types of health care facilities, (3) increasing the use of more efficient and economical medical care delivery systems, (4) using more effective utilization review techniques, (5) changing health insurance incentives that emphasize inpatient care, (6) sharing more hospital services, (7) organizing more efficient and economical health care systems, and (8) strengthening the role and increasing the capabilities of areawide health planning agencies.

GAO made a number of recommendations to the Secretary of HEW calling for these changes. In implementing these changes, GAO recommended that HEW solicit the cooperation of other Government agencies, private health organizations, and medical professionals and assume leadership in these areas.

Some health care providers have changed traditional health care demand and utilization patterns, decreasing the need to construct acute care and other types of health facilities. The economic benefits emanating from these changes and the means by which such changes have been effected, as discussed in GAO's report, should be of particular interest to the Congress. Accordingly, GAO recommended that the Congress consider these matters when it considers legislative health care proposals, such as those providing for the reorganization of the existing health care delivery system and for programs on national health insurance.

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Defense, General Services
Administration, and Tennessee Valley Authority)

Improvement needed in use of formal
advertising procedures for procurement

GAO reviewed DOD, GSA, and the Tennessee Valley Authority (TVA) procedures and practices in using formal advertising for bids in order to (1) identify problems limiting competition and increasing Government costs and (2) offer suggestions to the agencies for more effective and less costly use of this method of procurement.

GAO examined 138 contracts awarded under formal advertising procedures by 8 procurement offices of these agencies and found that 8,956 suppliers had been solicited but that only 8 percent of them had submitted bids. Fifty-three contracts were awarded on the basis of three or fewer bids. Causes of the low response follow.

- Bidders lists were based on broad categories of items and did not reveal the relatively few sources capable of bidding for a specific item.
- Previous bidders were not regularly solicited.
- Advertising in the Commerce Business Daily was not timely and the published description of supplies or services required was insufficient to elicit bids.
- The causes for the low number of bids were not evaluated to increase competition for future procurements.
- Restrictive specifications or purchase descriptions were used repeatedly.
- The complexity of invitations discouraged suppliers from bidding.
- Bidders were not given enough time to bid.
- Bids were rejected because of minor discrepancies.

Administrative costs of formal advertising include costs of maintaining lists of bidders; preparing and mailing invitations; and receiving, recording, and analyzing bids. Opportunities for reducing these costs were evident because:

- 41 percent more invitations for bid (IFBs) were prepared for distribution than were used.
- About 50 percent of the pages in the IFBs were standard contract provisions which were repeated from one solicitation to another.
- Furnishing more than two copies of the IFB to the firms solicited was unnecessary.

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Defense, General Services
Administration, and Tennessee Valley Authority)

--92 percent of the solicitations mailed to firms did not result in bids.

GAO believes that, if DOD and the civil agencies adopt its suggestions for correcting these conditions, they could save several million dollars annually.

GAO recommended that DOD and GSA, the major agencies responsible for procurement policy, instruct procurement offices and agencies to:

- Establish a program in each procurement office to selectively review the extent of competition achieved under formal advertising and take aggressive action to stimulate competition where it appears to be restricted.
- Establish a work simplification program in each procurement agency to (1) solicit only previous bidders or suppliers and firms that request IFBs, (2) simplify and shorten IFBs, and (3) reevaluate the requirements for distributing IFBs.

Comments on GAO's recommendations and suggestions were obtained from DOD, GSA, TVA, and the Small Business Administration (SBA).

DOD and GSA agreed in general with GAO on the problems found but did not always agree with the recommendations. Both agencies were concerned about the additional regulation and control that GAO seemed to be suggesting. GSA said that these problems could be solved by educating personnel at the operating levels of procurement. DOD said many of the suggestions had been considered previously, would be costly, would add to procurement time, and would create additional paperwork.

TVA said it did not have the problems discussed in this report. SBA officials agreed with GAO on the problems and solutions suggested. They wanted it clearly stated that GAO's suggestions should not be construed to mean the discontinuance of various programs to assist small business participation in Government procurement, a point in which GAO concurred.

GAO agreed with GSA that educating personnel is necessary to implement sound administration. But GAO believes the agencies should achieve more genuine competition in formal bidding at lower administrative costs and reiterated its recommendation to establish programs within each major procurement agency to increase competition and simplify formal advertising. (B-176418, Aug. 14, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of the Interior, Department of
Agriculture, Department of Defense, and
the General Services Administration)

Need for Federal agencies to improve
solid waste management practices

Federal legislation and Executive orders have stressed the importance of proper solid waste disposal, resource recovery, waste reduction, and the Federal agencies' responsibilities for providing leadership in the nationwide effort to protect and enhance the quality of the environment. To determine how well Federal agencies were fulfilling their responsibilities, GAO reviewed disposal policies and practices of those agencies--Bureau of Land Management, Forest Service, National Park Service, and the Department of the Army--that managed the bulk of the Federal land having disposal sites.

Federal regulations generally prohibit Federal agencies from burning wastes in open fires and from using open dumps, but GAO reported widespread open burning and open dumping on Federal lands administered by the Bureau of Land Management, the Forest Service, and the National Park Service. The Army generally was satisfactorily disposing of its unsalvageable wastes.

The agencies generally lacked a systematic approach to identify and solve waste disposal problems. GAO recommended that the Secretaries of Agriculture and the Interior direct the Forest Service, Bureau of Land Management, and National Park Service to:

- Establish, at the various organizational levels, responsibility centers for solid waste matters.
- Establish procedures so that (1) solid waste management policies are communicated effectively to all officials, (2) headquarters provides adequate policy guidance to regional personnel, and (3) regional officials effectively carry out agency policies.
- Require periodic inspections and reporting of inspection results of (1) agency-operated and lessee- and permittee-operated disposal sites on Federal land and (2) disposal sites used by the agencies on private land.

GAO reviewed also GSA's and the Army's procurement, resource recovery, and recycling policies and practices and reported that both agencies had recovered some wastes for reuse or recycling but could recover many more. Generally the Army was recovering wastes only when it was economically advantageous; it gave little consideration to salvaging and recycling primarily for environmental benefits.

GAO recommended that GSA and the Army, in their procurement activities, should be aware of, and should emphasize to their suppliers, the

VARIOUS DEPARTMENTS AND AGENCIES

(Department of the Interior, Department of
Agriculture, Department of Defense, and
the General Services Administration)

environmental benefits that could be obtained through using more reusable or recyclable materials, containers, and packaging.

The agencies generally agreed with GAO's findings and recommendations and specified steps they were taking to implement the recommendations. (B-166506, Oct. 26, 1972.)

VARIOUS DEPARTMENTS AND AGENCIES

(Office of Management and Budget, Corps of Engineers, Department of Housing and Urban Development, and Department of Transportation)

Differences in administration of relocation assistance program

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 provides for uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal and federally assisted programs. It also established uniform and equitable land acquisition policies for such programs. At the request of the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, GAO reviewed Federal, State, and local agencies' progress in implementing the act in Missouri, California, Wisconsin, and Pennsylvania.

GAO reported that OMB; the Corps of Engineers; the Department of Housing and Urban Development; and the Federal Highway Administration, Department of Transportation, had (1) assisted the States in enacting legislation authorizing their participation in federally assisted programs causing relocation and (2) made progress in identifying and resolving agencies' differences in the way relocation payments and services were being provided; but the relocation program could be better administered and payments could be made more uniform.

In January 1971 the President directed OMB to establish and head an interagency task force to develop guidelines for all agencies in preparing procedures covering each agency's specific programs. OMB also was directed to establish and head a relocation assistance advisory committee to continually review agencies' relocation programs to recommend improvements and, if needed, proposals for legislation. The task force issued interim guidelines in February 1971 and revised guidelines in May 1972. As of January 1973, the advisory committee had identified 12 major differences in agency guidelines and obtained agreement from the agencies to resolve the majority of them.

GAO noted instances in which displaced persons did not receive timely information on relocation benefits available under the new act because of

- delays in enacting State legislation and/or
- a lack of timely actions by local displacing offices.

Relocation payments generally were computed according to OMB guidelines; however, because more than one method was permitted and the same method was not used by local displacing offices in a given area, displacees with similar housing needs did not receive similar payments. For example, the agencies differed in determining:

- Differential housing payments for homeowners. Local displacing offices in the same area used different methods to establish the reasonable cost of a replacement house comparable to the one being acquired by the Government.

VARIOUS DEPARTMENTS AND AGENCIES

(Office of Management and Budget, Corps of Engineers, Department of Housing and Urban Development, and Department of Transportation)

- Differential rental payments. Local displacing offices differed in how much, if any, of a displaced person's income should be considered in computing the payment and whether the payment should be based on actual rent paid for the replacement house or the rental amount for comparable replacement housing.
- Downpayments. Some local displacing offices limited payments to the amount needed for a conventional loan on a comparable house while other offices paid the amount needed for a conventional loan on the house purchased.

OMB generally concurred with GAO's findings and conclusions and said the agencies agreed, in principle, with the major differences reported and were developing detailed instructions to correct them. In addition, OMB said that the interagency task force responsible for resolving agencies' legal and procedural differences was making excellent progress in identifying and resolving differences.

After this report was issued, OMB's relocation responsibilities were transferred to GSA. (B-148044, June 7, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

(Office of Management and Budget and
General Services Administration)

Revisions needed in financial
management policies of the Federal
Government's Automatic Data Processing Fund

GAO examined the management policies of the Automatic Data Processing (ADP) Fund's equipment lease program to determine whether the fund is being administered as intended by the law and is effectively assisting in achieving economies in acquiring ADP equipment.

The Fund is an important tool for acquiring the Government's ADP equipment economically and leasing it to agencies. However, certain Fund policies should be revised to comply with the intent of Public Law 89-306 and with the accounting principles prescribed by the Comptroller General for use by Federal agencies.

Equipment purchased by the Fund for \$19.1 million, as of March 31, 1972, will enable the Government to avoid commercial rent payments of \$38.7 million. The equipment which the Fund purchased for \$19.1 million was capitalized at \$22.7 million.

GAO believes that:

- Augmenting the Fund with the \$3.6 million attributable to the capitalization of purchased equipment in excess of costs is not in accordance with a provision that Fund capital be composed of appropriations and the value of equipment transferred to the Fund.
- Revaluing purchased equipment at amounts greater than cost is contrary to the accounting principles prescribed for use by Federal agencies.
- Since the amounts capitalized are recovered through lease charges, the capitalization policies for purchased equipment have resulted in charges to users that are contrary to a requirement of Public Law 89-306 that charges approximate the cost met by the Fund.

Agencies have also been required to pay an additional 10 percent of the equipment's capitalized value to provide for anticipated losses due to the early termination of equipment leases. The effect of this charge and its accounting treatment has been to recognize losses before they are incurred and to unnecessarily increase user charges.

GAO suggested that OMB and GSA revise the Fund's equipment capitalization policies to insure compliance with Public Law 89-306 and improve the Fund's image by revising, to the extent practicable, those policies which are objectionable to the agencies.

OMB and GSA were receptive to most of GAO's suggestions, but neither OMB nor GSA favored elimination of the 10 percent charge for anticipated

VARIOUS DEPARTMENTS AND AGENCIES

(Office of Management and Budget and
General Services Administration)

losses due to early lease terminations. However, OMB and GSA have reduced the charge from 10 percent to 3 percent and are considering alternative accounting approaches for recovery of such losses. (B-115369, Apr. 17, 1973.)