

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

GAO's Second Biennial Report On The Transfers Of Federal Personal Property To Grantees And Other Eligible Organizations

Public Law 94-519, which became effective in 1977, established, under the direction of the General Services Administration, a single system intended to efficiently and equitably distribute the Federal Government's excess and surplus personal property to eligible non-Federal organizations. Property is "excess" when it is not needed by the possessing Federal agency but may be needed by another Federal agency. Excess property becomes "surplus" if it is not needed by any Federal agency.

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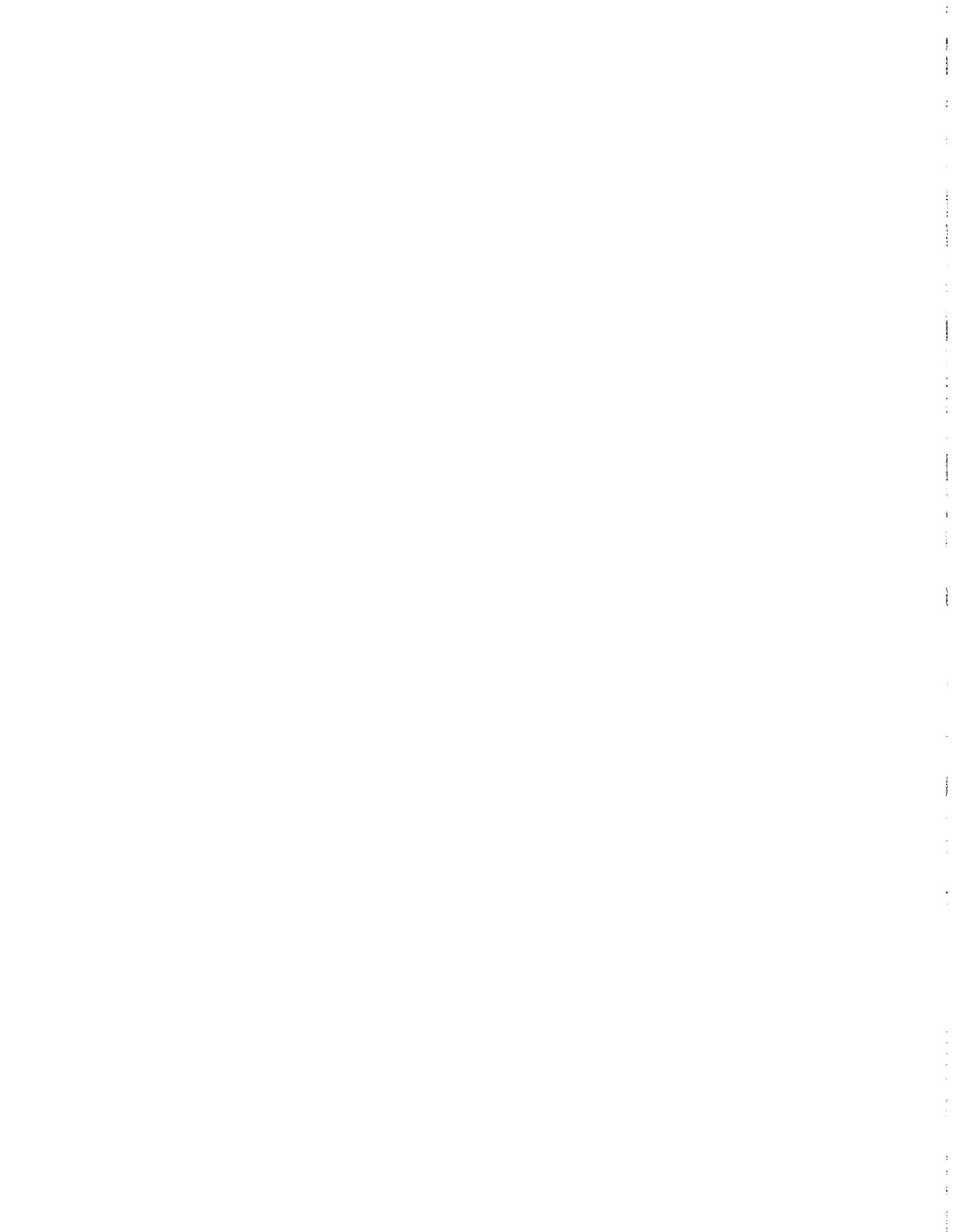
- reducing the volume of transfers to non-Federal organizations of excess property that might be needed within the Federal Government and
- encouraging the fair and equitable donation of increased amounts of surplus property to meet the needs of a wider range of eligible non-Federal organizations.

GAO has found that the act is accomplishing these objectives, but makes several recommendations to GSA on ways to further improve its program administration.



GAO/PLRD-83-66
JULY 13, 1983

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-198682

To the President of the Senate and the
Speaker of the House of Representatives

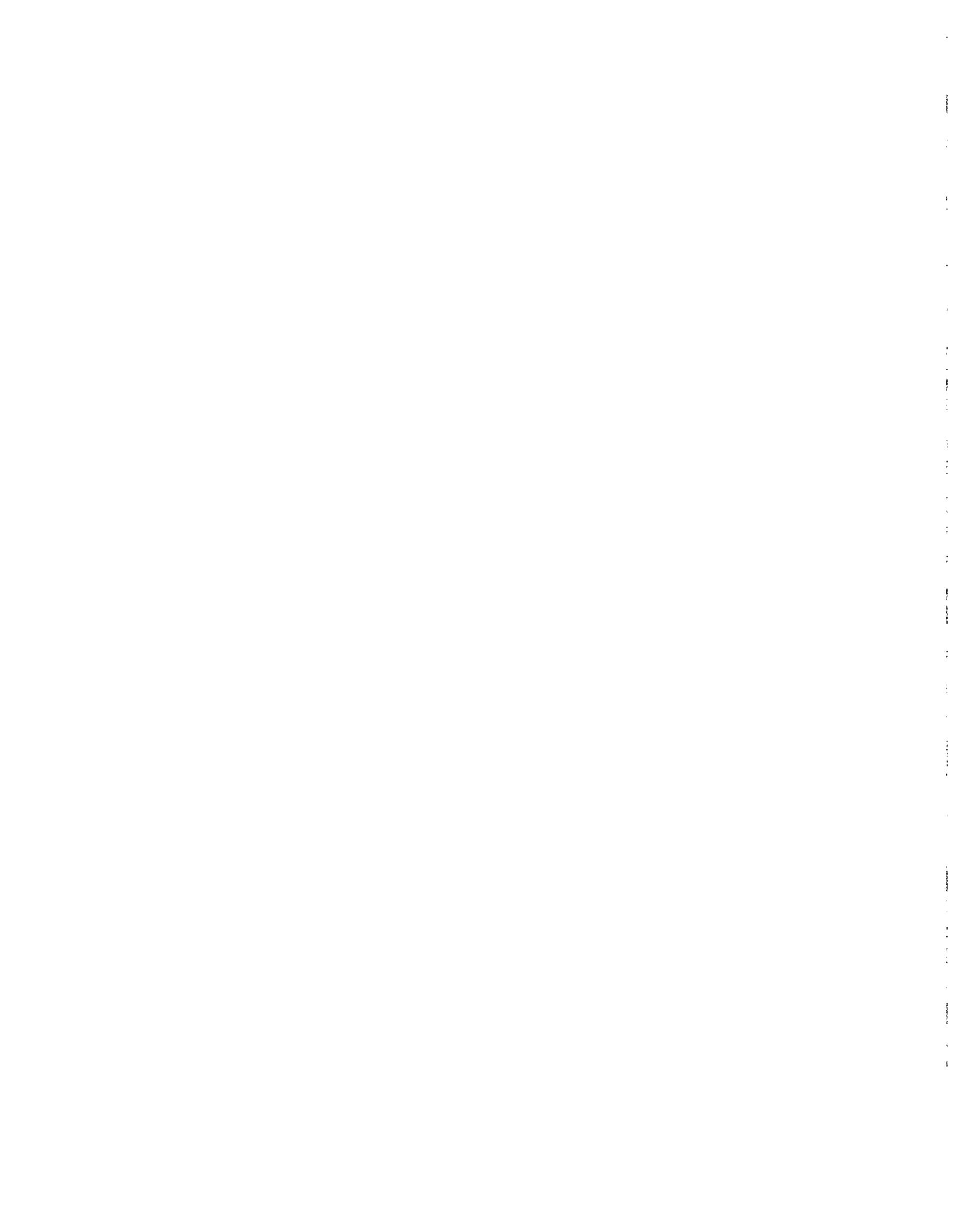
This report discusses the impact of Public Law 94-519 during its second 2-year period of operation. The act, which became effective on October 17, 1977, significantly altered the Government's policies and procedures on the transfer of excess and surplus Federal personal property to non-Federal organizations.

This review is the second in a series of biennial reports required by section 10 of Public Law 94-519 (40 U.S.C. 493).

We are sending copies of this report to the Director, Office of Management and Budget, and the Federal agencies and the State Agencies for Surplus Property mentioned in the report.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States



D I G E S T

Public Law 94-519, which became effective in 1977, established, under the direction of the General Services Administration (GSA), a single system intended to efficiently and equitably distribute the Federal Government's excess and surplus personal property to eligible non-Federal organizations. Property is "excess" when it is not needed by the possessing Federal agency but may be needed by another Federal agency. Excess property becomes "surplus" if it is not needed by any Federal agency. (See p. 1.)

The act has several objectives, including

- reducing the volume of transfers to non-Federal organizations of excess property that might be needed within the Federal Government and
- encouraging the fair and equitable donation of increased amounts of surplus property to meet the needs of a wider range of eligible non-Federal organizations. (See pp. 1 and 14.)

The act also requires the Administrator of General Services and the Comptroller General to submit to the Congress biennial reports covering a full and independent evaluation of the implementation and impact of the act. GAO issued its first biennial report on September 30, 1980. ^{1/} This is GAO's second report. (See p. 2.)

TRANSFERS OF EXCESS PROPERTY

Prior to enactment of Public Law 94-519, substantial amounts of excess property, which might have been needed by Federal agencies, were being transferred to non-Federal organizations that were eligible to receive such property under section 514 of the Public Works and Economic Development Act of 1965 or as Federal grantees. Public Law 94-519.

^{1/}"Transfers of Excess and Surplus Federal Personal Property--Impact of Public Law 94-519" (LCD-80-101).

repealed section 514 and imposed a requirement that Federal grantor agencies pay to the Treasury 25 percent of the original acquisition cost of excess property transferred to their grantees. (See pp. 1 and 5.)

The Congress did not intend to prohibit these non-Federal organizations from receiving property, instead, it believed it would be more equitable if they received surplus property under the Donation Program through the State Agencies for Surplus Property. To accomplish this, the act expanded the Donation Program to include these former excess property recipients as eligible donees and authorized many new purposes, including economic development, for which donated property could be used. Through the Donation Program, the State Agencies for Surplus Property receive at no cost surplus property from GSA for donation to eligible non-Federal recipients. (See p. 16.)

Public Law 94-519 is generally having the effects intended by the Congress. During the second 2-year period of the act's operation (fiscal years 1980 and 1981), the amount of excess property transferred to non-Federal organizations continued to decline. Also, even though the total amount of excess property available has decreased significantly, Federal agencies are receiving a higher proportion of the total property transferred than before the act's implementation. (See pp. 5, 6 and 7.)

Furthermore, GSA and Federal grantor agencies have generally implemented the recommendations in GAO's first report to assure that the transfers of excess property to grantees comply with the act and implementing regulations. GSA has strengthened procedures to prevent improper transfers to grantees whose eligibility has expired or soon would expire and to prevent unauthorized non-reimbursable transfers. Further, Federal grantor agencies have taken action to prevent transfers of excessive amounts of property to individual grantees and to assure that grantees use the property for the purposes of their grants. (See p. 11.)

The act requires Federal agencies to submit to GSA annual reports showing information on all personal property furnished to non-Federal organizations. GSA is required to submit to the Congress a summary of these reports. GSA has proposed that the Congress eliminate this reporting requirement on the basis that it generally duplicates information that can be provided to the Congress from GSA's management information system. However, GAO found in this review that the GSA system does not provide accurate and reliable information on excess property transferred. GSA is aware of this problem and has contracted for the design of a new system. Until the new system has been proven to provide complete and accurate data, GAO believes that GSA should continue preparing the report on all Federal personal property furnished to non-Federal organizations. (See p. 10.)

DONATION OF SURPLUS PROPERTY

Because the amount of excess property flowing to grantees and other non-Federal organizations has decreased significantly, a larger percentage of the total amount of excess property eventually becomes surplus property and flows to a wider range of eligible donees. Therefore, to the extent surplus property is available for transfer to non-Federal organizations, the Congress' desire to have it flow through the Donation Program is being achieved. (See p. 14.)

GSA has taken action to address the recommendations in GAO's first report regarding the Donation Program. However, on the basis of this review of the surplus property programs of four States--Arizona, California, Michigan, and Ohio--GAO believes that, in some instances, continued emphasis and/or action is required.

GAO recommended in its first report that GSA require all States to comply with the provisions of Public Law 94-519, especially those pertaining to (1) submission of permanent State plans of operation, (2) accomplishment of biennial external audits, which include reviews of the State Agencies for Surplus Property's compliance with the State plans of operation and applicable sections of the Federal Property Management Regulations, (3) establishment of equitable service charges for property donated to eligible donees, (4) proper accountability by the State Agencies

for Federal property, and (5) proper use of donated property by donees. (See pp. 18 and 19.)

Submission of permanent State plans of operation

During its second review, GAO found that GSA has set a specific deadline by which all States are required to submit permanent State plans of operation. This is an important step toward bringing about submission of the required plans; however, at the completion of GAO's second review, only five States had submitted acceptable plans. GSA, in commenting on the draft report in March 1983, stated that three more States have submitted permanent plans, bringing the total to eight States. (See pp. 22 and 32.)

Accomplishment of biennial external audits

GAO's second review showed that external audits had been performed at 9 of the 11 State Agencies under the jurisdiction of the 2 GSA regional offices GAO visited and audits at the other 2 State Agencies were in process. During GAO's first review, only 6 of 25 State Agencies reviewed had received acceptable external audits. State Agencies should have received their second external audits by the time of GAO's second review. However, only 2 of the 11 State Agencies in the GSA regions reviewed had received their second audits. GAO believes this is an area that needs continued emphasis by GSA to assure that each State Agency is audited at regular, 2-year intervals. (See pp. 22, 23, and 24.)

Establishment of equitable service charges

Public Law 94-519 allows State Agencies to collect service charges on donated property. These charges are required to be fair and equitable, cover direct and reasonable indirect costs of the State Agency, and be based on services performed by the State Agency. In its first review, GAO noted instances where State Agencies were charging donees inconsistent and possibly excessive service charges for donated property. During its second review, GAO did not note any specific instances of improper service charges at the four State Agencies visited. GAO did note that GSA had approved a general increase in the service charges for the California State Agency even

though an audit of that State Agency had indicated that the increase may not have been justified. GAO believes GSA should reevaluate the need for the increase. (See p. 29.)

Accountability for Federal property

During its first review, GAO found deficiencies at 7 of the 10 State Agencies visited regarding the adequacy with which property is controlled and accounted for between the time it is obtained from the Federal Government and donated to eligible donees. In its second review, GAO found that three of the four State Agencies visited did not have adequate inventory management and records systems. GAO believes GSA needs to further emphasize to the State Agencies the importance of adequate property control and accountability procedures for Federal property in their possession. (See pp. 25, 26, and 27.)

Proper use of donated property by donees

In its first review, GAO noted many instances in 4 of the 10 States visited where property acquired by donees through the Donation Program either had not been used or had been used for purposes which did not conform to the requirements of Federal regulations. For all 10 States, GAO found that 103, or 42 percent, of 245 items donated at least 1 year before its visits had not been used or had been used improperly. During its second review, GAO found 12, or less than 10 percent, of 123 items donated at least 1 year before its visits had not been used or had been used improperly. However, two of the four State Agencies visited were not performing the number and type of inspections required by their plans of operation to assure that donees in their States were properly using donated property. And, one of the four State Agencies audited had taken Federal surplus property for its own use without requesting GSA advance authorization and was not accounting for this property as required. Because of these problems, GAO believes that proper utilization of property remains a matter that needs the attention of GSA and the State Agencies for Surplus Property. (See pp. 27, 28, and 29.)

RECOMMENDATIONS

GAO is recommending that the Administrator of General Services:

- Continue the requirement for Federal agencies to submit annual reports on all personal property furnished to non-Federal organizations until GSA's new management information system has been proven to provide complete and accurate data.
- Continue emphasizing to the State Agencies that participation in the Donation Program is dependent on their compliance with the act's requirements for submitting permanent State plans of operation, having external audits performed, and establishing adequate accountability systems. If the States do not submit permanent plans of operation by the June 30, 1984, deadline administratively established by GSA, GAO recommends that the Administrator advise the appropriate congressional committees of the actions that will be taken in cases of noncompliance.
- Resolve the inconsistency between the California State Agency's financial records and the financial matters contained in the audit report of the California Department of Finance and determine if the increase in service charges granted was appropriate. (See chs. 2 and 3.)

AGENCY COMMENTS

GSA concurred with GAO's findings and proposals. Responding to GAO's draft, GSA cited efforts to emphasize submission of permanent State plans of operation; therefore, GAO has revised its initial proposal to recommend that the Administrator report to the appropriate congressional committees on the actions that will be taken in cases of noncompliance.

Three of the four State Agencies visited provided comments on GAO's report. They cited a number of corrective actions that have been taken since completion of GAO's fieldwork.

These comments, together with GAO's evaluation, are summarized at the end of each chapter. The complete comments are included as appendixes.

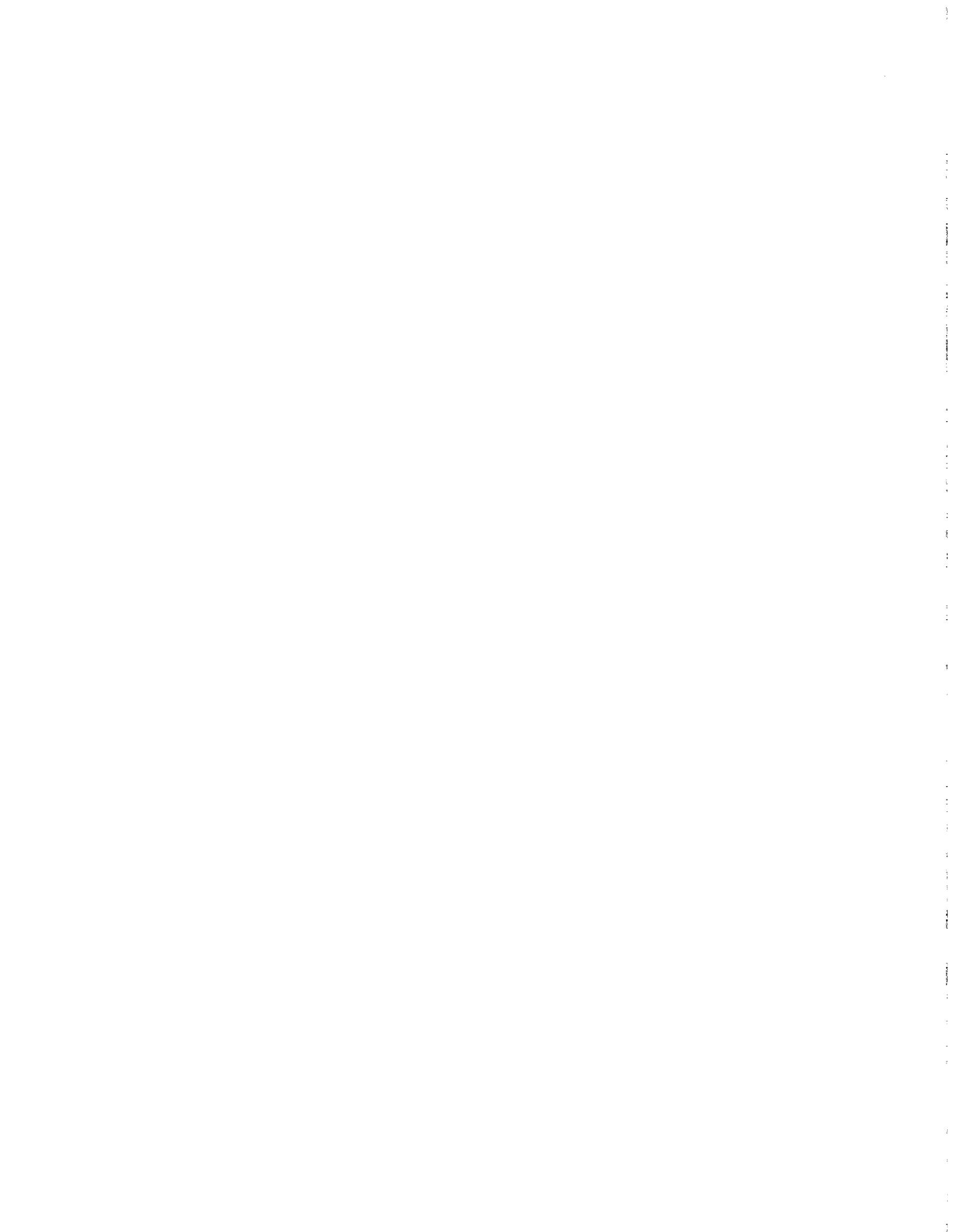
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ABBREVIATIONS

AID	Agency for International Development, United States International Development Agency
DOD	Department of Defense
FPMR	Federal Property Management Regulations
FPRS	Federal Property Resources Service
FPRS-1	Excess/Surplus Personal Property Disposal System used by the Office of Personal Property, Federal Property Resources Service (now apart of the Office of Personal Property) to maintain data on all transfers of excess personal property, except ADP equipment, among Federal agencies and authorized recipients as well as information on allocation and donation of surplus property to the State Agencies for Surplus Property and local agencies and other eligible donees.
GAO	General Accounting Office
GSA	General Services Administration
SF	Standard Form



CHAPTER 1

INTRODUCTION

During the course of operations, Federal agencies generate millions of dollars worth of personal property that they do not need. This property is declared excess if it is not needed by the Federal agency that controls it. If the property is subsequently found to be unneeded by all Federal agencies, it is declared surplus. Personal property, as used herein, refers to property of any kind, except real property, Federal Government records, and certain naval vessels.

Before enactment of Public Law 94-519, the Congress had expressed concern that Federal agencies were transferring significant amounts of excess personal property to non-Federal organizations when much of this property might have been needed by other Federal agencies for their own use. Also, there were indications that much of this property was not being used properly by non-Federal organizations.

To alleviate this situation, the Congress enacted Public Law 94-519. This act, approved October 17, 1976, and implemented 1 year later, amended portions of the Federal Property and Administrative Services Act of 1949, resulting in significant changes in the Government's policies and procedures regarding the transfer of Federal excess and surplus personal property.

First, the act repealed section 514 of the Public Works and Economic Development Act of 1965 (the section 514 program), under which large amounts of excess property were being transferred to non-Federal organizations for economic development purposes. These organizations included States and their political subdivisions, Indian tribes, tax-supported or nonprofit hospitals or institutions of higher education, and other tax-supported organizations. Second, it imposed various restrictions on the transfer of excess property to non-Federal organizations holding grants from Federal agencies.

One of the more significant restrictions the act imposed on transfers to grantees was the requirement that Federal agencies pay to the Treasury 25 percent of the acquisition cost of excess property transferred to their eligible grantees. However, the act granted four exemptions to this requirement and allowed the transfers of excess property without payment of the 25 percent if the property was furnished

--under section 608 of the Foreign Assistance Act of 1961, as amended, and was a grant to a foreign country where the property to be furnished has been determined by the Administrator of General Services not to be needed for donation purposes;

- under section 11(e) of the National Science Foundation Act of 1950, as amended, and was scientific equipment;
- under section 203 of the Department of Agriculture Organic Act of 1944 for the Cooperative Forest Fire Control Program where title to the property was retained by the Federal Government; or
- to Indian tribes, as defined in section 3(c) of the Indian Financing Act, holding Federal grants.

The Agriculture and Food Act of 1981 (Public Law 97-98, approved December 22, 1981) amended section 202(d)(2) of the Federal Property and Administrative Services Act of 1949 by adding a fifth exemption to the requirement that Federal agencies pay to the Treasury 25 percent of the acquisition cost of excess property transferred to their eligible grantees. Section 1443 of this act allows the Secretary of Agriculture to furnish excess property to any State or county extension service engaged in cooperative agricultural extension work; however, title to this property is retained by the Federal Government.

Public Law 94-519 requires the General Services Administration (GSA) and GAO to submit to the Congress biennial reports covering

- a full and independent evaluation of the operation of the act,
- the extent to which the objectives of the act have been fulfilled,
- how the needs of non-Federal organizations served by prior Federal personal property distribution programs have been met,
- an assessment of the degree to which the distribution of surplus property has met the relative needs of the various public agencies and other eligible institutions, and
- such recommendations as the Administrator of General Services and the Comptroller General determine to be necessary or desirable.

Our first report ^{1/} on the impact and implementation of the act was submitted to the Congress on September 30, 1980. In

^{1/}"Transfers of Excess and Surplus Federal Personal Property--Impact of Public Law 94-519" (LCD-80-101).

that report we made a number of recommendations designed to insure that transferred property is managed and used as envisioned by the act. These recommendations were restated during the July 29, 1981, hearings before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations.

In addition to our general reporting requirement, in a June 4, 1982, letter, the former Chairman of the Subcommittee on Government Activities and Transportation, House Committee on Government Operations, asked us to include in our report information on the nature and effect of two recent changes made by GSA in the organizational elements that manage GSA's programs for utilization of excess, and donation of surplus, personal property.

OBJECTIVES, SCOPE, AND METHODOLOGY

This review evaluated the impact of the act on programs involved in the transfer of excess and the donation of surplus personal property during the second 2-year period of the act's operation. In addition, we verified whether actions promised in response to our first report had been implemented. We focused on areas where we noted the need for improvement in the past and the impact and effectiveness of any new policies and procedures that had been initiated since our last review. However, we also performed sufficient audit checks of other areas to detect problems that did not exist during our first review. We performed our review in accordance with generally accepted government audit standards.

This review included work at the central office and two regional offices of GSA and the headquarters of 11 executive branch agencies that are or were involved in transferring excess property to non-Federal organizations. In addition, we reviewed selected operations of four State Agencies for Surplus Property through which Federal surplus property is donated to eligible recipients. We examined the use made of excess and surplus Federal personal property received by numerous grantee and donee organizations and held discussions with officials of these organizations. We selected for review those Federal agencies which had or have a program which transfers excess personal property to non-Federal organizations. To select the State Agencies we used the following criteria (1) the total amount of personal property received by the State Agency from GSA under the Donation Program and (2) the State Agency had not been reviewed during our first biennial review. A more detailed listing of the organizations included in our review is shown in appendix VII.

Generally, we reviewed and evaluated the methods and techniques GSA uses to implement and administer the act. This included an analysis of the Federal Property Management Regulation (FPMR) promulgated under the act and revisions made to GSA's implementing procedures. We also reviewed various GSA Inspector General reports on the operation and management of the State Agencies for Surplus Property. At the other Federal agencies, we (1) gathered information and statistical data from officials on

their programs which transfer excess property to grantees or other non-Federal organizations in order to measure the act's impact on these transfers, (2) evaluated their compliance with certain requirements stemming from the act, and (3) followed up on actions promised in response to our first review to determine if these actions were implemented and are still being followed.

Our work at the State Agencies for Surplus Property included evaluating selected aspects of their compliance with the act's implementing regulations and adequacy of their operations as well as their management and administration of the Donation Program within their States. At the donee and other property recipient locations, we physically checked the property to determine if it was being used for the purpose for which it was obtained and if not, ascertained the reasons.

Because of the numbers of organizations involved and the amounts of property transferred to donees and other non-Federal organizations, we were not able to perform detailed, indepth analyses at all the activities we visited. In addition, because each State Agency is relatively autonomous, our findings at the four agencies we visited may not be typical of all such State Agencies.

Our fieldwork was performed during the period August 1981 through January 1982. To respond to the June 4, 1982, request from the former Chairman of the Subcommittee on Government Activities and Transportation, House Committee on Government Operations, additional Washington headquarters work was performed during the period June through August 1982.

CHAPTER 2

THE ACT CONTINUES TO AFFECT EXCESS

PROPERTY TRANSFERS AS INTENDED BY THE CONGRESS

Public Law 94-519 continues to have the effect intended by the Congress on the various Government programs under which Federal excess personal property is transferred to Federal and non-Federal organizations. During the second 2-year period of the act's operation (fiscal years 1980 and 1981), the amount of excess property transferred to non-Federal organizations continued to decline. As a result, a greater proportion of such property was being transferred for use within the Federal Government than before the act was implemented. The amounts of excess property Federal agencies acquired for their own use during fiscal years 1980 and 1981 showed a substantial decrease from fiscal year 1979; however, this decrease was attributable to other causes, not to Public Law 94-519.

The act is generally being implemented effectively by the Federal agencies. GSA and other involved Federal agencies have, for the most part, initiated and are pursuing actions to implement the recommendations contained in our 1980 report.

During the second review, we found major discrepancies between the reports generated by GSA's automated management information system (FPRS-1 system) and the manual records accumulated by GSA regional offices on the amount of excess property transferred to non-Federal organizations--differences of \$5.6 million and \$4.4 million in fiscal years 1980 and 1981, respectively. Because GSA lacks an effective automated management information system, there is not an adequate trail to determine if Federal agencies are reimbursing the Department of the Treasury when required for property transferred to grantees.

CONTINUED DECREASE IN EXCESS PROPERTY TRANSFERRED TO NON-FEDERAL ORGANIZATIONS

Before the act's implementation, the volume of excess personal property being transferred to non-Federal organizations, as grantees of Federal agencies or as eligible recipients under the section 514 program, had grown substantially. As discussed previously, Public Law 94-519 terminated the section 514 program and imposed various restrictions on the transfer of excess Federal property to grantees. The full impact of these restrictions is best shown in the following table.

Type of recipient	Personal Property Transferred to non-Federal Organizations						
	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981
	------(millions)-----						
Grantees	(a)	\$111.7	\$ 97.0	b/\$ 69.0	c/\$ 52.2	\$ 47.5	\$ 42.7
Section 514	\$13.6	131.4	273.8	28.3	-	-	-
Total	(a)	<u>\$243.1</u>	<u>\$370.8</u>	<u>\$ 97.3</u>	<u>\$ 52.2</u>	<u>\$ 47.5</u>	<u>\$ 42.7</u>

a/Data not available from GSA.

b/Data not available from GSA. This figure is a partial total comprised of amounts provided by Federal agencies included in our first review.

c/Data from GSA's computerized system was incomplete. This figure was computed from manual records.

A breakdown showing the amount of personal property each Federal agency transferred to its grantees between fiscal years 1976 and 1981 is shown in appendix I.

As shown in the above table, during fiscal years 1980 and 1981 the amount of personal property transferred to non-Federal organizations continued the decline we had observed during the first 2 years the act was in force. In fiscal year 1980, the amount dipped to \$47.5 million--a drop of about \$5 million from the preceding year. In fiscal year 1981 the total transferred to non-Federal organizations dropped even further to \$42.7 million; and when considering that such transfers exceeded \$370 million in fiscal year 1977, the full impact of Public Law 94-519 is quite obvious.

SHARP DECLINE IN TRANSFERS TO FEDERAL AGENCIES

In fiscal years 1978 and 1979--after the implementation of Public Law 94-519--the total amount of property acquired by Federal agencies had not increased over the prior 2 years, but the percentages of total property transferred to Federal agencies for their own use had grown because much less property had been transferred to non-Federal organizations. During fiscal years 1980 and 1981, there was a sharp decrease in the amount of excess property Federal agencies acquired for their own use; however, the percentage of such property obtained by these agencies remained high. A breakdown of excess property transferred at acquisition cost between fiscal years 1976 and 1981 follows.

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	Excess property transferred					
	Federal agencies (note a)		Non-Federal agencies (note b)		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
	(millions)		(millions)		(millions)	
FY 1976	\$881.0	78.4	\$243.1	21.6	\$1,124.1	100
FY 1977	714.8	65.8	370.8	34.2	1,085.6	100
FY 1978	778.6	88.9	97.3	11.1	875.9	100
FY 1979	735.6	93.0	52.2	7.0	787.8	100
FY 1980	422.1	89.9	47.5	10.1	469.6	100
FY 1981	458.2	91.5	42.7	8.5	500.9	100

a/Property transferred to Federal agencies for their own use.

b/Including grantees, section 514 recipients, and recipients of property under the Cooperative Forest Fire Control Program. The Cooperative Forest Fire Control Program recipients are technically not grantees, but are included in Public Law 94-519 as exemptions to the general conditions on transfer of excess property to Federal grantees.

GSA officials attributed the decrease in the amount of excess property acquired by Federal agencies and their grantees to various reasons, including

- an overall decrease in the amount of available excess property;
- an increase in transportation costs; and
- a reassignment of some personnel, normally involved in transfers of excess property, to the former Federal Supply Service to assist in administering GSA's moratorium on procurement of new furniture by Federal agencies.

DISCREPANCIES IN RECORDS OF
EXCESS PROPERTY TRANSFERRED

We found major discrepancies between the reports generated by the FPRS-1 Excess/Surplus Personal Property Disposal System and the manual records accumulated and reported monthly to the central office by the regional offices on the amount of excess property transferred to non-Federal organizations as well as the amount of payment to the Treasury required on these excess transfers. For example, in fiscal year 1980 the FPRS-1 system showed transfers of excess property to non-exempt grantees with an acquisition cost of \$5,581,728 more than that contained in the manual records. This resulted in a difference of \$1,395,432 in the amount of the 25 percent reimbursement required on these excess transfers.

Because of the discrepancies between the computer generated data and the manually maintained records, the GSA central office issued a memorandum to all regional offices on December 10, 1980, requesting that the fiscal year 1980 excess transfer documents be reviewed and the discrepancies between the computer generated reports and the manually maintained records be reconciled or justified. In response, the regional offices stated that most of the discrepancies in the computer generated reports were input coding errors; that is, excess transfers should have been coded to indicate transfer of property to a bureau within the agency, not to a grantee. Also, some discrepancies were due to errors in the manual records, which were reported to the central office. A GSA official informed us that the time and labor required to reconcile these differences would have been prohibitive. Therefore, after the regions had corrected the errors in the manual records, the central office decided to disregard the computer generated statistics for fiscal year 1980 and use the revised manual data submitted by the regions.

The problem persisted in fiscal year 1981. The FPRS-1 system showed transfers of excess property to non-exempt grantees with an acquisition cost of \$4,393,267 more than that

contained in the manual records. This resulted in a difference of \$1,098,317 in the amount of the 25 percent reimbursement required on these transfers. The GSA central office, in a January 27, 1982, memorandum to all regional offices, requested that a review of the fiscal year 1981 excess transfer documents be made and asked that the discrepancies between the computer generated reports and the manual records be reconciled or justified. Again, the regional offices stated that input coding errors as well as incorrect manual records caused the discrepancies. The central office decided again to disregard the computer generated statistics and use the revised manual data.

Consequently, GSA maintains two sets of records both of which are inaccurate and unreconcilable. Therefore, GSA, the approving agency for excess property transfers, cannot determine with certainty the amount of excess property transferred to non-Federal organizations and subject to the 25 percent reimbursement.

Another problem with the FPRS-1 computer system is that the computer cannot record transfers to non-Federal organizations that are exempt from the 25 percent reimbursement requirement. According to records submitted by the Bureau of Indian Affairs, in fiscal year 1980 the Bureau did not furnish any excess property to federally recognized Indian tribes; however, in fiscal year 1981 it furnished about \$871,000 worth of property. We attempted to determine from the FPRS-1 statistical records the amount of excess property the Bureau of Indian Affairs furnished to federally recognized Indian tribes. The FPRS-1 system's RCS 47 report ^{1/} showed that during fiscal years 1980 and 1981, \$10.921 million and \$10.917 million of excess property, respectively, was transferred to the Bureau of Indian Affairs under the Bureau's identifying code of 1409. When asked, a GSA official informed us that the FPRS-1 computer system could not identify how much of this excess property was furnished to federally recognized Indian tribes because the FPRS-1 computer system is not designed to break down such transfers. However, this information is reported to GSA in the Department of the Interior's annual report of personal property furnished to non-Federal organizations--a report GSA wants to eliminate.

We believe that this information could be captured by the FPRS-1 system or a redesigned system if the Bureau of Indian Affairs code was expanded to differentiate between excess property the Bureau obtained for its own use and property the Bureau furnished to federally recognized Indian tribes.

^{1/}This is a quarterly report entitled "Excess Personal Property Reported and Transfers Nationwide by Federal Supply Group and Agency."

These problems highlight the reason for not eliminating, as GSA has proposed, the annual report of excess property furnished to non-Federal organizations presently required by the act. GSA has recommended that the Congress amend section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended, which requires all executive agencies to submit to GSA annual reports showing information on all personal property furnished in the United States to non-Federal organizations during the fiscal year. This section also requires GSA to submit to the Congress a summary and an analysis of these reports. GSA has stated that the reports provide little data that is not otherwise available from excess property transfer orders or other GSA statistical reports and that most of the property furnished comes from excess sources. However, we believe since the statistical data for excess property transfers maintained by the FPRS-1 Excess/Surplus Personal Property Disposal System is not reliable and the statistics on excess property furnished to non-Federal organizations could not be reconciled with manual records for the past two fiscal years that the annual reporting requirement should be retained as an alternate source of statistical information. We also believe the information on all other property transferred is of value because it provides the Congress with otherwise unavailable information on Government assets that have been transferred to non-Government users.

Since GSA recently entered into a contract to design a new computer system to provide required data, we are not recommending actions to correct the FPRS-1 system. However, we expect that the design of the FPRS-1 successor system will correct the problems we have previously mentioned; that is, erroneous input coding and identification of excess personal property transferred to organizations exempt from the 25 percent reimbursement. During subsequent audit work, we will analyze the successor system to determine how well it is servicing the statistical information requirements and needs of management.

AGENCIES EFFECTIVELY MANAGING TRANSFER PROGRAMS AND PURSUING CORRECTIVE ACTIONS

As previously indicated, the magnitude of excess transfer programs has generally declined since the act was implemented. The amount of excess property transferred to non-Federal organizations was \$97.3 million during fiscal year 1978, but declined to \$42.7 million during fiscal year 1981. However, these programs still involve substantial amounts of property and their effective management is an important concern.

We, therefore, made a limited evaluation of selected aspects of the management of programs for the transfer of excess property to grantees or other non-Federal organizations at GSA and 11 other Federal agencies. We discussed the management and problems associated with the programs with agency officials and solicited their opinions and perceptions concerning the impact of Public Law 94-519 on their particular operations.

During our first biennial review, we found:

- The National Science Foundation was transferring to some grantees property costing more than the value of the grants without appropriate approval.
- GSA was approving transfers to Foundation grantees of common-use property without requiring that the Treasury be reimbursed 25 percent of the property's acquisition cost as required by the act.
- GSA and the Foundation were approving transfers of property to grantees whose grants were about to expire.
- Some Federal grantor agencies did not have effective surveillance programs to ensure that grantees were using excess property in accordance with their grant agreements.

In this review, we found that, for the most part, the act was being appropriately administered. To improve the Federal agencies' oversight of transfers to non-Federal organizations, the GSA central office issued two memorandums to the regional offices emphasizing the FPMR provisions regarding these transfers. The regional offices have tightened procedures by

- discontinuing transfers of any excess property that are not within the supply groups designated in the FPMR as scientific equipment to Foundation grantees unless each transfer order includes an appropriate Foundation certification and
- not approving requests for property received within 60 days of the grant termination date.

We also found that the various Federal agencies are pursuing actions to implement the recommendations contained in our 1980 report. These agencies have established procedures to monitor that the value of excess property requested does not exceed the value of the grant and that grantees are using the property on grant related projects. A synopsis of our findings with respect to each agency reviewed is included as appendix II.

CONCLUSIONS

Public Law 94-519 continues to have, during the second 2-year period of operation, an impact on the transfer of excess property to non-Federal organizations. Because less excess property was available--\$2.8 billion in fiscal year 1981 compared to \$3.9 billion in fiscal year 1978--the amount of

property Federal agencies have obtained for their own use and/or transferred to their grantees has declined. In fact, most of the agencies visited either were transferring much less property to their non-Federal organizations or had ceased all such transfers.

The FPRS-1 system does not provide GSA management with accurate and reliable data on excess property reported as transferred by Federal agencies to their grantees or other non-Federal organizations because the data for fiscal years 1980 and 1981 contained significant discrepancies. Consequently, GSA cannot accurately determine what is being transferred and, therefore, report to the Congress. GSA has contracted for the design of a new system to correct this problem; therefore, we are not making any recommendations regarding the current system.

GSA had previously recommended that the annual report of personal property furnished to non-Federal organizations be eliminated. GSA stated that this report provides little data that is not otherwise available from excess property transfer orders or other GSA statistical reports. However, in light of the problems and statistical discrepancies the FPRS-1 system has experienced in recording the transfers of excess property, we believe this report should be retained.

RECOMMENDATION

Accordingly, we recommend that the Administrator of General Services defer action regarding termination of the reporting requirement of section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended, until such time as the new computer system has been proven to produce complete and accurate data on transfers of excess property to non-Federal organizations.

AGENCY COMMENTS AND OUR EVALUATION

The Deputy Administrator of General Services provided us with GSA's comments on a draft of this report on March 3, 1983. A copy of these comments is included in appendix III.

GSA concurred with our recommendation that the Administrator defer action on its recommendation to terminate the section 202(e) reporting requirement. GSA stated it will continue the reporting requirement until it is satisfied that the computer systems are accurate. However, GSA also stated that it was in the process of correcting the computer systems and, therefore, planned to submit a legislative package to the Congress requesting deletion of the reporting requirement.

As stated in our recommendation, we believe GSA should continue the existing reporting requirement until its new computer system has been proven to be adequate. Therefore, we do not believe GSA should submit its legislative package to the Congress in anticipation of correcting the current computer system problems. Rather, we believe GSA should submit the package only after the new system has been in operation for sufficient time, at least 1 year, for its adequacy to be evaluated and proven.

CHAPTER 3

MANAGEMENT OF SURPLUS PROPERTY DONATION PROGRAM

GENERALLY EFFECTIVE, BUT CAN BE IMPROVED

One of the objectives of Public Law 94-519 was to expand and revitalize the surplus property Donation Program. As discussed in chapter 2, the act has continued to stem the flow of excess property to non-Federal organizations. As a result, excess personal property, which previously may have been transferred to those organizations, now becomes surplus and available for donation to eligible donees through the State Agencies for Surplus Property.

During the years immediately following implementation of the act--fiscal years 1978 and 1979--the volume of surplus personal property donated by the State Agencies increased significantly. However, in fiscal years 1980 and 1981 the amount of surplus property available decreased. This decrease was generally the result of the Government's efforts to reduce the Federal budget. For example, Federal agencies had to forego procurement of new furniture and equipment for an extended period. As a result, agencies retained more of their existing property. Consequently, less property was declared excess and subsequently became available for donation as surplus. Although less surplus property in terms of dollar value was available in fiscal year 1981, a larger percentage of the total property excessed by the Federal agencies was flowing to a wider range of eligible donees as surplus property than it did before the act's implementation.

GSA and the State Agencies for Surplus Property that were reviewed have taken actions to correct many of the weaknesses in the management of the Donation Program cited in our previous report. In some instances, the corrective actions appear to have been successful. However, some of the assurances the Congress sought are still not being achieved.

SURPLUS PROPERTY TRANSFERRED THROUGH THE DONATION PROGRAM HAS DECLINED

Before Public Law 94-519 was enacted, the volume of surplus personal property being transferred through the Donation Program had been declining steadily. This trend was reversed during fiscal year 1977, the year between enactment and implementation of the act. The amount of property approved for donation in fiscal years 1978 and 1979 increased substantially and exceeded the volume in 1974. However, the volume of personal property approved for donation declined significantly during fiscal years 1980 and 1981, as shown on the following page.

Volume of Surplus Property
Approved for Donation

<u>Fiscal year</u>	<u>Value of property</u> (millions)
1974	\$431.7
1975	395.9
1976	367.6
1977	392.0
1978	482.6
1979	452.9
1980	347.8
1981	325.5

GSA attributed the decline in donation approvals in fiscal years 1980 and 1981 to several factors, including increased transportation costs, severe adverse weather conditions in some areas of the country, and the care and handling surcharge levied on all Department of Defense (DOD) property that was donated between July 7, 1980, and December 15, 1980. Although the surcharge was in effect for slightly more than 5 months, ^{1/} GSA reported that the surcharge threatened to close down many State Agencies for Surplus Property.

Another contributing factor to the decline in donation approvals in fiscal years 1980 and 1981 was the moratoriums placed on Federal agency procurement of new furniture and equipment. GSA established a moratorium on the procurement of new furniture on October 9, 1979. This moratorium was superseded by an Office of Management and Budget (OMB) freeze on the purchase of new office furniture from February 27, 1980, to January 30, 1981. With the rescission of the February 27th freeze, OMB placed a moratorium on the procurement of certain types of equipment. As a result, Federal agencies were retaining the furniture and equipment they would normally have excessed after purchasing new property. Thus, the volume of excess property declined which, in turn, reduced the volume of surplus property available for donation.

GSA reported that the poor condition of the surplus property also contributed to the decline in Donation Program activity. Because the Federal agencies' procurements of new property had been reduced, agencies retained the property that was in the best condition. Presumably, the Federal agencies and eligible non-Federal organizations take the most desirable property at the excess level. Therefore, the condition of the

^{1/}A surcharge on surplus DOD property was required to be instituted by section 764 of Public Law 96-154, approved December 21, 1979, and was terminated on December 15, 1980, with approval of Public Law 96-527, the Department of Defense Appropriation Act, 1981.

property ultimately available for donation was poorer still. According to the State Agency directors we contacted during our review, they did not request more surplus property because of the poor condition of the property available.

The Congress intended that less property would be transferred by the Federal agencies to non-Federal organizations and more property would be available for donation through the State Agencies with the implementation of Public Law 94-519. However, this objective is not being realized because Federal agencies are retaining and using property that formerly would have been transferred or donated to non-Federal recipients. The percentage of property transferred to non-Federal organizations through the Donation Program has increased since the act's implementation in 1977, while the percentage of excess transfers to non-Federal organizations has decreased.

RANGE OF RECIPIENTS OF DONATED
PROPERTY BROADENED BY THE ACT

Before the act's implementation, Federal property could be donated only for the purposes of education, public health, and civil defense, or research related to these purposes. Organizations eligible to receive property donations were limited to tax-supported or nonprofit, tax-exempt medical or educational organizations, public libraries, and civil defense organizations established pursuant to State law.

The act considerably broadened the range of purposes and organizations eligible to receive donations. Donations cannot only be made to the formerly eligible recipients, but also to any public agency for use in carrying out, or promoting for the residents of a given political area, one or more public purposes. Eligible public agencies include any State and the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and American Samoa; State political subdivision (including any unit of local government or economic development district); State department, agency, or instrumentality (including an instrumentality created by an agreement between a State or a political subdivision); or Indian tribe, band, group, pueblo, or community located on a State reservation.

Donated property received by nonprofit, tax-exempt organizations must still be used only for educational or public health purposes, or related research.

The following schedule, which categorizes the total property donated through the State Agencies for Surplus Property in the past 4 fiscal years, indicates that a substantial amount of property continues to be donated to public agencies for the purposes expanded by the act.

Amounts of Property Donated by State Agencies for
Surplus Property for Purposes Specified in
Public Law 94-519

<u>Fiscal year</u>	<u>Educa- tion</u>	<u>Public health</u>	<u>Conser- vation</u>	<u>Economic develop- ment</u>	<u>Parks and rec- reation</u>	<u>Public safety</u>	<u>Two or more purposes</u>	<u>For other public purposes</u>	<u>Total (note a)</u>
----- (millions) -----									
1978	\$197.1	\$22.9	\$2.9	\$21.6	\$4.8	\$49.0	\$25.6	\$18.8	\$342.8
1979	216.0	21.4	3.8	46.3	6.1	45.2	37.6	11.3	387.8
1980	184.2	18.2	3.3	27.2	4.4	38.0	30.3	11.4	316.9
1981	144.9	16.1	7.7	22.4	3.4	31.4	26.8	11.3	263.9

a/Figures do not add due to rounding.

MANAGEMENT OF THE DONATION PROGRAM
BY GSA AND STATE AGENCIES

Public Law 94-519 was intended to create a full partnership between the States and the Federal Government to donate Federal surplus property to fulfill needs of eligible agencies and organizations within the States. As the Government's agent, GSA allocates the Federal surplus property among the States and monitors the donation of the property by the State Agency for Surplus Property, the State's agent. The Federal Government requires each State choosing to participate in the Donation Program to develop a plan of operation. The plan, in essence, provides a guarantee to the Federal Government that the State will donate property equitably according to Federal guidelines while assuring the State that it will continue to receive Federal property.

GSA's management and review of the Donation Program have generally been effective. Its biennial reviews of each State Agency for Surplus Property include an examination of service charges, external audits, inventory control procedures, physical security of the State Agency's facilities, and State Agency compliance with GSA regulations. However, GSA procedures for allocating property among the States may still not be adequate to ensure that each State will receive its fair share of Federal surplus property. Since our last review, GSA has implemented our recommendation to establish a deadline for the States to submit permanent plans of operation; however, this deadline needs to be emphasized. At the time of our review, only five State Agencies had submitted the permanent plans of operation required by the act. The remainder were still operating under temporary plans.

The management of the Donation Program by the State Agencies has generally been effective. State Agencies have apparently improved their management of the Donation Program since fewer and generally less serious deficiencies were noted during our second review than were found during the first review. However, the State Agencies visited still need to improve their inventory control procedures, compliance and utilization reviews, and plans of operation. Many of the State Agencies have suffered financially because of the decrease in Federal surplus property available for donation. Most, if not

all, of the problems we identified at the State Agencies were aggravated by the Agencies' reduced financial position. However, we believe the State Agencies can correct most of the deficiencies. These problems, along with a discussion of the improvements made in the management of the Donation Program by GSA and the State Agencies, are presented in the following sections.

GSA needs to review its
procedures for allocating
property among States

Under the act, GSA is charged with ensuring that surplus property transferred to the State Agencies for Surplus Property for donation to eligible donees is distributed fairly and equitably among the States, considering the condition of the property as well as the original acquisition cost. When quantities of highly desirable items are not sufficient to allocate to all requesting States, the available items are to be allocated on a rotating basis, to be determined from historical allocation registers maintained at GSA allocating regional offices--the National Capital, Atlanta, Fort Worth, and San Francisco. At the time of our last review, GSA's Handbook on Donation of Surplus Personal Property (PRM P 4025.1) required that the historical allocation records contain the types, quantities, acquisition costs, and condition of highly desirable property previously allocated to each State. In spite of this existing requirement, our previous review showed that at the two allocating regions we visited--Atlanta and Fort Worth--the historical registers did not contain the required information to assure equitable distribution.

In 1980 GSA revised the requirement. Although the allocating regions are still required to maintain the historical registers, the type of allocation data maintained is left to the discretion of each region. During our recent review, we visited only one allocating regional office--San Francisco. In spite of the 1980 change in the Donation Handbook, the San Francisco region's allocation registers contained all of the previously required data on past allocations. However, GSA central office officials said that they did not know whether the historical registers in the other three allocating regions contain the same information.

GSA officials believe that the use of the manual allocation registers has declined because the FPRS-1 Excess/Surplus Personal Property Disposal System has become an alternate source of historical allocation data. On the basis of information we obtained on the FPRS-1 system, which was discussed in chapter 2, we question the adequacy and reliability of the FPRS-1 system as an alternate source of allocation data.

The FPRS-1 system maintains data on all transfers of excess personal property, except ADP equipment, among Federal agencies and authorized recipients as well as information on allocations and donations of surplus property. GSA officials admitted that they were unsuccessful in correcting problems with the system. For example, on the computer-produced Historical Register by State and Type of Property Code report, a portion of the acquisition cost of the allocated property is printed in the GSA control number column, causing part of the control number to be lost. Thus, neither the complete acquisition cost nor the GSA control number can be identified on the report.

GSA officials contend that the acquisition cost of an item of property is not necessary in making an allocation decision. This may be true; however, the control number is essential to ensure the integrity of the computer data. For instance, it is the only means of distinguishing each allocation and identifying duplicate entries.

Allocating officials in the San Francisco regional office stated that they rely entirely on their manual allocation registers because the two-digit property codes used in the computer system reports do not adequately identify the items of property. Lastly, as discussed in chapter 2, GSA has had to rely on manual reports on occasion because of significant errors in the FPRS-1 data. At the time of our review, GSA had contracted for the design of a new computer system to replace the FPRS-1 system. However, until the new system is on line, we believe the historical allocation registers, such as those used by San Francisco, are the only reliable source of allocation data and should be used by allocating regional offices. As mentioned previously, GSA central office officials could not provide assurance that this was being done.

Few States have submitted
permanent plans of operation
required by the act

Public Law 94-519 requires each State that chooses to participate in the Donation Program to develop a permanent plan of operation. The purpose of the plan is to ensure that Federal surplus property is properly distributed and used by eligible recipients. Accordingly, in the plans of operation the States agreed to fulfill various minimum requirements. For example, the States were to assure that:

- The State Agencies for Surplus Property had adequate authority and capability to carry out their responsibilities.
- The State Agencies' procedures were adequate regarding property accountability, audits, donee use of property,

consultation with public and private groups, reasonableness of service charges, and fair and equitable distribution of property to donees.

The act specified that the State plans be developed in accordance with State law by the legislature, certified by the Governor, and submitted to GSA within 270 days of enactment of the act or by July 14, 1977. The Congress wanted the State legislatures to develop the plans to ensure broad public input to their development through the State legislators. If the States could not develop, approve, and submit permanent plans to GSA within 270 days, the act allowed the State Agencies for Surplus Property to operate and receive Federal property under temporary plans approved and submitted by the Governor. No final deadline was provided in the act for submitting the permanent plans and no penalty was prescribed for failing to submit them. Similarly, the FPMR issued by GSA to implement the act contained no deadline or penalty.

In our previous report, we recommended that GSA establish a deadline for the States to submit permanent, legislatively developed State plans of operation. On January 5, 1982, GSA issued a memorandum to all its regional offices and State Agencies for Surplus Property advising them that permanent State plans must be submitted for review and acceptance by the Administrator of General Services no later than June 30, 1984. Each regional office has been tasked with ensuring that the States within its jurisdiction proceed with the development of permanent plans. GSA has suggested that the States pursue one of two practicable methods to expedite completion of the required plans.

--If the State has enacted a Uniform Administrative Procedure Act, the State Agency for Surplus Property officials can request a written opinion from the State Attorney General stating that the temporary plan, which is currently the authority to operate the State Agency, is considered as having been promulgated and approved by the legislature as an act of the legislature.

--The State Agency for Surplus Property officials may seek to obtain a resolution passed by the legislature adopting the present plan as a permanent plan promulgated by the State legislature; a certified copy of this resolution should be submitted to GSA.

The memorandum further states that if neither of these alternatives is acceptable, the State legislature will have to develop a new permanent plan in accordance with the procedures in section 203(j)(4) of the Federal Property and Administrative Services Act of 1949, as amended.

At the time of our review, only five State Agencies were operating under permanent plans. The remaining 49 State Agencies, including the District of Columbia, Guam, Puerto Rico, and the Virgin Islands, were operating under temporary plans. GSA informed us in its comments on a draft of this report that three additional State Agencies are operating under permanent plans. Many of the State Agencies for Surplus Property operating under temporary plans do not favor permanent, legislatively developed plans because they believe the permanent plans will be more difficult to amend. Currently, most of the temporary plans can be amended if the Governor of the State approves the change. However, amendments to the permanent plans in most States require approval of the State legislatures. Because most of the State legislatures meet infrequently, State Agency officials are concerned that it may take a year or longer to amend the permanent plans. State Agency officials believe that a long delay in the approval of an amendment to increase service charges, for instance, will cause financial problems for many State Agencies for Surplus Property.

We do not believe the amendment process for the permanent plans will be a problem for most State Agencies. According to GSA records, only 15 of the 54 States participating in the Donation Program have amended their State plans since 1977. Of the 19 proposed changes submitted to GSA, only 7 involved changes to the service charge schedules. In addition, GSA regulations governing the development of the State plans allow the States a lot of flexibility. For instance, a State can specify in the permanent plan that the State Agency is permitted to review the adequacy of its service charges periodically and to adjust these charges to cover operating costs. At least two States currently permit their State Agencies to adjust service charges after careful review. Because GSA regional personnel review the State Agencies' operations biennially, the State Agencies are not likely to abuse the prerogative of adjusting the service charges.

External audits of the State
Agencies' operations need
more emphasis

FPMR subpart 101-44.202(c)(12) requires the plan of operation for each State Agency for Surplus Property to provide for periodic external audits of its operations and financial affairs. External audits must be performed at least every 2 years by an appropriate State authority or by an independent certified public accountant or an independent licensed public accountant and must include a review of the State Agency's compliance with the State plan of operation and the requirements of part 101-44 of the FPMR.

At the time of our second review, each State Agency should have received two external audits. Our review of two GSA regional offices--Chicago and San Francisco--showed that satisfactory external audits had been completed for 9 of the 11 State Agencies under their jurisdictions and audits were in process at the remaining two State Agencies. However, most of the external audits were the first ever performed at the State Agencies since their State plans had been approved by GSA in 1977. As the following schedule shows, only the Michigan and Minnesota State Agencies for Surplus Property had complied with the FPMR requirement for biennial audits.

External Audits of State Agencies for Surplus Property
in GSA's Chicago and San Francisco Regions

<u>State</u>	<u>Date plan was approved</u>	<u>Acceptable external audits</u>	
		<u>First</u>	<u>Second</u>
Arizona	9/15/77	In process	
California	10/21/77	In process	
Guam	10/20/77	10/80	
Hawaii	9/28/77	6/80	
Illinois	10/14/77	9/78	
Indiana	11/11/77	10/79	
Michigan	10/17/77	1/80	<u>a/5/82</u>
Minnesota	9/21/77	3/79	1/81
Nevada	10/06/77	6/79	
Ohio	9/22/77	<u>b/11/79</u>	<u>b/9/10/81</u>
Wisconsin	10/14/77	10/80	

a/This audit was completed after completion of our fieldwork.

b/Both of these audits covered the same period of operation--
June 1, 1978, to June 30, 1979.

We do not believe that the 1979 and 1981 external audits performed at the Ohio State Agency can be considered as two separate audits because they were a review of the same period of operation--July 1, 1978, to June 30, 1979.

Although the Arizona and California audits were most recently scheduled to be completed in September 1981 and May 1981, respectively, the audit reports were still being prepared at the time of our review. In addition, GSA did not accept an Illinois external audit report completed in September 1980 because the Illinois State Agency submitted only a three-page excerpt from the report. GSA stated that the three-page excerpt was insufficient to make a determination as to whether the external audit met the requirements of the FPMR. Accordingly, GSA returned the excerpt and requested the Illinois State Agency to resubmit the entire audit report. However, at the completion of our fieldwork in January 1982, Illinois had not responded.

At least two State Agencies--Guam and Nevada--submitted external audit reports that dealt only with the financial operations of the State Agencies. These audit reports were initially disapproved by GSA because the audits did not include an examination of compliance with their State plans or the FPMR requirements. A performance or compliance audit was subsequently performed at each State Agency. However, this resulted in the fiscal audit and compliance audit being performed over different periods of time. Thus, it is impossible to establish a causal relationship between the two audits; that is, the State Agency for Surplus Property cannot associate changes in its financial position with a change in management practices.

GSA has been liberal in approving several of the external audits. For example, GSA accepted the audit report of the Hawaii State Agency even though it did not meet GSA's criteria for an external audit. The audit in question was performed by the Office of the Comptroller of the State of Hawaii. Because the State Agency is a branch within this office, the audit lacked the independence and objectivity of an external audit. GSA informed the Hawaii State Agency that such an audit would not be accepted in the future. In addition, GSA noted that the portion of the report concerning the management of the State Agency was superficial.

GSA has clearly defined the criteria for an external audit. In addition, GSA has reminded the State Agencies when their external audits should be scheduled and when the audit reports are overdue. It appears that the situation regarding external audits of the State Agencies has improved since our first biennial report; that is, all States have been audited. However, only two State Agencies in the two GSA regions covered by our second review had received the two audits as required by the FPMR.

State Agencies do not have adequate inventory control procedures

In three of the four States we visited, our limited tests showed that the State Agencies do not have adequate inventory management and records systems to ensure full control over Federal surplus property in their possession. These situations are described below.

Arizona

GSA's Office of Inspector General issued an audit report on the Arizona State Agency for Surplus Property on May 19, 1980. This report recommended that the State Agency (1) improve physical security, (2) conduct annual physical inventories, and (3) complete all required data on distribution documents and invoices. The Arizona State Agency has taken appropriate actions to correct these deficiencies. We found that physical security was adequate and that the inventory records did not reveal any significant discrepancies. In addition, the State Agency has revised its procedures for conducting annual physical inventories. In the past the State Agency has attempted to inventory property while doing business; this resulted in inaccurate counts. Currently, the State Agency suspends operations during the inventory to ensure accurate counts.

California

The inventory control procedures outlined in the State plan appear to be adequate. Inventory control procedures require that property received by the State Agency be labeled with control numbers. In addition, the item is to be recorded in a stock record card file by the control number. When the property is donated, the appropriate stock record card is to be posted.

Our test showed several instances where property was not labeled with the control number after being recorded in the stock record card file. When an unmarked item of property was donated, the warehouseman sometimes put the wrong control number on the distribution document, which caused the wrong stock record card to be posted. We selected 16 stock record cards and 8 of the cards carried erroneous balances when compared to the actual count of the item in stock.

Michigan

The inventory control procedures outlined in the Michigan State plan provide for adequate accountability of the surplus property. However, due to a personnel shortage, the physical security of the State Agency's inventory is less than adequate. At the Cadillac warehouse, customers have virtually free access to the property storage areas during operating hours. Because of a State hiring freeze, only one State Agency employee is available to staff the warehouse and manage all operations. Although the State Agency has not noted any significant losses from theft, this warehouse is highly susceptible to pilferage.

Ohio

Although the inventory control procedures contained in the Ohio State plan provide for adequate accountability for property, these procedures were not being implemented. We found serious deficiencies in inventory controls at the Ohio State Agency for Surplus Property. Apparently, some of these problems had existed for 1-1/2 years or longer. The current State Agency director took over operations on June 30, 1980, and may have inherited many of these problems from his predecessor. Although the present director has improved the State Agency's operations, increased efforts are required to correct deficiencies in inventory control procedures.

According to the Ohio State plan, all property in the State Agency's inventory should be recorded in the inventory card file. As property is donated, the appropriate inventory card is posted. When all items on an inventory card have been donated, the card is removed from the inventory card file and placed in a history file.

To verify the adequacy of the Agency's recordkeeping system, we attempted to determine the status of 65 items of property that GSA had transferred to the State Agency. We found that appropriate records were not available for the majority of the items selected. Inventory record cards for property received by the State Agency between October 1980 and March 1981 had been misplaced during a July 1981 move to new facilities and were not immediately available. A bundle of inventory cards were discovered in an empty file cabinet in the warehouse. State Agency employees also explained that some inventory cards had been inadvertently thrown out. We could not locate inventory cards for 35 of the 65 items we selected.

We were unable to use the history files to determine if these 35 items had been donated because the files had not yet been put in order after the July 1981 move. In addition, inventory cards for property that had been donated were being purged and set aside pending transfer to the history files. We found inventory cards for three of the items we selected for review among these purged cards. Although the three items had been donated in July and August 1980, they were just being removed from the active inventory.

The Ohio State Agency had just completed the annual physical inventory in September 1981. However, the records of property transferred from Federal holding activities directly to donees were not up to date. The records used to account for property valued in excess of \$3,000 were not current. In several instances, State Agency employees stated an item had been donated, but they had difficulty locating the supporting documents because of an extensive backlog in filing. Because of the deficiencies in recordkeeping that we observed, we question the validity of the State Agency's recent physical inventory.

We also doubt that the quarterly inventory data reported to GSA on the 3040 report--a quarterly report of State Agency donation of surplus property--is reliable.

Donated property not used
or used improperly

The purpose of the Donation Program is to provide usable property to eligible donees for use in furthering worthwhile, eligible purposes. The FPMR requires donees to begin using donated property within 1 year from the date of receipt. The property is to remain in use for at least 1 year or be returned to the State Agency for redonation. Permission to cannibalize property or to use an item for other than its primary function must be obtained from GSA. FPMR subpart 101-44.202(c)(10) requires a State Agency to periodically examine donee use of property to ensure that the FPMR requirements are adhered to and that the property is being appropriately used. If the donee fails to comply with these restrictions, a State Agency can take the necessary action to have the property returned and to assess the donee for any compensation due the Government. Cases of fraud or theft of donated property are investigated by local, State, and/or Federal law enforcement agencies.

To determine whether donees were generally adhering to the FPMR requirements, we inspected 123 items of property that had been donated by the Arizona, California, Michigan, and Ohio State Agencies. We visited each donee who had received this property to determine if the items were in use and if the donee had violated any restrictions on the use of the property. We found that 84 items (68 percent) were in use and that donees had not violated use restrictions on any of these items. Of the remaining 39 items that were not in use, 12 (10 percent) constituted violations of the use restrictions because they had been donated over 1 year ago and had never been put in use or had been cannibalized or sold without GSA's permission. The other 27 items either had been donated less than 1 year ago or had been used but were being repaired at the time of our inspection.

The incidence of use restriction violations appears to be relatively low--12 in 123 or approximately 10 percent of our sample. From our conversations with donees, we believe the majority of the violations occur because the donee is unaware of the restrictions. Several State Agency directors agreed that donees are not well acquainted with use restrictions even though the restrictions are printed on the back of the donation transfer document.

During our visits to four State Agencies for Surplus Property--Arizona, California, Michigan, and Ohio--we found that only Arizona and California were performing the number and types of utilization inspections required by their State plans of operation.

As the result of adverse findings in the May 1980 GSA Office of Inspector General audit report, Arizona increased the number and scope of its utilization reviews. Although the Arizona State plan requires the State Agency to perform only a minimum of one compliance and utilization visit a month, the State Agency averaged 13 visits a month during the first 9 months of 1981. The Arizona State Agency for Surplus Property requires its donees to report in writing when property is put in use or when use of the property is discontinued. The State Agency compliance officer regularly reviews donee files to identify those donees who are not in compliance with use restrictions or who have not paid for the property. The State Agency schedules visits to these donees first. The utilization visits are made (1) to determine the extent of donee compliance with Donation Program regulations and (2) to help the donee understand and comply with program requirements. For instance, the State Agency may be able to assist the donee in locating needed repair parts. The State Agency believes that cooperation with the donee will also benefit the State Agency by increasing the donee's future participation in the Donation Program.

The Michigan State plan requires inspections of all passenger motor vehicles and property valued at more than \$3,000 an item. However, the manager of the Michigan State Agency stated that no onsite inspections had been made since September 1980. Due to a significant personnel shortage, the State Agency has been forced to rely entirely on donee responses to a utilization survey form mailed to donees a few months after property has been donated. However, if a donee does not return the form or if he reports that the property is not in use, the State Agency does not have the personnel available to follow up with the donee. At the present time, the State Agency manager is unable to hire additional employees because of a State hiring freeze. The State Agency has also been lax in permitting donees to cannibalize property without prior approval from GSA. We found several invoices that were marked to indicate State Agency approval for cannibalization, but the manager was unable to document GSA's approval of such action. From our inspection of 62 donated items, we found two instances where an item had been cannibalized without GSA's permission. We also found one item that had been repaired through an unauthorized cannibalization of another item from the Donation Program.

The Ohio State plan requires the State Agency for Surplus Property to perform compliance and utilization reviews for a minimum of 10 percent of active donees each fiscal year. This percentage should include all donees receiving passenger motor vehicles and property valued at more than \$3,000 an item. The State Agency compliance officer estimates that 600 of the State's eligible donees actively participate in the Donation Program. Therefore, approximately 60 donee visits should be made each year. In fiscal years 1979, 1980, and 1981, the

State Agency conducted 28, 73, and 28 visits, respectively. Although the scope of the reviews appears to be adequate, the written reports rarely contain an explanation of why a donee is not using the property. In addition, follow up visits are not routinely scheduled to determine that property is eventually used.

The FPMR also allows the State Agencies to obtain surplus property for their own use. The use of all such items taken from the State Agency's active inventory is to be approved by GSA. During our visits to the four State Agencies, we inspected items to determine if they were being used and if the State Agencies' inventory records properly accounted for these items. We found that these items were appropriately used and accounted for by the Arizona, California, and Michigan State Agencies. However, the Ohio director stated that he was not aware of the requirement to obtain GSA's approval for use of these items. At the time of our review, the Ohio State Agency had taken property valued at approximately \$60,000 without following appropriate FPMR procedures. We also found that some of these items were not being used by the State Agency. Although GSA was later notified of the items the Ohio State Agency had taken for use in its operations, the State Agency did not properly record this information in its inventory records.

Need for a recent increase
in California's service charges
was not adequately documented

The California State Agency received approval from GSA on October 23, 1981, to increase its service charges. The act states that service charges should cover the State Agencies' direct and reasonable indirect costs. On the basis of this criterion, we do not believe that GSA should have approved the increase in the California service charge rates. The California State Agency did not adequately document that the increase was required to cover direct and reasonable indirect costs.

According to the State Agency's financial records, the Agency lost \$25,549.09 in fiscal year 1979 and \$208,712.41 in fiscal year 1980. However, a California Department of Finance audit showed that State Agency revenues exceeded costs by \$469,730.78 and \$160,372.78 in fiscal years 1979 and 1980, respectively. Subsequent to our review, California advised us that prior year accounting adjustments made to the State Agency's financial records after the close of fiscal year 1981 actually disclosed a loss; however, as of March 1983 GSA had not reviewed the California data. Therefore, GSA had not yet verified if the service rate increase was necessary to cover the State Agency's costs.

CONCLUSIONS

Prior to enactment of Public Law 94-519, the volume of surplus property being transferred through the Donation Program had been declining steadily. This trend was reversed during fiscal year 1977 when \$392 million at acquisition cost was approved for donation and the amount increased to \$482.6 million and \$452.9 million in fiscal years 1978 and 1979, respectively. However, the volume of personal property approved for donation declined significantly during fiscal years 1980 and 1981 from \$347.8 million to \$325.5 million, respectively. In addition to the general decline in the amount of available surplus property, GSA attributed the decline in donation approvals in fiscal years 1980 and 1981 to several factors, including increased transportation costs, severe adverse weather conditions in some areas of the country, and the care and handling surcharge levied on all DOD property that was donated between July 7, 1980, and December 15, 1980.

Before the act's implementation, the State Agencies for Surplus Property could donate property only for the purposes of education, public health, and civil defense, or research related to these purposes. Organizations eligible to receive donations from the State Agencies were limited to tax-supported or nonprofit, tax-exempt medical or educational organizations, public libraries, and civil defense organizations established pursuant to State law.

The act considerably broadened the range of purposes and organizations eligible to receive donations from the State Agencies. Donations can not only be made to the formerly eligible recipients, but also to any public agency for use in carrying out, or promoting for the residents of a given political area, one or more public purposes. Donated property received by nonprofit, tax-exempt organizations must still be used only for educational or public health purposes, or related research. We found during this review that a substantial amount of property continues to be donated to public agencies for the act's expanded purposes.

GSA officials are aware of many of the deficiencies we found at the State Agencies for Surplus Property and routinely provide assistance to the State Agencies in complying with program regulations. GSA should periodically review its procedures for allocating highly desirable items of property among the States to ensure that all GSA regions are using uniform data in making allocation decisions.

On January 5, 1982, GSA issued a memorandum to its regional offices and the State Agencies for Surplus Property, advising them that permanent State plans of operation must be submitted for review and acceptance by the Administrator of General Services no later than June 30, 1984. Public Law 94-519 requires all States that choose to participate in the Donation

Program to develop permanent plans of operation though no deadline for completing them was stipulated. However, at the time of our review--4 years after the implementation of the act--only five State Agencies had submitted permanent plans of operation as required by Public Law 94-519.

The decrease in the volume and the poor condition of available surplus property since 1979 has caused financial problems for many of the State Agencies. We believe that most of the deficiencies were the result of State Agencies' efforts to minimize operating costs and not an intentional disregard for Donation Program regulations. External audits of the State Agencies' operations are not being done biennially. We believe these audits could enable the State Agencies to improve their programs, despite the decrease in the volume of donable property, and would assist GSA in promptly learning of State Agency management deficiencies, such as those we noted.

The State Agencies we visited should give particular attention to correcting the inventory control deficiencies cited in this chapter. Although the State Agencies have reduced the number of compliance and utilization reviews, we found that most donees were properly using the property they had received. In addition, we believe GSA should review the two conflicting audits of the California State Agency to determine if, in fact, the recent service charge increase was warranted.

RECOMMENDATIONS

To improve the effectiveness of the Donation Program, we recommend that the Administrator of General Services:

- Continue emphasizing to the State Agencies that participation in the Donation Program is dependent on their compliance with the act's requirement for submitting permanent State plans of operation, having external audits performed, and establishing adequate accountability systems. If all of the State Agencies do not submit permanent State plans of operation by GSA's established deadline, we recommend that the Administrator report to the appropriate congressional committees on the actions that will be taken in cases of noncompliance.
- Resolve the inconsistency between the California State Agency's financial records and the financial matters contained in the audit report of the California Department of Finance and determine if the increase in service charges granted was appropriate and should be allowed to remain in effect.

AGENCY COMMENTS AND OUR EVALUATION

GSA comments

GSA responded that it had reviewed the draft report in detail and concurred with our recommendations.

In response to a proposal contained in our draft report that GSA assure that all its allocating regional offices use effective procedures to allocate donable property equitably among the States, GSA stated that two of the other three allocating regions use manually prepared records similar to those we observed in the San Francisco region. According to GSA, one allocating region was using computerized records "with acceptable results." GSA also stated that its computer system is being redesigned to produce improved records for use by all four regions in allocating property among the States.

Since GSA, as stated in its comments, has reviewed the other allocating regions and the fact that the computer system is being redesigned, we have retracted the proposal contained in our draft report. We do plan to look at these allocations during our third biennial review.

GSA stated that it has taken and will continue to take various actions to remind State officials that they must submit permanent plans of operation. GSA also stated that three more States have submitted permanent plans, bringing the total to eight.

On the basis of GSA's comments, we have modified our original proposal to recognize that emphasis has been given to having the State Agencies submit permanent State plans of operation. However, if the States do not submit permanent State plans of operation by GSA's established deadline, we recommend that the Administrator report to the appropriate congressional committees on the actions that will be taken in cases of noncompliance.

Regarding our recommendation that GSA emphasize to the State Agencies the importance of complying with the act's requirements, GSA stated that it believes its program overview, although not at the optimum level planned, has been sufficient. We acknowledge that the Donation Program has been managed in a generally effective manner and that GSA and the State Agencies have corrected many of the weaknesses cited in our first report. However, as stated previously, some improvements can still be made and we believe continued emphasis will encourage the States to make the improvements.

GSA also responded that it would take early action to resolve the disparity between the financial records of the California State Agency and the financial matters contained in the audit report of the California Department of Finance.

State Agencies for Surplus
Property comments

Of the four State Agencies for Surplus Property visited during our review, only the Arizona State Agency did not provide comments on the selected report sections applicable to its operations. The comments of the three State Agencies that did respond are discussed below and are included as appendixes IV through VI.

California

After reviewing draft segments of this report, the Director, Office of Surplus Property, California Department of Education, commented on five matters discussed in the report.

The director pointed out that each individual item of property received by the State Agency is not required to be labeled with a control number as we stated in the report. He said we had not followed appropriate inventory procedures during our testing of inventory record accuracy which disclosed that the inventory records of 8 of the 16 items tested were inaccurate. Specifically, he said we had not considered the fact that missing material might have been donated the previous day or might have been found in other locations.

We have revised our description of the labeling requirements to reflect the information provided by the director; however, this revision has no bearing on our statement regarding inventory record accuracy. Before conducting our test of inventory record accuracy, we discussed the State Agency's inventory control procedures with State officials. We then conducted our test in such a way that the prior day's donations would not have affected the validity of our findings. In addition, at the conclusion of our test, we asked a State Agency warehouseman to assist us in resolving the discrepancies. With the assistance of this warehouseman and by searching other locations, we were able to resolve some of the initial discrepancies. The inaccuracy discussed in the report represents the discrepancies that we and the warehouseman could not resolve.

In our draft report, we stated that State Agency officials had said that (1) the Agency performs only between 70 and 80 percent of the required compliance inspections of the donees' use of passenger motor vehicles and property valued at more than \$3,000 and (2) onsite donee utilization reports prepared by employees were routinely rewritten by State Agency officials, thus delaying corrective action. The director responded that we had been misinformed on these matters. He said (1) the person who discussed compliance inspections with us had meant to tell us that about 70 to 80 percent of the required inspections were conducted at the donee sites, while investigations of the use of

all passenger vehicles and high value property were conducted by mail and (2) no onsite donee utilization reports were rewritten by State Agency officials. Rather than revisiting California to resolve these conflicting statements, we have deleted these two matters from the report and will ask GSA officials to look into them.

The director also provided information intended to clarify the conflicting data on the financial results of the State Agency's operations for fiscal years 1979 and 1980. He said prior year accounting adjustments made to the State Agency's financial records after the close of fiscal year 1981 disclosed a net loss of \$1,129,422.99. He also provided portions of an audit report that was not available at the time of our review, prepared by the State Department of Education certifying this loss. However, he did not explain the nature of the adjustments or why they were not made until after fiscal year 1981. Because GSA had not reviewed the State's submission as of March 1983 when GSA commented on our draft, we are still recommending that GSA resolve this issue.

Michigan

The Michigan State Agency manager did not express disagreement with the draft segments of this report pertaining to his State. However, he provided more current information regarding various sections of the report. He informed us that:

- The Michigan plan of operation had been accepted by the State legislature as a permanent plan after our visit to his organization.
- The State Agency had received two external audits since 1977, instead of only one as stated in our draft report; however, the second audit had not been completed at the time of our visit.
- The hiring freeze, which caused inadequate security at the Cadillac warehouse, was temporary.
- In January 1983, the Agency received guidance from GSA intended to clarify and establish standard procedures relating to cannibalization of donated property.

We have revised our report to reflect the State legislature's acceptance of Michigan's plan as permanent and the completion of the second external audit.

Ohio

Ohio officials generally agreed with our statements regarding the operations at the State Agency. The State Agency

chief did take exception to our statement that we were able to find inventory cards for only 30 of the 65 items we attempted to locate at the State Agency. He stated that our auditors and State Agency personnel were ultimately able to locate 64 of the 65 items. State Agency personnel may have located additional documentation on the items we selected for review after our auditors concluded their work at the Ohio State Agency; however, at the close of our visit to the Ohio Agency, we were able to find inventory cards on only 30 of the 65 items.

The chief said that in September 1982, after our review, improved inventory control and recordkeeping procedures were adopted. He also said that the State Agency expects to further improve its inventory controls through use of an automated data processing system by November 1983.

CHAPTER 4

GSA REGIONAL ORGANIZATION RESTRUCTURING

The former Chairman of the Subcommittee on Government Activities and Transportation, House Committee on Government Operations, in a June 4, 1982, letter, asked us to provide information on (1) the nature of recent changes in GSA's regional organization structure, which resulted from the January 11, 1982, and March 15, 1982, GSA orders and (2) the effect these changes have had on the Utilization and Donation Programs. He also asked us to include a discussion of the orders' changes in our second biennial report on the impact of Public Law 94-519.

On January 11, 1982, the Acting Administrator of General Services approved GSA Order ADM 5440.248, consolidating the Federal Property Resources Service (FPRS) regional personal property functions into four personal property divisions located in the National Capital Region and Regions 4 (Atlanta), 7 (Fort Worth), and 9 (San Francisco). On March 15, 1982, the Administrator of General Services approved GSA Order ADM 5440.261, establishing a new GSA regional organization structure that placed the Utilization and Donation Programs in the Utilization and Disposal Branch of the Property Management and Supply Division under an Assistant Regional Administrator for Personal Property.

It was too early for us to fully assess the impact, if any, that these recent orders have had on the Utilization and Donation Programs at the conclusion of our fieldwork in August 1982. There had been little feedback from the affected organizations. However, on the basis of our preliminary evaluation and discussions with officials, we believe that the impact these changes will have or have had on the Utilization and Donation Programs will be minimal. Essentially, the same personnel will be performing the same functions merely under a different organizational structure.

The situation is complicated, however, by the fact that prior to issuance of this report, GSA took action to reverse portions of the January 11, 1982, restructuring.

CONSOLIDATION OF PERSONAL PROPERTY FUNCTIONS HAS LITTLE IMPACT ON UTILIZATION AND DONATION PROGRAMS

The Acting Administrator of General Services approved GSA Order ADM 5440.248 on January 11, 1982, establishing in four regions a personal property division to handle the FPRS regional personal property activities. The order's background section stated in part "* * * the fiscal and manpower constraints of the FY 1982 and outyear budgets have necessitated the consolidation of personal property activities into four areas." On the same

day, the Acting Administrator also approved GSA Order ADM 5440.247, establishing in six regions a real property division to handle the FPRS regional real property utilization and disposal activities. Both orders were effective February 28, 1982.

The FPRS regional personal property activities were consolidated in the National Capital Region and Regions 4, 7, and 9 under the following realignment:

<u>Regional office location</u>	<u>Regions covered</u>
National Capital Region, Washington, D.C.	1, 2, 3, and National Capital
4, Atlanta, Ga.	4 and 5
7, Fort Worth, Tex.	6 and 7
9, San Francisco, Calif.	8, 9, and 10

The functions and a majority of the FPRS personnel from Regions 1, Boston, Massachusetts; 2, New York, New York; 5, Chicago, Illinois; 6, Kansas City, Missouri; 8, Denver, Colorado; and 10, Auburn, Washington; were transferred to the four consolidated regions. These six former FPRS regional offices then became field offices reporting to the personal property division in the consolidated region. FPRS officials informed us that the small number of employees remaining in the field offices are now generalists because they cover each of the FPRS programs --Rehabilitation, Utilization, Donation, and Sales--and do not specialize in one area as they did before the consolidation.

According to FPRS officials, the consolidation did not affect the Area Utilization Officers because they remained in the same regional geographic area. However, they now report to the Utilization Branch Chief in the consolidated region. In a March 12, 1982, memorandum to the Consolidated Regions Personal Property Division Directors, the Assistant Commissioner for Personal Property, FPRS, stated:

"Owing to fiscal constraints and the need to expand the role of all personal property program employees, it is necessary to broaden the role of the Area Utilization Officers (AUO's) to provide greater coverage to the personal property programs. This expanded scope of the AUO's position descriptions would essentially make the AUO's generalists, representing the 'zone' and field offices in all aspects of personal property management."

In addition to seeking customers for reportable ^{1/} property and screening and allocating nonreportable ^{2/} property for the Utilization and Donation Programs, the Area Utilization Officers are performing expanded duties in the Rehabilitation and Sales Programs.

The FPRS Donation Division Director stated since GSA took over the Donation Program on October 17, 1977, the amount of property approved for donation has declined from \$482.6 million at acquisition cost during fiscal year 1978 to \$325.5 million during fiscal year 1981. He attributes this decline to (1) the decline in the amount of available property, (2) budgetary constraints that imposed limitations on travel funds and the printing of excess property catalogues, and (3) the temporary 2 percent surcharge levied on all DOD-donated property. The Director also stated that the impact of the consolidation on the Donation Program was minimal because it did not affect the (1) allocation of reportable property, (2) control of screening and allocating nonreportable property, or (3) promptness of property transfers to the State Agencies because these functions continue to be performed by the same regions as before the consolidation.

The January 11, 1982, regional consolidation had the greatest impact on the Utilization Program because of the increase in workload; that is, the receipt of additional reports of excess personal property by the four consolidated regions. GSA Bulletin FPMR H-37, dated December 7, 1981, directed a Federal agency, effective December 14, 1981, to submit Standard Form 120 (SF 120), Report of Excess Personal Property, to the consolidated GSA regional office in which the agency was located. According to a FPRS central office official, the redirection of SF 120s caused inputting these documents in the FPRS-1 system to be delayed because of a shortage in clerical help and an agencywide hiring freeze. However, by the time the order went into effect--February 28, 1982--the input delays had been corrected. This bulletin also directed a Federal agency to submit Standard Form 122 (SF 122), Transfer Order Excess Personal Property, to the consolidated GSA regional office in which the agency is located, after February 12, 1983, for approval.

^{1/}Property required by the FPMR to be formally reported to GSA for utilization screening when the holding agency determines the property to be excess to its needs.

^{2/}Property not required by the FPMR to be formally reported to GSA for utilization screening, but which can be screened on-site by GSA and other agencies.

It was the consensus of the program people in the central and consolidated regional offices with whom we spoke that the FPRS regional consolidation did not have an adverse impact on the Utilization and Donation Personal Property Programs.

RESTRUCTURING OF THE GSA
REGIONAL ORGANIZATION

The Administrator of General Services approved GSA Order ADM 5440.261 on March 15, 1982, establishing a new GSA regional organization structure consisting of the

- Office of the Regional Administrator,
- Executive Assistant,
- Office of Regional Counsel,
- Office of Project Control and Oversight,
- Office of the Controller,
- Office of Public Buildings and Real Property,
- Office of Personal Property, and
- Office of Information Resources Management.

The order also listed the various divisions/branches supporting these offices. It transferred the Utilization and Donation Personal Property Programs of the FPRS Consolidated National Capital Region and Regions 4, 7, and 9 to the Utilization Section and the Donation Section of the Utilization and Disposal Branch in the Property Management and Supply Division under an Assistant Regional Administrator for Personal Property.

The new regional organization outlined in the March 15, 1982, order was in place in Regions 4, 7, and 9 on July 11, 1982, and in the National Capital Region on July 25, 1982.

Program officials in the central and regional offices expressed severe displeasure with the March 1982 restructuring. They believed that (1) the restructuring took place too soon after the consolidation, (2) the branch chiefs, as a result, have more responsibility but less authority, and (3) the programs have lost their visibility at the regional level. One branch chief stated the restructuring made the FPRS division a branch, placing it in the Office of Personal Property, which contained a majority of the former Federal Supply Service programs that historically had been directed toward purchasing new items. He also stated that the former Federal Supply Service program people do not have an understanding of the excess and surplus personal property programs and have additional program areas for which they are responsible. Consequently, the chief

believes the Utilization and Donation Programs will take a back seat to the supply programs. According to another branch chief, the problems caused by the restructuring could be resolved by placing the Utilization and Donation Programs back into a division and giving the division director control over these programs, thereby providing visibility at the regional level.

Prior to March 15, 1982, the functions of the Utilization and Donation Programs were performed in the FPRS Consolidated National Capital Region and Regions 4, 7, and 9 in the Utilization Branch and Donation Branch of the Personal Property Division. The regions were under an Assistant Regional Administrator for Federal Property Resources Services, except for Region 4 that did not have an Assistant Regional Administrator authorized; thus, the Personal Property Division Director reported to the Regional Administrator. As a result of the reorganization, the National Capital Region and Regions 7 and 9 had one reporting layer and Region 4 had two reporting layers because the former branches are now sections. However, the program functions and personnel were transferred together; therefore, the operating personnel continued to perform the same functions as they had under the former organizational structure.

The January 11, 1982, order also increased the branch chief's geographic area of responsibility. For example, in Region 9, the Utilization and Disposal Branch Chief is responsible for a geographic area covering 14 States plus Guam and American Samoa in addition to the activities of two field offices. However, the other branch chiefs in the Property Management and Supply Division are responsible only for the activities in the region in which they are located; that is, in Region 9, the other branch chiefs are responsible for only five States and not 14 States, Guam, and American Samoa plus two field offices, which the Utilization and Disposal Branch Chief has responsibility for.

We asked the central office program officials what effect the restructuring has had on the services provided Federal agencies or the State Agencies for Surplus Property. These officials informed us that it was too soon after the restructuring to be getting any feedback on what the changes will mean because the complete organizational structure was not in place until mid-July 1982.

At the conclusion of our work, the complete regional organizational structure was just being put in place and, therefore, had not been in effect long enough to be fully evaluated. The restructuring of the GSA regional organization should not

affect the Utilization and Donation Personal Property Programs because the personnel and functions were transferred together and the programs' functions should continue to be administered by the same personnel.

ESTABLISHMENT OF REGIONAL
CUSTOMER SERVICE BUREAUS

The Administrator of General Services approved GSA Order ADM 5440.282 on January 13, 1983, establishing a Customer Service Bureau in each of the 11 regional Offices of Personal Property. Each bureau, headed by a director reporting directly to the Assistant Regional Administrator for Personal Property, is responsible for providing various services and support to Federal activities within the regional boundaries.

The background section to GSA Order ADM 5440.248, approved January 11, 1982, stated:

"The changing patterns of personal property workloads and the fiscal and manpower constraints of the FY 1982 and outyear budgets have necessitated the consolidation of personal property activities into four areas. This consolidation will concentrate present resources, reduce overhead, increase productivity, and improve relationships with customers."

As a result, the functions and duties of six GSA regional offices were consolidated into four and the six former regional offices became field offices reporting to the four consolidated regions. However, the January 13, 1983, GSA order abolished the consolidation of the regional functions and duties. As a result of the 1983 order, the 11 Customer Service Bureaus assumed the utilization and nonreportable personal property donation functions and duties that had been performed by the four consolidated regions. The allocation of reportable personal property will continue to be performed on a centralized basis by the four consolidated regional offices. As an explanation for this reorganization, the background section to the order states in part:

"The establishment of the regional Office of Personal Property [by GSA Order ADM 5440.261 approved March 15, 1982] has standardized office structure, reduced overhead costs, and strengthened management controls."

According to the January 13, 1983, order, refinement of the new structure (the creation of the Customer Service Bureaus) is designed to enhance both national and local support efficiency and effectiveness, thereby improving overall customer service. GSA Bulletin FPMR H-39, dated January 31, 1983, directed a Federal agency, effective March 1, 1983, to submit SF 120s and SF 122s to the Customer Service Bureau in the GSA regional Office of Federal Supply and Services in which the agency is

located. This bulletin canceled GSA Bulletin FPMR H-37, dated December 7, 1981, which directed a Federal agency, effective December 14, 1981, to submit SF 122s to the consolidated GSA regional office in which the agency is located and redirects the submission of SF120s and approval of SF 122s to the Customer Service Bureaus.

As stated earlier, this reorganization occurred near the time our report was about to be issued; therefore, we did not have the opportunity to determine its actual impact on the Utilization and Donation Programs.

CONCLUSIONS

The restructuring of the regional organization, coming as it did within 2 months of the FPRS consolidation of the regional personal property functions, did have some effect on the Utilization and Donation Programs. The movement of the FPRS regional divisions to the Office of Personal Property and then the division becoming a branch within this office did have an effect, but this effect should be minimal since the personnel and functions of the division were transferred in total to the new office.

In this chapter, we have discussed the circumstances that led up to and/or were a part of the March 15, 1982, restructuring of the GSA regional organization. We believe, given the budgetary constraints facing GSA in early fiscal year 1982, that the January 11, 1982, order consolidating the FPRS personal property functions into four zones was reasonable. The movement of the FPRS regional personal property division to a branch within the Office of Personal Property is not in and of itself a matter that should have had an impact on the Excess and Donation Personal Property Programs. These programs were transferred together and, as such, the assigned personnel should be able to accomplish their respective program functions within the new organizational structure just as they did under the former organization.

The establishment of a Customer Service Bureau in each of the 11 GSA regions has been included to indicate that portions of the January 11, 1982, regional consolidation order have been reversed and the functions of the six former FPRS regional offices have been assumed by these bureaus. Because we learned of the establishment of these bureaus prior to the issuance of this report, we were not able to determine the impact the reorganization will have on the Utilization and Donation Programs.

AGENCY COMMENT AND OUR EVALUATION

GSA's only comment on this chapter of the draft report was a request that we not refer to the organizational changes that were announced on January 13, 1983, as a "transfer of functions" as we had in the draft. Accordingly, we have

eliminated the wording. The point we are making is that before the January 13, 1983, order, various utilization and donation functions were performed in the four consolidated regions, and after the order became effective, these functions were performed by the 11 Customer Service Bureaus.

APPENDIX I

APPENDIX I

EXCESS PROPERTY TRANSFERRED TO GRANTEES

<u>Federal department/agency</u>	<u>Agency/bureau code</u>	<u>FY 1976 (note a)</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>
----- (000 omitted) -----							
Architect of the Capitol	0198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27
Executive Office of the President	1198	7,288	589	-	-	-	-
Department of Agriculture (note b)							
Grantees	1298	26	108	-	4	2	51
Cooperative Forest Fire Control Program	1291	13,282	19,095	33,755	14,308	17,938	21,085
Department of Commerce	1398	2,410	8,750	1,489	732	137	1
Department of the Interior							
Grantees	1498	336	2,089	272	525	375	87
Bureau of Indian Affairs (transfers to Indian tribes holding Federal grants)	1409	-	-	-	-	-	-
Department of Justice (note c)							
Grantees	1598	3,908	3,380	196	420	485	282
Law Enforcement Assistance Administration	1528	-	-	-	-	112	63
Department of Labor							
Grantees	1698	7,111	10,084	211	132	628	765
Employment and Training Administration	1616	-	-	-	-	4,054	3,121
Department of the Navy	1798	338	71	-	-	5	114
Department of State	1998	1	-	-	-	2	-
Department of the Army	2198	49	117	-	-	39	-
National Mediation Board	2298	-	-	-	-	-	-
Tax Court of the United States	2398	-	-	-	-	3	-

APPENDIX I

APPENDIX I

Federal department/ agency	Agency/ bureau Code	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981
		(note a)					
----- (000 omitted) -----							
Smithsonian Institution	3398	\$ 1	\$ -	\$ -	\$ -	\$ 1	\$ -
Veterans Administration	3698	22	-	-	-	-	-
Defense Civil Prepared- ness Agency	4398	1,136	910	-	-	-	-
Federal Emergency Management Agency (note d)	5898	-	-	-	-	-	-
ACTION	4498	11	24	-	-	-	-
General Services Adminis- tration	4798	4	-	-	-	-	1
National Science Founda- tion	4998	73,336	42,916	31,826	35,797	22,995	16,587
Department of the Air Force	5798	69	47	-	-	5	-
Environmental Protection Agency	6898	-	-	1,250	84	-	-
Department of Trans- portation	6998	6	197	-	15	-	-
Agency for International Development--other foreign programs	7298	-	-	-	138	335	17
Department of Health, Education, and Welfare/ Department of Health and Human Services	7598	8	25	-	-	5	130
Foreign Claims Settle- ment Commission of the United States	7998	24	-	-	-	2	-
National Aeronautics and Space Administra- tion	8098	1,101	477	-	-	8	1
Community Services Administration (note e)	8198	-	5,041	-	42	76	71
Department of Housing and Urban Development	8698	185	370	-	-	-	-
Energy, Research and Development Adminis- tration/Department of Energy	8998	1,030	2,711	-	-	321	195
Department of Defense	9798	-	-	-	-	4	141
Total		<u>\$111,682</u>	<u>\$97,001</u>	<u>\$68,999</u>	<u>\$52,197</u>	<u>\$47,533</u>	<u>\$42,739</u>

- a/The amount of excess property transferred to grantees during the transition quarter (July, August, and September 1976) which changed the closing of the fiscal year from June 30 to September 30 was not included in either the fiscal year 1976 or fiscal year 1977 total.
- b/Including cooperators who receive excess property under the Cooperative Forest Fire Control Program. These organizations are included in Public Law 94-519 as an exemption to the requirement that Federal agencies pay to the Treasury 25 percent of the acquisition cost of excess property transferred to eligible grantees.
- c/The Justice System Improvement Act of 1979 (Public Law 96-157, approved December 27, 1979) overhauled and streamlined the Federal approach to criminal justice assistance, research, and statistics. The program is coordinated by the Office of Justice Assistance, Research and Statistics and implemented by the National Institute of Justice and the Bureau of Justice Statistics. Most of the Law Enforcement Assistance Administration programs were terminated on April 15, 1982; however, the "Sting," Treatment Alternatives to Street Crime, Organized Crime Intelligence, and Public Safety Officers' Benefits programs were transferred to the Office of Justice Assistance, Research and Statistics.
- d/The Defense Civil Preparedness Agency became part of the Federal Emergency Management Agency on July 15, 1979.
- e/The Community Services Administration closed on September 30, 1981.

SYNOPSIS OF GAO FINDINGSREGARDING TRANSFER OF EXCESSPROPERTY TO FEDERAL GRANTEESGENERAL SERVICES ADMINISTRATION

In our first biennial report, we recommended that the Administrator of General Services require GSA personnel to thoroughly review proposed transfers of excess property to Federal grantees and to return, without approval, those which do not appear proper. These include any nonreimbursable transfers of common-use items to National Science Foundation grantees and any transfers to grantees whose eligibility has expired or soon will.

On September 15, 1980, the Office of Personal Property, FPRS, issued a memorandum to all regions again emphasizing what information is required by the FPMR to be provided on a Transfer Order Excess Personal Property (SF 122) that requests excess property for a Federal agency grantee. Federal Property Management Regulations subpart 101-43.320(c) states:

"* * * all transfer orders submitted to GSA for excess personal property to be made available to project grantees shall be signed by the agency accountable officer and shall state the name of the project grantee, the grant number, and the scheduled date of grant termination. The transfer order also shall specify the purpose of the transfer and affirm that the transfer of the property is requested for use by a project grantee in accordance with provisions of this [FPMR] Part 101-43."

GSA officials informed us that adherence to the FPMR procedures is checked during the regional management reviews. The utilization portion of these reviews includes an assessment of the regions' adherence to the FPMR approval procedures concerning excess transfers, the overall management of the utilization program, and compliance with the provisions of Public Law 94-519. We were provided a copy of the utilization checklist that had been developed as a guide for these reviews.

As a result of our first report, GSA discontinued transferring to National Science Foundation grantees any excess property that did not fall into the supply groups designated in the FPMR as scientific equipment, unless the transfer order contained the National Science Foundation's certification that the property was part of or related to scientific research or was otherwise difficult to obtain. The FPMR designates as scientific

equipment the following Federal Supply Classification groups: 14--guided missiles; 43--pumps and compressors; 48--valves; 58--communication, detection, and coherent radiation equipment; 59--electrical and electronic equipment components; 66--instruments and laboratory equipment; 67--photographic equipment; 70--general purpose automatic data processing equipment, software, supplies, and support equipment; and 74--office machines and visible record equipment. Each of the transfer orders we reviewed at the National Science Foundation requesting property not designated by GSA as scientific equipment contained the required FPMR certification.

To comply with that part of the GAO recommendation that excess property not be transferred to grantees whose eligibility has expired or soon will, GSA on September 15, 1980, issued a memorandum that established the requirement that any request for property received within 60 days of the grant's termination date not be approved until the grantor agency has been contacted to determine if the grant is to be extended or renewed. If it is, a notation should be made on the transfer order to include the name and title of the individual contacted. If the grant is not to be extended or renewed, then the request should be disapproved unless the grantor agency certifies that the property is needed in order to complete the project grant within the remaining time period.

FOREST SERVICE,
DEPARTMENT OF AGRICULTURE

Forest Service officials informed us that Public Law 94-519 has not had an adverse impact on the Cooperative Forest Fire Control Program. The implementation of the act resulted in substantial increases in the amount of excess property furnished to State forestry organizations under the Cooperative Program. Forest Service officials stated that the increases were attributed to the program's exemption from the requirement that Federal agencies pay 25 percent of the acquisition cost of excess property transferred to eligible grantees. This requirement reduced the number of non-Federal organizations competing for excess property.

Forest Service officials reiterated the fact that the State forestry agencies, which receive excess property under the Cooperative Forest Fire Control Program, are not grantees but are cooperators with the Federal Government in providing fire protection for State and private forests, ranging from prevention to presuppression to suppression of fires. They stated that State forestry agencies have the authority to acquire excess property independent of their authority to receive cooperative funds and that the excess property transfers could continue

without the transfer of funds. Therefore, they believe the dollar value of excess property transferred should not be limited by the funding level for a given year. Also, excess property transfer orders do not contain an expiration date because the Service's authority to transfer excess property does not expire annually or periodically.

We agree that the State forestry agencies technically are not grantees. However, we believe that various principles and issues concerning excess property transferred to grantees, which are cited in section 202(d) of the Federal Property and Administrative Services Act of 1949, as amended, and expanded upon in FPMR subpart 101-43.320(e) and (g), should also apply to the State forestry agencies receiving property from the Forest Service. As stated in our 1980 report, we believe that it would not be fair and equitable to allow State forestry agencies to obtain excess property on significantly more favorable terms than grantees. Unless the Forest Service and the Department of Agriculture exercise controls similar to those the FPMR requires the Federal grantor agencies to exercise, this could happen.

In 1978 the Forest Service published Guidelines for Administering the Cooperative Fire Control Federal Excess Personal Property Program, commonly called the "Redbook," setting forth requirements for the use of excess property transferred to State forestry organizations for use in their forest firefighting programs. The Redbook sets out specific limitations on using and stockpiling property by these State organizations, requires that utilization reviews be performed at least every 4 years, and provides a detailed audit checklist to be followed in evaluating the propriety of use being made of the property.

During our first review, we found that the Colorado State Forest Service had stockpiled about a 2-year supply of excess vehicles. Following our first review, the Forest Service reexamined its guidelines for administering the Cooperative Program and considered imposing tighter controls to prevent unreasonable stockpiling. At the time of our second review, the results of this reexamination had not yet been formalized in new guidelines. During our second review, we did not note instances of unreasonable stockpiling by non-Federal organizations receiving excess property under the Cooperative Program.

One of the States we visited that had a Cooperative Program in operation was California. State and local firefighting units there can, through the program, receive Federal excess property for firefighting purposes. The title to the property remains

with the Forest Service, which is charged with both approving the transfer and maintaining appropriate controls. According to State and local officials, receiving Federal excess property has been essential to the survival of rural fire units during this period of budget tightening.

According to the California Department of Forestry, Federal Excess Property Program manager, use of excess property has grown from about \$750,000 to over \$13 million over the last 8 years. He claims a full range of property is used in the program, from refrigerators to fire trucks. However, availability of certain items has diminished, especially kitchen equipment, such as pots and pans. Overall, the State is getting a lot of essential items through the program.

Property records at the California Department of Forestry and subsidiary units are computerized, but at the time of our review they did not pinpoint the location of Federal excess property. Forest Service and Department reviews focused on this problem, and the inventory system is being updated so that actual locations for each item of property will be accurately reflected. We performed an inventory verification at one departmental location and located each of the 11 items selected.

The rural fire districts are a major beneficiary of the Cooperative Forest Fire Control Program. The Ventura County Fire Department actively supports the Forest Service in its fire operations in southern California, an area with frequent wildland and structure fires. We inspected a helicopter that had been received through the Department and found it was being used for its intended purpose.

DOD

A DOD official informed us that DOD did not transfer any excess property to grantees during fiscal years 1980 and 1981.

DEPARTMENT OF ENERGY

Officials informed us that it is departmental policy not to acquire excess property for transfer to Department grantees.

ECONOMIC DEVELOPMENT ADMINISTRATION, DEPARTMENT OF COMMERCE

The Department of Commerce has made a policy decision to not participate in a program of acquiring and transferring excess property to grantees. The Department has also made a policy decision to cease all transfers of excess property to

Indian tribes, as defined in section 3(c) of the Indian Financing Act, which are exempt under Public Law 94-519 from the 25 percent of acquisition cost reimbursement requirement.

DEPARTMENT OF HEALTH AND
HUMAN SERVICES

Department officials stated that the Department did not transfer any excess property to grantees during fiscal years 1980 and 1981.

BUREAU OF INDIAN AFFAIRS,
DEPARTMENT OF THE INTERIOR

A Department official informed us that the amount of excess property the Bureau has furnished to federally recognized Indian tribes has declined since the implementation of Public Law 94-519. Federally recognized Indian tribes are exempt from the 25 percent reimbursement requirement imposed by the act; however, the Bureau must retain title to the property. The decline has been attributed to the requirement that title be retained by the Bureau. Efforts to furnish property to Indian tribes under grants from the Bureau and other Federal agencies have been greatly constrained by the inability to vest title in the recipient. The Bureau supplied us with correspondence favoring amending Public Law 94-519 to permit the vesting of title to personal property furnished under grants to federally recognized Indian tribes without depositing the 25 percent reimbursement into the Treasury. This correspondence pointed out that the grantor agency must maintain detailed inventory and accounting records and periodically examine the recipient's inventory records and procedures through physical, property, and record audits. Also, the myriad of regulations and directives governing the use of and recordkeeping for property must be included in the grant documents.

During fiscal year 1980, the Bureau did not furnish any excess property to federally recognized Indian tribes. However, during fiscal year 1981, the Bureau furnished about \$871,000 at acquisition cost of personal property to federally recognized Indian tribes as well as Indian tribes eligible under contracts and grants to receive excess property under the Indian Self-Determination and Education Assistance Act (Public Law 93-638, approved January 4, 1975).

Federally recognized Indian tribes are eligible to receive excess property at no cost under the provision of Public Law 94-519 but are not eligible to receive surplus property. However, Indian tribes located on State reservations are eligible to receive surplus property through the State administered programs. In effect, however, the amount of excess property had decreased in recent years for Indian tribes on Federal reservations because of

- the repeal of section 514 of the Public Works and Economic Development Act of 1965 under which Indian tribes could receive excess property for economic development purposes through a Regional Action Planning Commission,
- the Department of Commerce policy decision not to transfer any excess property through the Economic Development Administration, and
- the administrative requirements that retaining title places on the Bureau of Indian Affairs.

The Director, Office of Acquisition and Property Management, in a July 20, 1981, memorandum to the Associate Solicitor, Division of General Law, submitted a legislative change proposal to "renew" the flow of excess and surplus property to eligible Indian tribal activities. According to the memorandum, this flow was "diminished remarkably" by the passage of Public Law 94-519 and the proposal would remedy this situation. One section of the proposal would amend section 202(d)(1)(B) which states:

"* * * the sponsoring Federal agency pays an amount equal to 25 per centum of the original acquisition cost (except for costs of care and handling) of the excess property furnished, such funds to be covered into the Treasury as miscellaneous receipts * * *."

The proposal would add the phrase "this subparagraph shall not apply to property furnished in connection with grants to Indian Tribes as defined in Section 1452(c) of Title 25" which defines the tribes that are recognized by the Federal Government as eligible for services from the Bureau of Indian Affairs. The other section involves amending section 203(j) and adding a new paragraph 6 stating:

"For the purpose of the application of this subsection for donations to Federally recognized Indian tribes, (A) the term 'public agency' includes any Indian tribe as defined in Section 1452(c) of Title 25, any political subdivision thereof or any group, band, Pueblo, or community or council thereof (including instrumentalities created by compact or other agreement between such tribes or political subdivisions) and (B) the terms 'State' and 'chief executive officer of the State' includes the Secretary of the Interior."

In summary, the proposal would (1) permit the Department to pass title for property furnished under Indian grants without payment of the 25 percent of acquisition cost and (2) add federally recognized Indian tribes as eligible recipients to receive surplus property through the State Agencies for Surplus Property under the Donation Program. At the completion of our audit work, the proposal was being reviewed by the Department's Associate Solicitor.

LAW ENFORCEMENT ASSISTANCE
ADMINISTRATION,
DEPARTMENT OF JUSTICE

The Law Enforcement Assistance Administration, which was included in our first review, was merged into the Office of Justice Assistance, Research and Statistics, by the Justice System Improvement Act of 1979 (Public Law 96-157, approved December 27, 1979). Office of Justice Assistance, Research and Statistics officials informed us the entire excess property program has declined and little property has been acquired for grantees. They stated these factors are not a result of Public Law 94-519, but rather are the result of Federal agencies obtaining and using more excess property due to budget cuts and the moratorium on the procurement of furniture and equipment instituted by GSA and extended by an Office of Management and Budget freeze. Although the Office has been responding to grantees' requests for excess property, it has not pushed the excess property program. During fiscal years 1980 and 1981, the Office transferred \$767,399 and \$241,253, respectively, to its grantees. Of the amount transferred during fiscal year 1981, about \$239,000 was transferred to the Los Angeles Sheriff's Department and the remainder was transferred to the Fort Lauderdale Police Department. Most of the Law Enforcement Assistance Administration programs were terminated on April 15, 1982.

The Office of Justice Assistance, Research and Statistics maintained a card file showing the

- name of grantee,
- amount of grant,
- date and amount of property requested, and
- cumulative amount of excess property transferred under the grant.

When a grantee submitted a transfer order, it was checked by the Personal Property Branch for the expiration date and against the card file to ascertain if the amount of the property requested, when added to the cumulative amount of property requested, would exceed the value of the grant. If the grant had expired and/or the amount of property requested would exceed the value of the grant, the Branch returned the transfer order unapproved to the grantee. If the grant had not expired and the request did not exceed the value of the grant, the amount of property requested by the transfer order was manually posted to the card. The transfer orders we reviewed showed the grant number, expiration date, required amount for the 25 percent reimbursement check, and a statement that "check will be forwarded to U.S. Treasury for deposit as miscellaneous receipts." If a reimbursement check had not been received within 30 days of the transfer, the Branch telephoned the grantee. Most of the time a reminder was not needed, but when it was one telephone call was all that was needed to have the grantee submit the reimbursement check.

Site visits are made by the project manager to determine how a grantee is using the property. Also, audits covering the accountability, compliance, and financial transactions must be performed not less frequently than once every 2 years.

EMPLOYMENT AND TRAINING ADMINISTRATION,
DEPARTMENT OF LABOR

Employment and Training Administration headquarters officials informed us that Public Law 94-519 continues to be a deterrent to the transfer of excess personal property to their project grantees. Reasons cited were the imposition of a 25 percent of acquisition cost payment on the transfer of excess property to project grantees. Also, the poor quality of available excess property was given as another reason.

As a result of our last review, the Administration has:

- Developed a draft Grantee Property Management Monitoring Guide to assist in adequately monitoring property provided to grantees and a checklist to be used during reviews of grantee operations.
- Issued field memorandums on the acquisition, accountability, and disposition of personal property furnished or acquired with grant funds until the Property Handbook for Employment and Training Administration Project Grantees can be revised.
- Included in all grant documents the following clauses on personal property
 - (a) all property bought with grant funds having a unit acquisition cost of \$300 or more must be approved prior to purchase by the project officer and the Administration property officer;
 - (b) the Department of Labor reserves the right to take title to property bought with grant funds with a unit acquisition value of \$1,000 or more, when the grant terminates or if the property is no longer required for its intended purpose;
 - (c) excess property may be acquired for grants provided the grantee pays 25 percent of the acquisition cost; however, federally recognized Indian tribes do not have to pay the 25 percent of the acquisition cost under their grants; and
 - (d) a restatement of the handbook provisions regarding the acquisition, accounting, and disposition of property.

The National Property Office and each of the regional offices maintain their own grant records. In order to determine the total amount of property transferred to all grantees, the totals from these separately maintained records would have to be added together. When the National Property Office receives a transfer order, it manually checks the amount of property requested against the cumulative amount requested to determine if the request, when added to the cumulative amount, would exceed the dollar value of the grant. If the request exceeds the dollar value of the grant, it is returned to the grantee unapproved; if it does not, the transfer order is processed. Little property is requested through the National Property Office, and the property that is requested usually has a small acquisition cost.

A Boston regional office official told us that the region does not have a procedure to check the amount of property requested against the cumulative amount requested because the acquisition cost of property requested and transferred has not approached the dollar value of the grants. For example, during fiscal year 1981, the region transferred property having an acquisition cost of \$78,426.62 while recipient grants ranged from \$2 million to \$60 million.

During fiscal years 1980 and 1981, the Administration transferred excess property having an original acquisition cost of \$346,191 and \$441,476, respectively. An Administration official attributed the fiscal year 1981 increase to the deactivation of training facilities in California and Texas, which resulted in the availability of an unusual amount of machinery.

The transfer orders we reviewed contained the statement "after receipt of the property, the grantee agrees to forward a check to the Department of Labor Property Officer in the amount of 25 percent of the acquisition cost of the items within 10 working days." If a check has not been received by the National Property Office or the regional offices within 2 weeks or 30 days, respectively, a telephonic followup is made with the grantee. The Department of Labor requested and Treasury established an accounting code within Treasury's miscellaneous receipts for the purpose of depositing the 25 percent reimbursement checks. A majority of the transfer orders also contained the grant number and the grant termination date.

The Job Training Partnership Act (Public Law 97-300, approved October 13, 1982) repealed the Comprehensive Employment and Training Act but provided for a transition period which expires on September 30, 1983. An Administration official informed us that the new act relies heavily on State versus Federal involvement through block grants and that the amount of excess property transferred will probably decline.

FEDERAL EMERGENCY
MANAGEMENT AGENCY

Federal Emergency Management Agency officials informed us they did not transfer any excess property to grantees during fiscal years 1980 and 1981. Also, the Agency does not have a program under which grantees can obtain Federal excess property because its grantees are unwilling to pay the 25 percent fee imposed by Public Law 94-519.

Prior to the implementation of Public Law 94-519, the Agency's predecessor agency, the Defense Civil Preparedness Agency, which was part of DOD, provided excess property to State and local civil defense organizations under its Contributions Project Loan Program. However, only about 10 percent of the total property provided under this program was excess property; the remainder was DOD property that had not been declared excess. After the act's implementation, the Defense Civil Preparedness Agency stopped providing excess property to grantees because of their unwillingness to pay the 25 percent fee.

The creation of the Federal Emergency Management Agency on July 15, 1979, severely affected the Contributions Project Loan Program. Because the Agency was not part of DOD, it could no longer transfer DOD property free of charge. Thus, State and local civil defense organizations depend on the Donation Program for Federal property.

Public Law 97-380, approved December 22, 1982, authorized the Administrator of General Services to donate to State and local governments certain Federal personal property loaned to them for civil defense use. Upon certification by the Director, Federal Emergency Management Agency, of each property's continued use for which it was loaned, the Administrator of General Services would transfer ownership of the property to the State or local government entity holding the property. This act enables the Agency to close out the Contributions Project Loan Program.

NATIONAL SCIENCE FOUNDATION

The Head of the Property Section, Division of Grants and Contracts, stated there has been a decline in the amount of property transferred to National Science Foundation grantees. He attributed this decline to the generally poor condition of the property and the adherence to the restriction contained in the Foundation's Notice Number 58, dated February 17, 1978, that grantees may only acquire excess property equal to the dollar value of the grant.

The Foundation transferred excess property with an acquisition cost of \$26.1 million to grantees in fiscal year 1979. However, the amount transferred declined to \$14.9 million in fiscal year 1980. In fiscal year 1981, the amount transferred was \$21.2 million. This increase was attributable to the availability and transfer of more expensive items of property that other agencies, not exempt from the 25 percent reimbursement requirement, were

unwilling to obtain because of the 25 percent reimbursement requirement.

We selected and reviewed grant folders and found that each transfer order contained, as prescribed in Notice Number 58, (1) the name of the grantee, (2) the grant number, (3) the expiration date, (4) the statement "the above equipment is requested for use by a project grantee in support of scientific research or science education as outlined in the grant" and (5) the statement that the transfer is in accordance with the provision of 41 CFR 101.43. Also, although the notice did not require it, most of the transfer orders we reviewed contained the statement "the property requested herein is certified to be an integral part or related to scientific research equipment and is required for use on a scientific research project." This statement, taken from subpart 101-43.320(b)(2)(iv) of the FPMR, is applicable to requests for items of excess property that are not in the Federal Supply Classification groups GSA has defined as scientific. The FPMR requires the Foundation to certify that the item requested meets these conditions and should make the item available to the grantee. We also noted that requests for property that would exceed the value of the grant were being approved by an administrative level higher than the program manager who normally administers the grant and that a written justification as to the reason the grantee needs the property was attached. The Property Section has developed a form that shows the grant number, the grant amount, the expiration date, the amount of property per request, and the cumulative amount of property requested by the grantee. This form is placed in each grantee's folder.

The Foundation closely monitors requests for property under grants that will expire within 90 days. When a request is received under a grant that is to expire within 90 days, the Foundation checks the management information system report, which lists all active grants, to determine if the grant has been extended or renewed. If the grant has been extended or renewed, the transfer order is annotated with the new date and approved. If it has not, the transfer order is returned to the grantee with an explanation as to why the request was disapproved.

The following table shows the amount of property the Foundation transferred, according to GSA statistics, during fiscal years 1980 and 1981 that was designated as scientific or not scientific.

APPENDIX II

APPENDIX II

	<u>Fiscal year</u> 1980		<u>Fiscal year</u> 1981	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	(millions)		(millions)	
Designated scientific	\$19.8	86.5	\$13.7	83.0
Not designated scientific	<u>3.1</u>	<u>13.5</u>	<u>2.8</u>	<u>17.0</u>
Total	<u>\$22.9</u>	<u>100.0</u>	<u>\$16.5</u>	<u>100.0</u>

As previously stated, the transfer orders we reviewed requesting items not designated by GSA as scientific equipment contained the required FPMR certification and had been approved by GSA. However, we did find a request for a four-wheel drive ambulance, having an acquisition cost of \$4,775, that the Foundation had approved. The transfer order contained the FPMR certification, and the grantee was requesting the vehicle without reimbursement for use under its Foundation scientific grant. GSA Region 9, San Francisco, rejected the request, stating the vehicle was, in its opinion, a common-use or general purpose item and was subject to the 25 percent reimbursement requirement. In a September 6, 1981, memorandum, GSA informed the Foundation:

"Recent management reviews of several General Services Administration (GSA) regional offices revealed a significant number of requests for the transfer without reimbursement of common-use or general purpose excess personal property intended for use by project grantees of National Science Foundation (NSF). Pursuant to Public Law 94-519 and FPMR 101-43.320(b)(2)(iv), excess common-use or general purpose property, such as typewriters, furniture, vehicles, hand tools, fuels or metal sheets and shapes, regardless of FSG [Federal Supply Group] or unit acquisition cost, shall not be transferred to NSF for use by a project grantee without reimbursement of 25 percent of the original acquisition cost.

"We request that NSF strengthen, the internal certification and review process of grantee requests for excess personal property to ensure that no transfer requests for general purpose or common-use items without reimbursement are submitted to GSA for approval."

Foundation officials informed us that during fiscal years 1980 and 1981 they did not make any transfers of common-use items

under their interpretation of what constitutes a common-use item, such as office machines, office furniture, and motor vehicles. They further stated that grantees are reluctant to pay the 25 percent reimbursement on such transfers and that it is not practical for the Foundation to transfer these items because the Foundation does not have the funds to absorb the required reimbursement.

The physical inspection of excess property obtained under a Foundation grant is made during site visits. The results are recorded on an Appraisal of Utilization/Administration of Excess Property Furnished Foundation Grantees, National Science Foundation Form 410. This form is a fill-in-the-block type of checklist and requests the name of the institution and principal investigator, the grant title and number, and a description of the property and the function it performs under the grant. It also asks if

- there was evidence of stockpiling, improper use, or property to be disposed of;
- the property was inspected prior to acquisition, if the requests were prepared properly, and if property received was promptly reported to the Foundation; and
- the institution maintains property control records.

We reviewed several of the completed forms and found that they covered all items contained in the checklist. Each year at least two research centers and six universities are scheduled for visits by Foundation officials to monitor the use of property by the grantee and to determine if the objectives of the grant are being accomplished.

AGENCY FOR INTERNATIONAL DEVELOPMENT,
UNITED STATES INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

Agency for International Development (AID) officials informed us that Public Law 94-519 continues to have an adverse impact on the acquisition and transfer of excess property to recipients under section 608 of the Foreign Assistance Act of 1961. The act prohibits AID from obtaining domestic excess property for its grant program recipients until the property has been offered to the States through the domestic Donation Program or unless AID pays the Treasury 25 percent of the property's original acquisition cost. According to these officials, the

only solution to this problem is legislation, which would restore their priority to acquire excess property.

As a result of the act and revised procedures, certain AID programs do not have as ready access to excess property, without cost, as they had in the past. Consequently, there has been a general decline in the amount of Federal property used by these programs. However, the extent to which this decline was caused by the act's implementation cannot be accurately measured because other factors were also responsible. During our last review, we found that the general decline in the use of Federal property, including excess property, by AID was attributed to various factors, in addition to the implementation of Public Law 94-519, including

- increased costs of reconditioning excess property,
- higher transportation costs to move property overseas,
- a lack of support by AID overseas officials for use of excess property, and
- a lack of interest on the part of foreign country officials in using excess property.

To offset what it viewed as a loss of domestic excess property, AID began acquiring other types of property, primarily material that is in long supply.^{1/} At the time of our last review, this type of property did not fall within the legal definition of excess property. However, section 608 of the Foreign Assistance Act authorizes AID to acquire "other property." For the most part, excess property can be obtained without reimbursement by AID. However, the acquisition of long supply property results in AID reimbursing the holding agency. Although nonexcess property must be purchased from the holding agency while excess property does not, AID believes nonexcess property is generally of better quality. Consequently, AID has begun to use large amounts of nonexcess property in its program. In fiscal year 1979, AID obtained 45 percent of the property it distributed from nonexcess sources. However, by fiscal year 1981, this amount had increased to 53 percent--\$5.7 million out of a total of \$10.7 million acquired.

The International Security and Development Cooperation Act of 1981 (Public Law 97-113, approved December 29, 1981) amended section 608(a) of the Foreign Assistance Act of 1961 to allow for the acquisition of nonexcess property. Section 701 of Public Law 97-113 was inserted by the House Committee on Foreign Affairs and in House Report Number 97-58 the Committee explained that

^{1/}Long supply refers to a quantity of property that is above the retention level but is not excess to the needs of the agency.

"* * * Section 608 provides the basic authority for AID to acquire excess property which becomes available from other U.S. Government agencies, for use in development assistance programs overseas.

"Due to changes in the Law [Public Law 94-519] governing the governmentwide excess property system, AID's access to excess property has been significantly inhibited, thus forcing AID to acquire nonexcess property in order to satisfy the needs of its foreign aid recipients. However, the question has arisen as to whether AID's acquisition of nonexcess property (that is, property for which some reimbursement must be made to the owning agency) is permissible under the language of section 608.

"This amendment does not restore AID's priority in acquiring excess property, nor does it increase the property available for acquisition by AID. It merely provides a legal clarification which will remove any question of AID's authority to acquire nonexcess property. The amendment also provides that nonexcess property acquisition by AID be limited to cases in which substantial savings can be achieved by such acquisition."

The approval of Public Law 97-113 clarified the acquisition of nonexcess property under section 608. However, AID officials stated legislative relief is needed to raise the priority of section 608 recipients back to the position they held prior to the passage and implementation of Public Law 94-519. While we do not agree with AID's position that a change in the current law is necessary, we have presented its views to inform the Congress of this matter.

COOPERATIVE EXTENSION SERVICE,
DEPARTMENT OF AGRICULTURE

During our first biennial review, officials of the Cooperative Extension Service, Department of Agriculture, told us that, although State and county agricultural extension services were not grantees, they had received substantial amounts of excess property through the Cooperative Extension Service before the implementation of Public Law 94-519. The amount of excess property at acquisition cost obtained by these services prior to the act is shown in the following table.

<u>Fiscal year</u>	<u>Excess property received</u>
	(millions)
1977	\$3.2
1976	5.4
1975	8.0
1974	8.9
1973	7.6

The fiscal year average was \$6.6 million. After approval of Public Law 94-519, GSA determined that these services were not eligible to receive excess personal property from the Federal Government. Therefore, according to Agricultural officials, the act killed the excess property program for the State and county extension services.

Section 1443 of Public Law 97-98 (The Agriculture and Food Act of 1981) added a fifth exemption to section 202(d)(2) of Public Law 94-519, allowing any State or county extension service engaged in cooperative agricultural extension work to receive excess personal property without payment of the 25 percent of the acquisition cost; however, title to this property is retained in the Federal Government. The Chief, Personal Property Management Branch, Administrative Services Division, Science and Education, Department of Agriculture, who is responsible for excess property transferred by the Cooperative Extension Service, stated he has initiated action to have the Extension Service as well as State and institutions engaged in cooperative agriculture research declared eligible by GSA to screen and obtain excess property. He estimates that \$6 million in excess property is transferred a year to about 94 institutions that have about 250 different institutional programs and are eligible to receive excess personal property under the provisions of section 1443 of Public Law 97-98.

GSA officials told us the impact of Public Law 97-98 on the Utilization and Donation Programs of the service obtaining excess property will be fairly minimal because, as a rough estimate, between \$6 million and \$7 million in excess property each year was obtained by the service for State and county agricultural extension services prior to the implementation of Public Law 94-519.

On June 4, 1982, Agriculture submitted procedures for the acquisition, use, disposal, recordkeeping, and reporting

requirements relating to Federal excess property to GSA. GSA's Office of Personal Property, FPRS, in a July 21, 1982, memorandum, instructed its consolidated regions that they may start approving requests for transfers of excess personal property to Service recipients.



General
Services
Administration

Washington, DC 20405

MAR 3 1983

Honorable Charles A. Bowsher
Comptroller General of the United States
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Bowsher:

We are pleased to respond to your draft report entitled "Public Law 94-519 is Generally Being Implemented as Intended by the Congress" (PLRD-SMD-83-5).

We have reviewed the report in detail and concur with the report recommendations. Our specific comments on each recommendation are contained in the enclosed statement. Please be advised, however, that the GSA Order ADM 5440.282, dated January 13, 1983, which is discussed in chapter 4 (page 57) of your report, was not a transfer of functions but a reorganization of functions within the regions. We would appreciate the report being revised accordingly.

If we can provide any additional information, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roy Aline', is written over a faint, illegible typed name.

Roy Aline
Deputy Administrator

Enclosure

GSA Comments on the
GAO Draft Report, "Public Law 94-519
Is Generally Being Implemented as Intended
by the Congress" (PLRD-SMD-83-5)

Recommendation:

The Administrator of General Services defer action of GSA's earlier recommendation regarding termination of the reporting requirement of section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended, until such time as the new computer system has proven to produce complete and accurate data on transfers of excess property to non-Federal organizations.

Comment:

We concur and will continue the reporting requirement until we are satisfied that our computer systems are accurate. We are now in the process of correcting the computer systems and therefore plan to submit a legislative package to Congress requesting the amendment of the Federal Property and Administrative Services Act of 1949 to delete this reporting requirement.

Recommendation:

Assure that all GSA allocating regional offices use procedures as effective as those used by the San Francisco region to allocate donable property among the States equitably based on uniform historical information on past allocations of highly desirable reportable items of property. This information should include for each type of item the quantity, acquisition cost, and condition of property previously allocated to each State.

Comment:

A review of the allocating procedures at Regions 4, 7, and the National Capital Region (NCR) has established that Regions 7 and NCR are using manually compiled historical registers similar to the ones used by Region 9. Region 4 has advised that they are using the computerized RCS 44 historical register with acceptable results. The FPRS-1 system is currently being redesigned to include development of an improved historical register. We anticipate that this improved register will be available for use at all four allocating regions in the near future. It is planned that the new register will include for each item the type, acquisition cost, condition of the property previously allocated to each state, and a clean control number.

Recommendation:

Emphasize to the State Agencies that continued participation in the Donation Program is dependent on their compliance with the Act's requirement for (1) submission of permanent, legislatively developed State plans of operation by June 30, 1984, and (2) all other provisions of the Act, such as establishing adequate accountability and the conducting of external audits.

Comments:

(1) On January 5, 1982, we sent Donation Program Memorandum No. DPD-4-82 to all GSA regions and Directors of State Agencies for Surplus Property, restating the legal requirement for permanent plans of operation. In addition, the Executive Committee of the National Association of State Agencies for Surplus Property (NASASP) was reminded of the requirement for permanent plans during the February 1983 meeting and we will remind the full membership of NASASP of this requirement at their July 1983 meeting. As of this date, eight States have submitted permanent plans which have been accepted.

(2) The Donation Handbook PRM P 4025.1, Chapter 2-13, provides that each State Agency for Surplus Property shall be reviewed by the responsible GSA regional office once every 2 years. Chapter 2-14, requires State agencies to have an external audit every 2 years. Generally, the GSA review is made during the year when the external audit is not being made. However, due to budget and personnel restrictions at both the Federal and State levels, there has been some deviation from these requirements during the past 5 years. In addition to the audits and regional reviews during this same period, there have been a number of State agency audits by the GSA Inspector General's Office and two program reviews by the General Accounting Office. The combination of these activities has resulted in approximately 230 compliance cases wherein malfeasance was found and appropriate actions were taken, and the development of a large number of requirements and recommendations for administrative and operating improvements all of which have been implemented by the State Agencies. Although program overview has not been at the optimum level planned, we believe it has been sufficient in emphasizing the need for State agencies to comply with the provisions of Public Law 94-519 including the establishment of adequate accountability controls and the conduct of external audits.

Recommendation:

Resolve the inconsistency between the California State Agency's financial records and the financial matters contained in the audit report of the California Department of Finance and determine whether the increase in service charges granted was appropriate and should be allowed to remain in effect.

Comment:

At this time the Central Office and Region 9 do not have sufficient information to resolve the inconsistency between the California State Agency's financial records and the audit report by the Department of Finance. Early action will be taken to obtain the needed information from the State Agency. Once this information is received, it will be analyzed and our findings will be forwarded to you at that time.

BILL HONIG
Superintendent of Public Instruction
and Director of Education



STATE OF CALIFORNIA
DEPARTMENT OF EDUCATION
STATE EDUCATION BUILDING, 721 CAPITOL MALL, SACRAMENTO, CA 95814

February 25, 1983

John M. Harlan
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Harlan:

Enclosed are responses to selected sections of your draft report "Public Law 94-519 Is Generally Being Implemented As Intended By The Congress" pertaining to audit work performed at the California Department of Education, Office of Surplus Property.

We appreciate the opportunity to review and comment on your draft report. If you have any questions concerning our comments, please contact Richard W. Evans, Chief of the Surplus Property Section at (916) 323-8521.

Sincerely,


James B. Nelson, Director
Office of Surplus Property
(916) 445-4778

Enc.

cc: Barry L. Griffing
Associate Superintendent
Div. of Child Development
and Nutrition Services
Internal Audit Bureau

JBN:RWE:bh

CALIFORNIA DEPARTMENT OF EDUCATION
OFFICE OF SURPLUS PROPERTY
RESPONSES TO THE U.S. GENERAL ACCOUNTING OFFICE
DRAFT REPORT - PUBLIC LAW 94-519 IS
GENERALLY BEING IMPLEMENTED AS INTENDED BY CONGRESS
FEBRUARY 1983

Page 35 [See GAO note 1, p. 73.]

Auditor's Comment:

The inventory control procedures outlined in the State plan appear to be adequate; however, we found that these procedures are not always followed. For instance, inventory control procedures require that each item of property received by the State Agency be labeled with a control number. In addition, the item is to be recorded in an inventory card file by the control number. When the property is donated, the appropriate inventory card is to be posted.

Our test showed several instances where property was not labeled with the control number after being recorded in the inventory card file. When an unmarked item of property was donated, the warehouseman often put the wrong control number on the invoice which caused the wrong inventory card to be posted. Our limited sampling of inventory cards showed that 50 percent of the cards carried erroneous balances when compared to an actual count of the item in stock.

State's Response:

The State's plan of operations does not require that each individual item of property be labeled with an identification (control) number. In some instances identification tags are placed on boxes, pallets, shelves, etc. Agency procedures require donees to show the identification number, item description, quantity and service charge on the Distribution Document (invoice). The information on the Distribution Document is checked against the information on a verification card located at the checkout counter to ensure that the information on the Distribution Document will agree with the information on the Stock Record Card (inventory card). This procedure provides reasonable assurance that the wrong information will not be posted to the Stock Record Card.

The auditor reports that a limited sampling of Stock Record Cards showed that 50 percent of the cards carried erroneous balances when compared to an actual count of the item in stock. This discrepancy is possible if proper inventory procedures are not followed, which happened to be the case in this instance. Normally, items to be inventoried are counted before an opportunity exists to remove an item from stock, a check for backup stock possibly stored in another location would have to be made, and postings to the Stock Record Cards from the previous day's activity would have to be completed. These procedures were not followed when the limited sampling was taken.

Page 40 [See GAO note 1, p. 73.]

Auditor's Comment:

The California State plan requires inspections of all passenger motor vehicles and property valued at more than \$3,000 per item. A California official estimated that only between 70 and 80 percent of the required inspections are actually performed.

State's Response:

The California State plan states that passenger motor vehicles and property having a unit acquisition cost of \$3,000 or more will be investigated, either by mail or by personal inspection, at least once during the restriction period. The person with whom your auditor spoke intended her comments to mean that on-site investigations are conducted on between 70 to 80 percent of such items in addition to a 100 percent response to investigations conducted by mail.

Auditor's Comment:

All reports submitted by the screeners that indicate donee misuse or nonuse of property are routinely reviewed and rewritten by State Agency officials. This practice often delays the State Agency in taking appropriate action to correct the violation.

State's Response:

All reports prepared by screeners following an on-sight review of donee operations are reviewed by the screener's immediate supervisor before being forwarded to the Chief of the Surplus Property Section. No reports are rewritten by the supervisor or anyone else. All reports which indicate a misuse of possible misuse of donated property are investigated with dispatch and appropriate action is taken in a timely manner.

Page 43 [See GAO note 1, p. 73.]

Auditor's Comment:

According to the State Agency's financial records, it lost \$25,549.09 in fiscal year 1979 and \$208,712.41 in fiscal year 1980. However, an audit by the California Department of Finance reported that State Agency revenues exceeded costs by \$469,730.78 and \$160,372.78 in fiscal years 1979 and 1980, respectively.

State's Response:

The State agency accepted the audit statements submitted by the Department of Finance for the 1979 and 1980 fiscal years as being an accurate reflection of the agency's financial condition at that time. However, adjustments to the accounts were not made until after the close of fiscal year 1981. (See Attachments A and B.) A report on the audit conducted by the Department of Education internal audit staff, which shows a net loss of \$1,129,422.99 for the agency as of June 30, 1981, is enclosed as Attachment C. [See GAO note 2.]

GAO note 1: Page numbers in this appendix refer to pages in the draft report.

GAO note 2: The attachments are not included in this appendix.

STATE OF MICHIGAN



JAMES J. BLANCHARD, Governor

DEPARTMENT OF MANAGEMENT AND BUDGET

J. PHILLIP JOURDAN, Director

Purchasing Division
Federal Property Section
3369 N. Logan Street
P.O. Box 30026
Lansing, Michigan 48909

February 10, 1983

Mr. John M. Harlan
Group Director
United States General
Accounting Office
Washington, D.C. 20548

Dear John:

Thank you for sending me a draft of the proposed report of Public Law 94-519.

Since your personnel has been to Michigan, we have received a Legislative Concurrent Resolution accepting our State Plan of Operation as a permanent plan (see the attached copies).

Also, on page 32, your report reflects that Michigan has had only one external audit since 1977, and we have had two. (Please refer to the enclosed copies.) The 1981 audit was not available when your auditors were here.

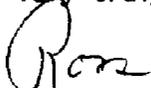
On pages 34 and 36, your audit report indicates that we do not have adequate procedures to maintain physical control of surplus property. This is a misleading statement because we do have proper procedures and inventory control at all three of our distribution warehouses: Lansing, Michigan; Cadillac, Michigan; and at Escanaba, Michigan. However, due to our State hiring freeze, we have been unable to fill vacant positions at our Cadillac warehouse. Therefore, we are temporarily operating that warehouse short-handed, which leaves much to be desired as far as security is concerned. But I assure you that this is temporary.

On page 41 of your report, it questions the approval for cannibalization. This has always been a gray area and difficult to manage. As you know, much of the federal surplus equipment must be altered in order to become usable by our doness. We have just now received a letter from GSA, dated January 18, 1983, and they are still trying to set up procedures for cannibalization. (Please see the attachments concerning cannibalization.)

Mr. John M. Harlan
Page 2
February 10, 1983

Thanks for the opportunity to comment on the draft report and for the cooperation and courtesies offered by your auditors while they were here in Michigan preparing for this report.

Very truly yours,



Ross Young, Manager
MICHIGAN FEDERAL PROPERTY SECTION

RY/sf
Enclosures

GAO notes: The enclosures provided additional information and/or support for statements made in the letter and are not included in the final report.

Page numbers in this appendix refer to pages in the draft report.



STATE OF OHIO
DEPARTMENT OF EDUCATION
COLUMBUS
43215

FRANKLIN B. WALTER
SUPERINTENDENT OF
PUBLIC INSTRUCTION

ERNEST E. LITTLER
OHIO STATE AGENCY
FOR PROPERTY UTILIZATION
1838 WATKINS ROAD
COLUMBUS, OHIO 43207
614-466-4455

March 8, 1983

Mr. Donald J. Horan
Director
United States General Accounting Office
Procurement, Logistics, and Readiness Division
Washington, D.C. 20548

Dear Mr. Horan:

I have reviewed the proposed draft of the General Accounting Office's report of the implementation of Public Law 94-519 as prepared in February, 1983. The report gives an excellent overview of the operations of the surplus property donation program as administered by the General Services Administration and the various state agencies.

The assistance to Ohio by the General Services Administration regional offices and GSA Washington headquarters both prior to the GAO review and since that time continues to be exemplary. Whenever a regional office has been contacted for help, assistance is available as much as is possible.

The GAO review was conducted during a very trying period within our operations. The review began prior to our completion of a move to our present location and the completion of the office facilities. The cooperation and understanding of the reviewer in this environment was indeed praiseworthy.

The assessment of the inventory control discrepancies are generally accurate. A major exception is that the agency and reviewers, after much searching, were able to locate sixty-four of the sixty-five items instead of thirty-five of the sixty-five items. As a point of background, it should be noted that fourteen months before the examination, the agency was bankrupt (\$31,000 in debt); had seventeen persons on staff and advertising for three additional positions (present staff is eight); the inventory was four months behind; the financial accounting was eight months behind; and files over four years old were loosely stacked in drawers and on file cabinets. Although the above areas

were of concern and needed to be resolved, major emphasis had to be placed on the solvency of the agency. Since the agency is self-supporting, it is imperative that, if the agency is to serve the donees in Ohio, it needs to exist as an entity. Financial solvency has been the number one thrust. Records have been maintained, perhaps not currently as stated in the report, but records of transactions have been available from cradle to grave.

Time has leveled the majority of discrepancies mentioned in the report. In September, 1982, a more solid base for inventory control and up-to-date record keeping was accomplished. The agency has proposed a data processing program to the Data Services Division with the Ohio State Department of Education for inventory control, financial accounting, and donee rosters. It is expected that the system will begin by July 1, 1983, and be completely in operation by November, 1983.

Utilization checks have been limited because of the cost involved. Utilization studies have been conducted in an area when screening was also performed in that area. A utilization survey was conducted in November, 1982, for forty-seven percent of items with an acquisition cost of \$3,000 or more donated during 1981 and 1982. Utilization checks not only meet the requirements of the regulations, but in the same context serve as a public relations vehicle for the program.

An elimination of unused surplus property stored for use by the agency has been recently (January, 1983) completed. An assessment of all property in use has been recorded on inventory and a new listing is being forwarded to GSA for approval.

If I may be of further assistance or if more information is required regarding our operations, please contact me.

Sincerely,



Ernest E. Littler
Chief

EEL:nh

LOCATIONS VISITED

FEDERAL DEPARTMENTS/AGENCIES

Department of Agriculture:

Forest Service and cooperators under the cooperative
Forest Fire Control Program

Department of Commerce:

Economic Development Administration

Department of Defense

Department of Energy

Department of Health and Human Services

Department of the Interior:

Bureau of Indian Affairs

Department of Justice:

Office of Justice Assistance, Research and Statistics

Department of Labor:

Employment and Training Administration

Federal Emergency Management Agency

General Services Administration:

Federal Property Resources Service:

Central Office

Region 5, Chicago, Illinois

Region 9, San Francisco, California

Office of Personal Property, Central Office

National Science Foundation

United States International Development Cooperation Agency:
Agency for International Development

STATE AGENCIES FOR SURPLUS PROPERTY

Arizona Surplus Property Division

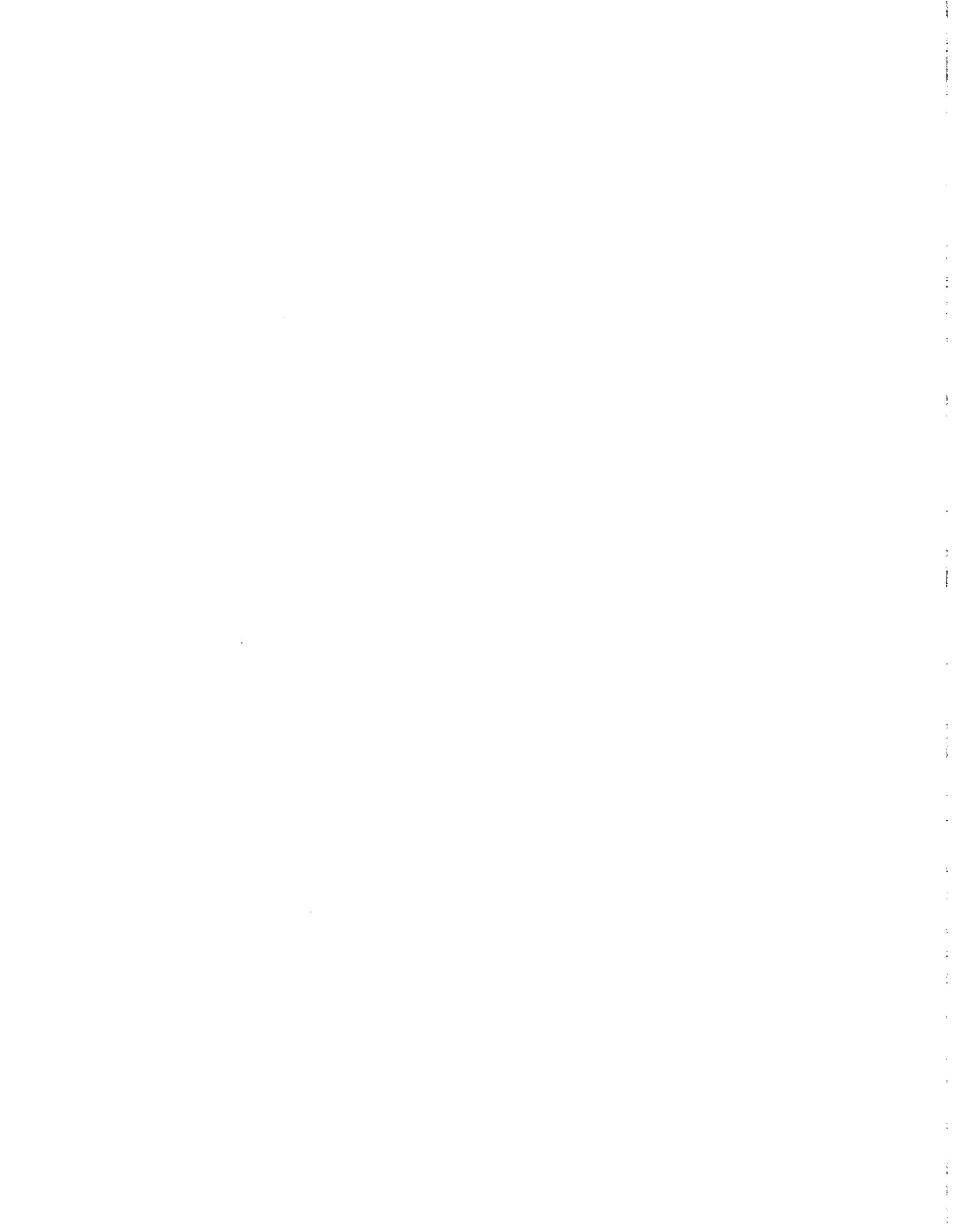
California State Agency for Surplus Property

Michigan Federal Property Assistance

Ohio State Agency for Surplus Property Utilization

NON-FEDERAL PROPERTY RECIPIENTS

Numerous donees and grantees in Arizona, California,
Michigan, and Ohio



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