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**ANNUAL REPORT OF THE
COMPTROLLER GENERAL OF THE UNITED STATES**

1974

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ANNUAL REPORT 1974

COMPTROLLER GENERAL
OF THE UNITED STATES





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

B-119600

January 15, 1975

The President of the Senate
The Speaker of the House of Representatives

Dear Sirs:

In accordance with section 312(a) of the Budget and Accounting Act of 1921, I respectfully submit the annual report on the activities of the United States General Accounting Office during the fiscal year ended June 30, 1974.

A handwritten signature in dark ink, reading "James B. Strotz". The signature is written in a cursive style with a large initial "J".

Comptroller General
of the United States

The General Accounting Office is under the control and direction of the Comptroller General of the United States. There is also a Deputy Comptroller General of the United States¹ who performs such duties as may be assigned to him by the Comptroller General and who act as Comptroller General during the absence or incapacity of the Comptroller General or during a vacancy in that office. The Comptroller General and the Deputy Comptroller General are appointed by the President with the advice and consent of the Senate for terms of 15 years.

Comptrollers General of the United States	John R. McCarl July 1, 1921—June 30, 1936 Fred H. Brown April 11, 1939—June 19, 1940 Lindsay C. Warren November 1, 1940—April 30, 1954 Joseph Campbell December 14, 1954—July 31, 1965 Elmer B. Staats March 8, 1966—
--	--

Assistant Comptrollers General of the United States	Lurtin R. Ginn July 1, 1921—November 11, 1930 Richard N. Elliott March 9, 1931—April 30, 1943 Frank L. Yates May 1, 1943—June 29, 1953 Frank H. Weitzel October 12, 1953—January 17, 1969
--	--

Deputy Comptrollers General of the United States	Robert F. Keller October 3, 1969—
---	--------------------------------------

¹Public Law 92-51 (approved July 9, 1971) changed the title Assistant Comptroller General to Deputy Comptroller General.

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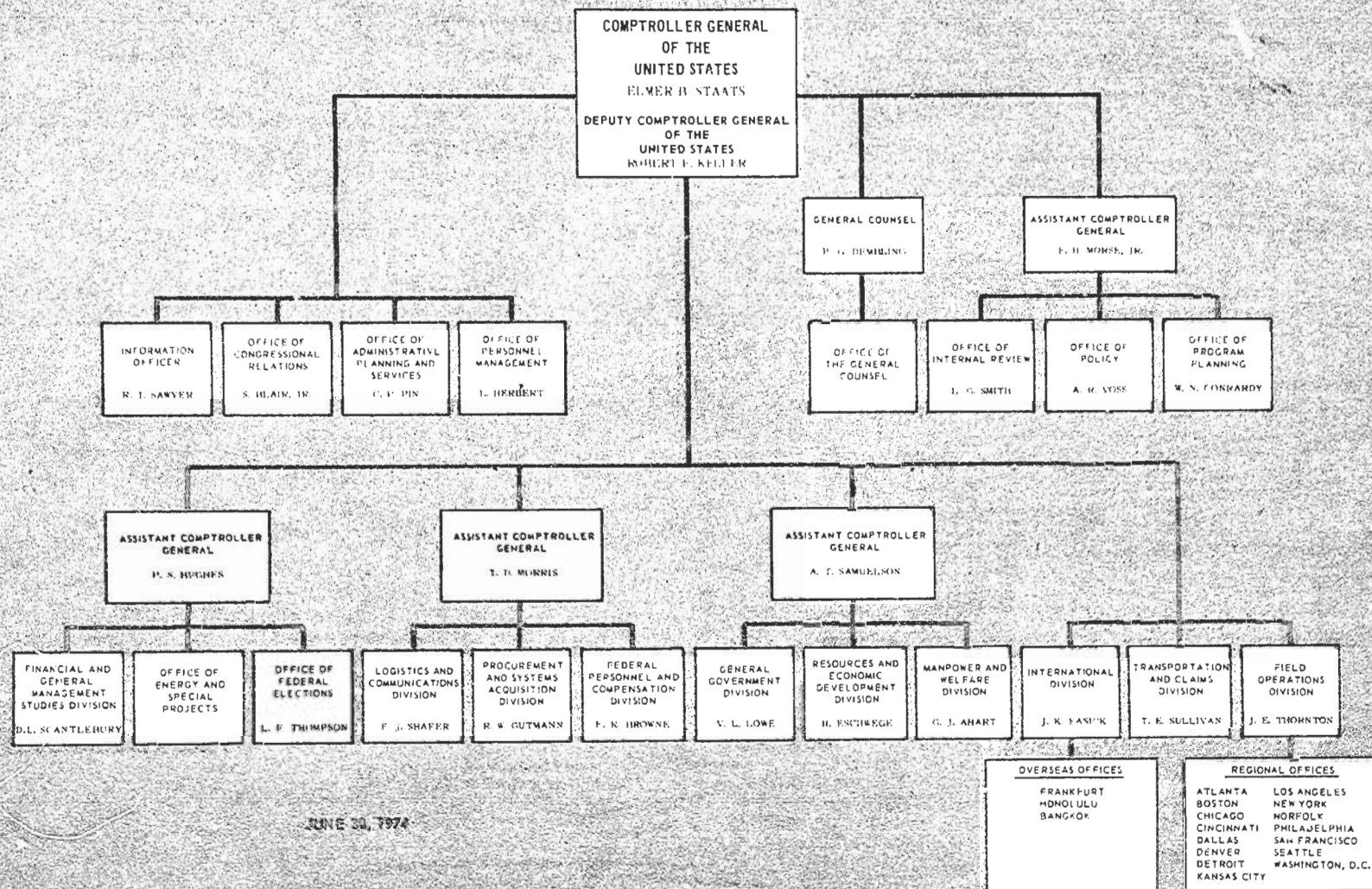
ABBREVIATIONS

ADP	Automatic Data Processing
AEC	Atomic Energy Commission
AID	Agency for International Development
AMTRAK	National Railroad Passenger Corporation
CPA	Certified Public Accountant
DOD	Department of Defense
EEO	Equal Employment Opportunity
EPA	Environmental Protection Agency
EOQ	economic order quantity
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
GAO	General Accounting Office
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
HMO	Health Maintenance Organization
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
JUMPS	Joint Military Pay System
LEAA	Law Enforcement Assistance Administration
LHA	general-purpose amphibious assault ship
METRO	Washington Metropolitan Area Transit Authority
MTMTS	Military Traffic Management and Terminal Service
NASA	National Aeronautic and Space Administration
NATO	North Atlantic Treaty Organization
NIH	National Institutes of Health
NIOSH	National Institute for Occupational Safety and Health
NORS	not operationally ready due to supply
OEO	Office of Economic Opportunity
OMB	Office of Management and Budget
OSHA	Occupational Safety and Health Administration
RVNAF	Republic of Vietnam Armed Forces
SBA	Small Business Administration
VA	Veterans Administration

PHOTOGRAPHY CREDITS

Watchdog, pp. 22, 24, 29, 86, 92, 166, 168, 182, and 183; Department of Commerce, p. 35; Cities Service, p. 42; Sundstrand Corp., p. 49; Northwest Air Photos, p. 54; Republic of Vietnam Armed Forces, p. 55; U.S. Army, pp. 58, 90, and 182; Hughes Corp., p. 65; Leatherneck Magazine, p. 83; U.S. Navy, p. 87; Veterans Administration, p. 112; U.S. Environmental Protection Agency, pp. 117 and 118; BOP, p. 135; Immigration and Naturalization Service, p. 137; U.S. Air Force, p. 150; USIS, p. 155; USIH, p. 160; St. Lawrence Seaway Development Corp., p. 174.

UNITED STATES GENERAL ACCOUNTING OFFICE



JUNE 30, 1974

CHAPTER ONE

HIGHLIGHTS OF ACTIVITIES FOR THE YEAR

The fiscal year ended June 30, 1974, was the 53d year of operation of the General Accounting Office—an independent nonpolitical agency in the legislative branch of the Federal Government. This Office was created by the Budget and Accounting Act, 1921, and carries out several interrelated functions that are assigned by law:

- Assisting the Congress in its legislative and oversight activities.
- Providing legal services.
- Auditing the programs, activities, and financial operations of Federal departments and agencies.
- Assisting in the improvement of Federal agency financial management systems.
- Assisting in the supervision and control of Federal election campaign expenditures.
- Settling claims and collecting debts.

Direct Assistance to the Congress

One of our major objectives is to render maximum assistance to the Congress, its committees, and Members consistent with our responsibilities as an independent, non political agency. We view all of our work as being of assistance to the

Congress in one way or another in carrying out its legislative and oversight functions. We, therefore, make every effort to direct our staff resources to work that produces information on Federal programs and agency operations that will be useful to the Congress and in areas which, in our judgment, will fulfill the greatest apparent need and benefit to the Government.

We classify certain work as being of *direct* assistance to the Congress. This work includes:

- Special audits or studies requested by congressional committees and individual Members of Congress.
- Studies specifically directed by legislation.
- Testimony at hearings.
- Work of GAO staff assigned to congressional committees.
- Advice and assistance to committees and Members of Congress on legal and legislative matters including reports on pending legislation.
- Accounting, auditing, and advisory services for House and Senate financial and administrative operations.
- Liaison activities with congressional committees and individual Members.

This category of work does not include the very substantial amount of work involved in auditing the affairs of Federal agencies. We make these audits either because we believe the results will be useful to the Congress or because they are required by law. Even though the committees and Members of Congress may use the information in these audit reports, we do not classify this work as direct assistance.

Statistics on the numbers of audit reports completed do not tell the full story of GAO audit operations, but they do provide an indication of the amount of work performed. Reports completed in fiscal year 1974, as compared with 1973, were as follows:

	<u>1974</u>	<u>1973</u>
Congressional reports:		
To the Congress	145	152
To congressional committees	167	180
To Members of the Congress	<u>241</u>	<u>172</u>
	553	504
Reports to Federal agency officials	322	405
Reports of Office of Federal Elections	<u>204</u>	<u>40</u>
Total	<u>1079</u>	<u>949</u>



Comptroller General Elmer B. Staats (center) and Deputy Comptroller General Robert F. Keller testify before Subcommittee on Government Operations, on bill to revise and restate certain functions of the Comptroller General, Aug. 7, 1974. Also at the witness table: Thomas E. Sullivan, Director, Transportation and Claims Division (far left) and Assistant Comptrollers General Phillip S. Hughes and E. H. Morse, Jr. (on right).

During the year, we submitted 553 reports on audits or special studies to the Congress, its committees, and its Members as compared with 504 for the previous year. In addition, copies of numerous audit reports to Federal agency officials were sent to interested congressional committees for their information and use.

Under section 236 of the Legislative Reorganization Act of 1970, Federal agency heads are required to report directly to the Committees on Government Operations and the Committees on Appropriations on actions they take on recommendations directed to them in GAO reports.

Overall, about 27 percent of our professional staff's time was spent on directly assisting the Congress during fiscal year 1974 as compared to about 25 percent for the previous year.

Reports to committees and Members—In response to specific requests for information requiring audit work or special studies, we provided 167 reports to chairmen of congressional committees or subcommittees (including 8 to officers of the Congress) and 241 reports to individual Members of Congress during the year.

Our general policy is to respond to requests of individual Members where feasible. Some of these requests can be met with little effort;

others require major effort. We find in many cases that some requests are in the same general area and we can combine them into one study. For example, several Members of Congress asked us to examine postal service and operations in various states. It soon became apparent that there was a nationwide pattern in the problems affecting the quality of mail service. As a result of the work we performed on these requests and with some supplemental work, we reported during the year to the Congress on the problems causing a deterioration in the quality of mail services and on corrective actions required.

The titles of these reports and the requesting committees and Members are shown in the complete listing of all GAO reports for fiscal year 1974 in appendix 5. Details on many of them are provided in later chapters of this report.

In addition to these reports, we provided 809 responses to Members on requests concerning claims by and against the United States. These claims involved such subjects as Government contracts, pay and allowances of personnel, travel, and transportation.

Specific studies directed by law—A major report directed by law completed during the

year was our study of the research, pilot and demonstration programs for prevention and control of water pollution which are assisted by the Federal Government. This study, directed by the Federal Water Pollution Control Act Amendments of 1972, required about 40 man-years of audit effort and cost about \$1.1 million. (See page for further details.)

Testifying at hearings—GAO representatives testified on 61 different occasions during the year before congressional committees. A complete list of these appearances and the subject matter is included in appendix 7.

Staff assignments to committees—On request, 98 staff members were assigned to the staffs of 29 different committees or subcommittees. Details concerning these assignments are shown in appendix 8, as required by the Legislative Reorganization Act of 1970.

Reports on pending legislation—First-hand review and observation of agency programs and activities enable us to provide congressional committees with independent, objective advice on proposed legislation. The committees regularly call on us to comment on pending bills. During the year, 533 reports on pending bills were furnished to committees—325 to the Senate and 208 to the House. The following table shows the committees and numbers of reports involved.

REPORTS ON PENDING LEGISLATION

Senate Committees

Armed Services	1
Banking, Housing and Urban Affairs	19
Commerce	83
District of Columbia	1
Government Operations	66
Interior and Insular Affairs	5
Judiciary	3
Labor and Public Welfare	103
Post Office and Civil Service	42
Public Works	0
Rules and Administration	2
Veterans Affairs	0
	<u>325</u>

House Committees

Agriculture	1
Banking and Currency	1
District of Columbia	1
Education and Labor	1
Government Operations	79
House Administration	1
Interior and Insular Affairs	3

Interstate and Foreign Commerce	35
Judiciary	43
Merchant Marine and Fisheries	9
Post Office and Civil Service	10
Public Works	1
Standards and Official Conduct	1
Science and Astronautics	21
Ways and Means	1
	<u>208</u>
Total	<u>533</u>

Legal and legislative assistance—Committees and Members call upon us continually for formal and informal legal advice and assistance; views on contractual, fiscal, and administrative provisions of law; drafts of legislation; and views on administrative regulations.

Assistance on House and Senate financial and administrative operations—As in past years, we continued to have a professional staff at the Capitol to audit financial operations and provide advisory services. (See p. 146 for further information.)

Liaison activities—Our Office of Congressional Relations is the central coordination point within GAO for providing the Congress with prompt and effective assistance. Under the general supervision of the Deputy Comptroller General, Robert F. Keller, this office maintains continuous contact with congressional committees and Members of Congress to serve as a communications and coordination link between the Congress and the General Accounting Office. The members of the Office of Congressional Relations are Smith Blair, Jr., director; Samuel W. Bowlin; Martin J. Fitzgerald; T. Vincent Griffith; and Roger L. Sperry.

Improving Congressional Control Over the Federal Budget

The intensive studies in the Congress, begun during the fiscal year 1973, to revise and strengthen congressional procedures for dealing with the Federal budget culminated during 1974 with the enactment of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344, approved July 12, 1974).

This significant legislation not only provides substantial changes in congressional organization and procedures for considering the Federal

budget but also assigns numerous additional responsibilities to the Comptroller General and revises others. For example, the new act provides that we:

- Provide information, services, facilities, and personnel (as mutually agreed) to the new Congressional Budget Office established to assist the new House and Senate Budget Committees and other committees and Members of Congress with information on budget and revenue matters.
- Review and evaluate results of Government programs and activities.
- Assist congressional committees in developing statements of legislative objectives and goals and methods for assessing and reporting actual program performance.
- Assist such committees in analyzing and assessing Federal agency program reviews and evaluation studies.
- Develop and recommend methods for review and evaluation of Government programs.
- Cooperate with the Treasury and the Office of Management and Budget in developing standardized data processing and information systems for fiscal, budgetary, and program-related information.
- Develop, in cooperation with the Treasury, OMB, and the new Congressional Budget Office, standard terminology, definitions, classifications, and codes for fiscal, budgetary, and program-related information.
- Conduct a continuing program to identify needs of committees and Members of Congress for fiscal, budgetary, and program-related information.
- Assist congressional committees in developing their information needs.
- Monitor recurring reporting requirements of the Congress.
- Develop, in cooperation with the Congressional Budget Office, the Treasury, and OMB, an up-to-date inventory and directory of sources and information systems for fiscal, budgetary, and program-related information.
- Assist committees and Members to obtain information from such sources and to appraise and analyze it.
- Develop, with the Congressional Budget Office, a central file of data and infor-

mation to meet recurring requirements of the Congress for fiscal, budgetary, and program-related information.

- Cooperate with OMB and the Congressional Budget Office and representatives of State and local governments in providing appropriate Federal fiscal, budgetary, and program-related information to such governments.

A major title of the new act is concerned with congressional control of impoundments of spending authority by the President. The Comptroller General will be involved in all proposed rescissions or deferrals of budget authority by reviewing and reporting to the Congress the facts surrounding each proposal of the President and, in the case of proposed deferrals, determining the legality of such action. He must also report to Congress when he believes a special message from the President has been transmitted under the wrong section. If reserves or deferrals are not reported by the President, the Comptroller General is to report on the matter to the Congress. He is also empowered to sue in court to require the freeing of budget authority not made available as required.

Impact of Other New Legislation On GAO Operations

Other legislative actions of the Congress continue to assign new or added responsibilities to us and, as a result, we are constantly faced with the need to adjust our work programs or increase our capabilities to accommodate the increased workload. Some examples of recent significant legislative actions follow:

The Health Maintenance Organization Act of 1973 requires us to evaluate 50 health maintenance organizations after they get into operation and over a period of three years.

The Trans-Alaska Pipeline Act of 1973 gave us new responsibilities for reviewing the questionnaire and information requests of 11 regulatory agencies that go outside of the Government—mostly to business—for information. This is a function that had previously been in the Office of Management and Budget.

Amendments to the National School Lunch and Child Nutrition Acts extended the pilot

supplemental food program, increased the funding level and requires that our evaluation of the pilot program be completed by March 20, 1975.

The Defense Appropriation Authorization Act of 1974 requires us to cooperate with Commerce and Defense in assessing the dollar set-off cost due to our NATO programs. Under that amendment, unless those costs are completely offset, the Europeans have to make up the difference or the United States reduces its contribution.

The Foreign Assistance Act of 1973 requires us to prescribe auditing and reporting standards for the United Nations, the World Bank and the Asian Development Bank and to report on their effectiveness.

Also significant over the long run is legislation which creates new Federal programs or expands existing programs. We will need to audit them just like we do other programs. A few examples:

The Federal Energy Administration Act of 1974 (P.L. 93-275), *the Energy Reorganization Act of 1974 (P.L. 93-438)*, and other energy-related legislation establish new programs and three new Federal agencies to deal with the Nation's energy problems. Substantial requirements for GAO work will result over the next several years.

The Employee Retirement Income Security Act of 1974 (P.L. 93-406), i.e., the pension reform act, places new responsibilities on the Departments of Treasury and Labor and establishes a Pension Benefit Guarantee Corporation within the Department of Labor which the Comptroller General will be required to audit annually.

The Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) will require increased audit effort to monitor the price-support programs and their responsiveness to current conditions of agricultural scarcities.

The Commodity Futures Trading Commission Act (P.L. 93-463) strengthens the regulation of futures trading, brings all commodities traded under regulation, and establishes a new independent regulatory commission. The Comptroller General is required to conduct reviews and audits of the commission.

Monthly List of GAO Reports

Each month we send to the Congress, the committees, and all Members a list of GAO reports completed or released during the previous month. Preparation and dissemination of these lists is required by section 234 of the Legislative Reorganization Act of 1970.

The lists are also published in the *Congressional Record* through arrangements made with a congressional committee.

These lists are useful sources of information for keeping committees and Members of Congress informed about GAO reports. Each list shows the title of each report, date of release, GAO file number, and identity of Government agencies or other organizations responsible for the activities reported on. Brief digests of the reports to the Congress or committees are also included.

Recommendations for Legislation

As required by the Budget and Accounting Act, 1921, we include in our reports to the Congress recommendations "looking to greater economy and efficiency in public expenditures." Sometimes these recommendations require legislation.

A summary of such recommendations, included in reports made during the fiscal year 1974, together with open recommendations reported in prior years, is included in appendix I.

During the year, we developed a new report in which we summarize for each congressional committee the recommendations for legislative action made in our reports that relate to the responsibilities of that committee and are still open. These reports were prepared as of December 31, 1973, and we plan to continue them as of the same date in future years.

Legal Services and Decisions

Our legal work extends to virtually the full range of the Government's receipt and expenditure activity. It serves:

- Congressional committees and Members of Congress;
- Heads of departments and agencies as well

as disbursing and certifying officers on legality or propriety of proposed expenditures of Federal funds;

- Contracting and procuring officers in connection with Government contracts;
- Bidders for Government contracts;
- Individuals and firms whose claims have been disallowed by the Transportation and Claims Division; and
- GAO auditors in their audits of agency programs.

Legal decisions of the Comptroller General are final upon the executive branch and payments made contrary to them are subject to disallowance. Private concerns and individuals have further recourse to the courts in most cases.

During the year, our Office of the General Counsel completed action on 4,716 legal matters (see chapter 3).

Auditing

Auditing the programs, activities, and financial operations of Federal departments and agencies, and their contractors and grantees, on our own initiative requires well over half of our professional staff resources. The primary purposes of GAO audits are to:

Evaluate the efficiency, economy, legality, and effectiveness with which Federal agencies carry out their financial, management, and program responsibilities.

Provide the Congress and Federal agency officials with significant and objective information, conclusions, and recommendations that will aid them in carrying out their responsibilities.

In our audits which examine the efficiency, economy, and effectiveness of Government programs and activities, we seek to answer such questions as:

- Is it possible to eliminate waste and inefficient use of public moneys?
- Are Federal programs achieving their objectives?
- Are there other ways of accomplishing program objectives at lower cost?
- Are funds being spent legally?

GAO auditors operate in almost every Federal agency in the United States and in numerous foreign countries. During fiscal year 1974, we performed 1,700 audits of Government programs and activities in the United States and 58 other countries. These audits were in the following broad functional categories:

Domestic programs	
Manpower and welfare	213
Resources and economic development	181
General government	176
General management	
Procurement and systems acquisition	275
Logistics and communications	350
Federal personnel and compensation	215
Financial and general management	80
International programs	174
Energy and special projects	36
Total	1,700

The results of much of the audit work performed during the year will be included in reports to be completed during the next fiscal year.

In deciding upon the audit work to be performed, we emphasize Federal programs and agency operations in which there are strong present or potential congressional interest and opportunities for improvement.

Given the size of the Federal Government, we must be selective in determining which Federal programs and activities we will review at any given time. In making this decision, we consider factors such as the importance and effectiveness of programs and activities, size of expenditures, investment in assets, etc. This is done through our program planning system. We also keep in continuing contact with congressional committees to remain abreast of their interests and activities and with Federal agencies in the day-to-day conduct of their programs.

Our emphasis, of recent years, on program evaluations is continuing and we also encourage Federal agencies to perform their own program evaluations. In our independent role we will determine how well the agencies discharge this important responsibility as well as their other management and program responsibilities.

We are making an increasing number of our audits on a multiagency basis so that the results of our work will be more useful to the Congress, its committees, and its Members. Chapters four through fourteen of this report identify the wide-ranging subjects of our audits and summarize the major findings, conclusions, and

recommendations of the audit work completed during the year.

In 1973 we established an Office of Energy and Special Projects as a result of growing congressional and public concern over energy and other shortage problems. These problems involve numerous Federal agencies and programs. One responsibility of the new office is to identify and recommend audit work relating to energy and other shortage area problems that other GAO organizations would carry out. In addition, it will conduct special studies of its own of a Government-wide nature.

The work of this office, which also involves developing our capabilities to assist the Congress with economic and budget analyses and reviewing the information collection activities of Federal regulatory agencies together with later changes in our organization for carrying out these functions, is discussed in chapter five.

Access to Records

If we are to satisfactorily audit the programs and activities of Federal departments and activities, we must have access to their books, documents, papers, and records. The Congress clearly recognized this need when it enacted the Budget and Accounting Act, 1921, which created the General Accounting Office. In that act, it provided us with broad authority to have access to Federal agency records and it has repeated this authorization in numerous laws enacted since then.

Most Federal agencies cooperate satisfactorily with us on this score. However, in a few cases, we still encounter restrictions on what our auditors can examine and, occasionally, unwarranted delays occur before we are given appropriate access to essential records. Problems this year involved the Executive Office of the President, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the National Aeronautics and Space Administration.

Our policy is to keep the Congress informed on access-to-records problems that we have and to seek congressional assistance in solving them.

As noted in the last section of this chapter, one provision of pending legislation on GAO functions deals with this subject. It would

empower us to sue in court for the furnishing of information or records requested and desired.

Audit of Transportation Payments

The Transportation Act of 1940 requires us to postaudit all billings for transportation under standard Government transportation forms. During the year we audited \$1.5 billion in transportation charges of which over \$1.1 billion was for 4 million freight shipments and \$352 million was for 2.1 million passenger movements. A total of 70,082 claims of overcharge were stated against carriers for \$11.3 million. Collections from carriers amounted to \$9.5 million; 9,838 claims against the United States by carriers were settled for \$2.1 million.

We furnished assistance to the Department of Justice in some 30 suits for \$4,442,350 involving 4,104 shipments. Twenty suits were settled for \$128,702 or \$255,926 less than claimed.

To further implement the documentation and procedural recommendations of the Joint Agency Transportation Study completed in 1970, we promulgated joint standards developed with the Treasury Department which will govern payments made under the Transportation Payment Act of 1972 (Public Law 92-550, 86 Stat. 1163).

We have recommended legislation that would transfer responsibility for the detailed audit of transportation payments to the executive branch. The objective is to make this transfer effective by July 1, 1976. Under this proposal we would be moving in the same direction GAO started moving many years ago when detailed voucher audits were transferred to the agencies. Our function then would be comparable to what we do for all other payments, that is audit the agencies' handling of them. We would retain the functions of collection, compromise, or termination of transportation debts that are referred to GAO by other agencies. We would continue to render decisions and guidance to disbursing and certifying officers and to claimants who request the Comptroller General to administratively review settlements.

We are continuing efforts to automate transportation audits and to make our audit systems compatible with agency systems. This approach will facilitate the recommended transfer of audit responsibility to the executive branch.

Transportation audit and related activities are discussed in chapter thirteen.

Financial Management Improvement

An important responsibility we have by law, principally the Budget and Accounting Procedures Act of 1950, pertains to accounting in the Federal agencies. Under this law, we:

- Prescribe accounting principles and standards for the guidance of executive agencies.

- Cooperate with the agencies in improving their accounting and financial management systems.

- Approve agencies' principles and standards and accounting systems designs when they are determined to be adequate.

Work with the Office of Management and Budget, the Treasury Department, the Civil Service Commission, and the General Services Administration in the Joint Financial Management Improvement Program, a Government-wide program begun 25 years ago for stimulating improvements in accounting and other financial management practices.

During the year, Federal agencies made further progress in reshaping their accounting systems so that we could approve them. We approved 2 agency statements of accounting principles and standards covering 21 systems and designs for 25 accounting systems. On January 10, 1974, a statement of accounting principles and standards for the Office of the Secretary of Defense and Defense agencies was approved. With this approval, principles and standards for all of the accounting systems of the Department of Defense now have received GAO approval. Further information on this activity is included in chapter four.

The operations of the Joint Financial Management Improvement Program were strengthened during the year by creating and filling the position of a full-time executive director to be responsible for the day-to-day conduct of approved projects for improving financial management procedures and systems.

Federal Election Activities

The Presidential Election Campaign Fund Act, approved December 10, 1971, and the

Federal Election Campaign Act of 1971, approved February 7, 1972, established new procedures concerning the financing and disclosure of campaign expenditures for Federal elections. Both laws assigned responsibilities to the Comptroller General, mainly relating to the disclosure of campaign expenditures for Presidential and Vice-Presidential candidates. During fiscal year 1972, a separate Office of Federal Elections was created in GAO to carry out these responsibilities.

The activities of the Office of Federal Elections during the year are summarized in chapter two. This work has involved the handling of a great volume of reports. For example, 31,685 pages of reports were received from political committees and candidates during the year and made available for public examination.

We completed 221 audits of political committees during the year and 197 others were in process.

At yearend, the Congress was considering legislation which would transfer our supervisory responsibilities in this field to another organization (see page 15).

Settlement of Claims

In addition to settling claims involving transportation carriers, we settle other categories of claims by and against the Federal Government. Our settlements are completely independent of the agencies out of whose operations the claims arise. Hence, aggrieved parties are provided with an impartial and independent settlement of their claims. Settling these claims without litigation also reduces the burden on the courts and the Department of Justice.

Claims against the United States referred to GAO for settlement are (1) those required by statute to be paid on settlement by GAO and (2) those involving doubtful questions of law or fact. During the year we settled 8,727 claims against the United States for \$142.4 million.

Claims made by the United States are referred to us for examination and adjudication when there is administrative doubt as to the liability of the debtor or the amount of the debt. Other claims are referred to us because debt collection efforts have been unsuccessful. During 1974 we settled 26,580 such claims resulting in the collection of \$4.9 million. As of June 30, 1974,

42,952 claims totaling \$89.4 million were on hand, including 9,376 claims amounting to \$6.3 million in process of collection by GAO and 5,426 claims under collection in the Department of Justice.

GAO Audit Standards

Our statement of standards for the audit of governmental organizations, programs, activities, and functions, published in 1972, continues to receive widespread attention. We are pursuing several projects concerned with stimulating interest and understanding of these standards, a particular need in the case of State and local governments who receive Federal financial assistance.

To facilitate better communications among auditors at all levels of government, we sponsored the organization of a national intergovernmental audit forum, made up of representatives of our Office, other Federal agencies, and State and local governments. Charter signing ceremonies for this forum were held in the General Accounting Office on November 5, 1973. Nine regional forums have also been established with similar objectives, namely, to provide a mechanism for exchanging views on audit problems, improve cooperative working relationships, and promote understanding and acceptance of GAO audit standards.

Savings and Other Accomplishments

It is not really possible to determine the full effect of GAO activities in terms of improvement in operations and effectiveness of Government programs and activities. We carry out a great deal of work with the objective of improving Government programs and activities without regard to the dollar savings that we might claim from our work. For the most part, actions taken on our recommendations cannot be measured in dollar savings. Where we can identify those savings specifically and where the actions have been taken by the Congress or by an agency, we do, however, keep a record of them. For fiscal year 1974, such savings amounted to \$562 million, which was roughly 5 times our expenditures for the year. Appendix 2 contains detailed information on these savings.

Even more important, in some ways, are the recommendations we make that may not result in dollar savings but do lead to increased effectiveness of Government programs. For example, in connection with one of our reviews, we obtained statistics on hazardous locations—where the highest incidence of serious accidents took place in various States' highway systems. Then we obtained estimates of what would be necessary to remove the obstacles or bring them into conformity with safety standards.

Working with the Senate and House Public Works Committees, we recommended that a certain amount of money be earmarked to remove obstacles which were creating serious highway hazards. Subsequently, the Congress earmarked \$375 million in the Federal Aid Highway Act of 1973 to improve high-hazard locations and eliminate roadside obstacles. Based on available statistics, use of this \$375 million fund should save 1,450 lives and prevent 22,000 injuries annually over the life of the improvements.

Operating Expenses

Our operating expenses for fiscal year 1974 were \$106.4 million, of which about 86 percent—\$91.9 million—was for salaries and other personnel costs.

Financial statements showing our financial position, summary of operating expenses, and sources and application of funds are presented in appendix 10.

Staffing

At June 30, 1974, we had 5,188 employees, 226 more than a year earlier. Of the current total, 3,564 (about 69 percent) were members of our professional staff.

We are continuing our efforts to further increase the interdisciplinary character of our staff. At June 30, 1974, about 30 percent of our professional staff was made up of persons trained in disciplines other than accounting (see table on page 180). Such other disciplines cover a wide range of skills, which we feel are increasingly necessary to much of our audit work and particularly to our evaluations of program results.

Equal Employment Opportunity Program

We continued to give priority attention to improving the employment profile of women and minority persons in our professional staff. Since June 30, 1972, our minority work force has grown from 688 to 889 persons and at June 30, 1974, represented 17.3 percent of all general schedule employees. (See page 183 for further information.)

Upward Mobility

Our upward mobility program is designed to provide avenues of advancement into our professional range for interested employees who lack the necessary qualifications in terms of education and experience and who are in lower-graded jobs with limited opportunity to advance. This program provides such employees with the opportunity to meet qualification requirements through the completion of work-related courses at approved colleges and universities, career counseling and training in GAO, and carefully planned and supervised on-the-job work experience. Successful completion of the program will enable participants to join the professional staff as management analysts, auditors, or claims adjudicators. A brief description of progress in this program appears on page 183.

Legislation to Revise and Restate Certain GAO Functions and Duties

In December 1973, revised bills were introduced in the Congress at the Comptroller General's request to revise and restate certain functions and duties of the Comptroller General and the General Accounting Office. These bills were revisions of those described in our previous annual report (p. 10) and separated the provisions relating to largely routine changes in activities from the proposed changes involving more complex issues.

These bills contain a variety of provisions, all intended to enable us to more effectively carry out our assigned responsibilities. Included in H.R. 12113 and S. 3013 are provisions:

Authorizing the Comptroller General to prescribe limitations on the number of individual disbursement vouchers which may be

preaudited by Federal agencies under statistical sampling techniques.

Transferring responsibility for detailed audit of transportation payments to the executive branch.

Authorizing GAO audits of certain non-appropriated-fund activities.

Authorizing employment of experts and consultants.

Giving the Comptroller General custody and control over the GAO Building.

Reducing frequency of audits required of Government corporations and certain other entities.

The Legislative and Military Operations Subcommittee of the House Government Operations Committee held hearings on these proposals on June 5-6, 1974, and reported the bill to the full committee on June 26, with certain modifications. A new provision also was added at GAO's request decreasing the period after a claim accrues when it may be filed in GAO from 10 to 6 years. At June 30, 1974, the Senate had not yet taken action on the bill.

The other bills (H.R. 12114 and S. 3014) include provisions:

Enabling the Comptroller General to sue in the Federal courts when his determinations differ from those of the Attorney General.

Authorizing the Comptroller General to issue subpoenas for negotiated contract and subcontract records and records of other non-Federal individuals and entities.

Directing the Comptroller General to assist the Congress in obtaining budget, fiscal, and program information.

Restating GAO's right of access to Federal agency records and records of recipients of Federal assistance and providing procedures for enforcing those rights.

Directing the Comptroller General to make profit studies of Government contractors.

Title VIII of the Congressional Budget and Impoundment Control Act of 1974 contains provisions similar to that which would direct the Comptroller General to assist Congress in obtaining budget, fiscal, and program information. Otherwise, no action in the House or Senate had been taken on these bills by June 30, 1974.

party of their choice to receive the dollar. This was modified by Public Law 93-53, July 1, 1973, to require that all designated moneys be deposited in one fund and distributed to candidates according to a formula based on popular votes received.

The act requires the Comptroller General to:

- Certify to the Secretary of the Treasury the payments to which eligible candidates for President and Vice President are entitled.
- Audit the candidates' campaign expenses after each Presidential election and recover any amounts used for ineligible campaign expenses.
- Receive, in the weeks immediately preceding the election, periodic statements from the candidates of incurred and proposed campaign expenses and publish a summary of such statements in the Federal Register with any necessary additional information.
- Report to the Congress, as soon as practicable, on operations under the law.
- Instruct his attorneys and counsel to participate in judicial procedures arising under this law.

Title VIII also establishes a Presidential Election Campaign Fund Advisory Board to counsel and assist the Comptroller General in performing the duties and functions assigned to him by the act. The Board's original members were as follows:

Senator Mike Mansfield, Senate Majority Leader
Senator Hugh Scott, Senate Minority Leader
Representative Carl Albert, Speaker of the House
Representative John J. Rhodes, Minority Leader of the House
George Bush, Chairman of the Republican National Committee
Robert Strauss, Chairman of the Democratic National Committee
Bryce Harlow, Counsellor to the President
C. Peter McColough, Treasurer of the Democratic National Committee
Eugene T. Rossides, private attorney and former Assistant Secretary of the Treasury
Lew Wasserman, Head of Music Corporation of America
Henry Ford II, Chairman of the Board, Ford Motor Company

CHAPTER TWO

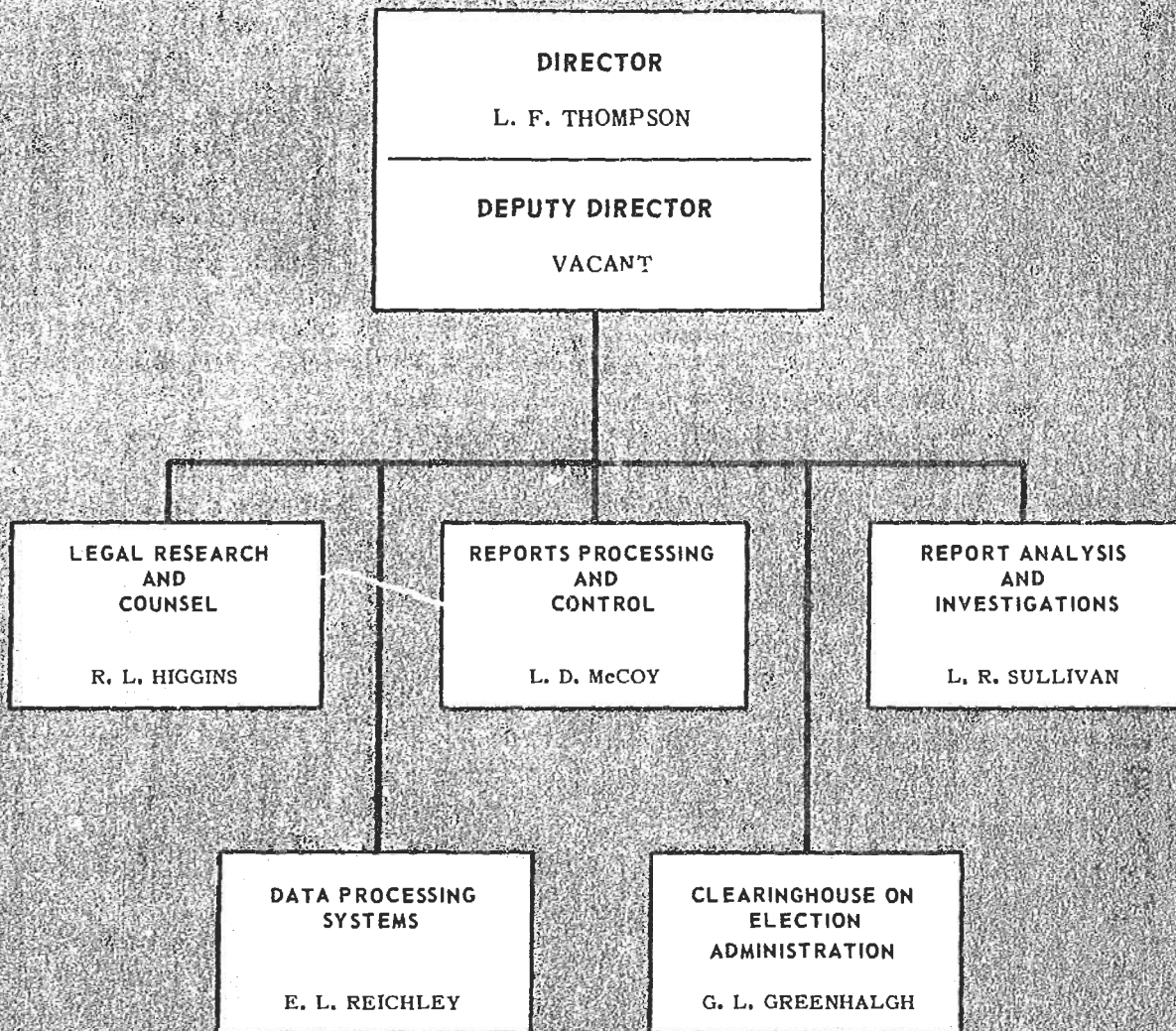
SUPERVISION OF POLITICAL CAMPAIGN FINANCING AND REPORTING

The Comptroller General's authority and responsibility with respect to political campaign financing and reporting are different from GAO's traditional functions. The 92d Congress enacted two laws which set forth these unique functions: (1) the Presidential Election Campaign Fund Act (title VIII, Public Law 92-178, Dec. 10, 1971) and (2) the Federal Election Campaign Act of 1971 (Public Law 92-225, Feb. 7, 1972). The Office of Federal Elections was established within GAO in 1972 to perform the functions assigned by these laws.

Presidential Election Campaign Fund Act

This act, title VIII of the Revenue Act of 1971, as amended, allows individual taxpayers to designate \$1 of their income tax to the Presidential Election Campaign Fund. On a joint tax return, each spouse may also designate \$1. Funds designated by this procedure will be available, subject to appropriations, to eligible candidates in the general election for the Office of President beginning in 1976. In the original statute, taxpayers could designate the political

OFFICE OF FEDERAL ELECTIONS



JUNE 20, 1974

At the first meeting of the Advisory Board, on March 1, 1974, Mr. Ford was elected chairman by unanimous agreement of the other members present. Since title VIII specifies the composition of the Board by title of position, the individual members can be expected to change in the future.

Federal Election Campaign Act of 1971

This act requires the Comptroller General to (1) prescribe regulations and perform related functions involving communications media usage as it relates to elections for President, Vice President, U.S. Senate and U.S. House of Representatives, (2) serve as a supervisory officer with respect to disclosure of campaign funds, contributions, and expenditures of candidates for President and Vice President and political committees supporting them, and (3) perform a national clearinghouse function for conducting research and disseminating information on the administration of elections.

Section 308 of the act sets forth the duties of the supervisory officers in specific detail.

Report Processing and Control

Title III of the act requires supervisory officers to supply candidates and reporting committees with prescribed report and statement forms. During fiscal year 1974 the Office of Federal Elections received and processed approximately 4,000 requests for forms and instructions. This was a 10-percent reduction from fiscal year 1973 and reflects the fact that although few Federal elections were scheduled until spring of 1974 most committees submitted the required periodic reports and amended reports filed in earlier years.

To fulfill the requirements of public inspection, each report and statement filed is indexed with an identification number which is used by members of the press and the general public when requesting copies. From April 2, 1972, through June 28, 1974, we received 17,603 reports and statements from 2,754 committees and 37 candidates for a total of 130,597 pages of information. In fiscal year 1974 we received

4,004 reports and statements (31,685 pages). This represents a 37-percent growth in pages of documentation over the previous year. These reports and statements are available for public examination, and copies can be purchased for 10 cents a page. The sum of \$10,211 was forwarded to the Department of the Treasury during the year as a result of the sale of various reports and statements.

Report Analysis and Investigation

Each report is processed to make it available for public inspection, and a preliminary desk audit is made for completeness and accuracy. After the report is made available to the public, further audit and investigation depends upon specific circumstances.

If the report is the subject of a complaint or if allegations of irregularity have been made, an immediate audit and investigation may be undertaken to bring out the facts as soon as possible. If not, an audit of the committee filing the report may be conducted. Our audit program provides for audit of all national committees, all state major party central committees, and a significant sample of other committees which report to us. Our 15 regional offices participate extensively in making these audits.

During fiscal year 1974, we completed 221 audits and at the end of the year an additional 197 audits and investigations were in process. Thirty-two reports involved formal referrals to the Department of Justice for appropriate action of "apparent violations" of law.

Audits and investigations, both special and routine, are made in accordance with the provisions of Section 308(a)(11) and (12) of the act. Section 308(d) requires investigation of complaints based on alleged violations of the act.

Automatic Data Processing

Due to the large number of reports submitted and the detailed reporting requirements set forth in Section 308 of the act, it is essential that automatic data processing equipment be used. The equipment is used for a variety of tasks, including creation of an index of reports and

statements filed and preparation of data for the annual report required of each supervisory officer. Section 308(a)(7)(E) requires the preparation and publication of a listing by name of all contributors of more than \$100. The first listing for 1972 identified 84,337 contributions, loans, refunds, and other payments or transfers of money in excess of \$100 received during the period April 7-December 31, 1972. It was released August 23, 1973. A revised listing dated November 15, 1973, is available from the Superintendent of Documents, Government Printing Office.

The act also requires GAO to prepare and publish summary information with respect to Presidential campaign receipts and expenditures. This report reflecting data derived from reports and statements submitted by 1,785 political committees for the period April 7-December 31, 1972, was released March 24, 1974.

National Clearinghouse on Election Administration

Section 308(c) of the act requires the Comptroller General to establish a clearinghouse on election administration information and to make contracts for independent studies of election administration problems. The studies are to include, but are not limited to, studies of voting and counting methods, registration practices, and training of election boards and personnel.

Research projects either finished or in process at the end of the fiscal year included:

- A survey of Federal-State election laws compiled by the Library of Congress in cooperation with the Commerce Clearinghouse which provides a synopsis of Federal and State election related legislation and litigation. Reports are issued on a monthly, quarterly, and annual basis.
- An analysis and index of State campaign regulations and financing laws being prepared by the Library of Congress.
- A survey of State and local election boards involved in administering Federal elections under contract with Analytic Systems, Inc. This survey, covering 88 percent of the U.S.

population, provides information on election board structure, duties and training of officials, office systems, and budgets. The survey was completed near the end of the fiscal year and was released on July 8, 1974.

- A voter registration system survey contracted for with E. F. Shelley and Company to analyze various types of automated and manual registration systems with regard to their advantages and disadvantages.
- A study of election machines to evaluate their strengths and weaknesses. Under contract with Analytic Systems, Inc., this study includes manual, lever, punch card, and optical scanning systems.
- A study of absentee balloting and registration systems performed by Indiana University to determine the relationship between Federal and State absentee laws and regulations and analyze the process by which absentee voters are registered and absentee ballots are printed, distributed, cast, tabulated, and verified.
- Development by the National Bureau of Standards of operational guidelines for the computerized tabulation of ballots to assist in the accuracy and security of the vote-tallying process.
- A survey of present training programs of election officials to include recommendations for improvement being conducted by the staff of the Office of Federal Elections.
- A feasibility study on State and local election administration expenditure data performed and completed late in fiscal year 1974 by the Bureau of the Census provided enough information to warrant a more intensive study of the cost of administering elections and voter registration systems. A full and more comprehensive study was under negotiation at the end of the year.

Also under negotiation at the beginning of July 1974 was a contract for the development of a reprecincting model for local election jurisdiction.

New Legislation

As the fiscal year ended, the Congress was considering legislation which would transfer the



Presidential Election Campaign Fund Advisory Board Members meet: Seated from the left are Robert S. Strauss, Chairman, Democratic National Committee; Elmer B. Staats, Comptroller General of the United States; Henry Ford II, Ford Motor Company, George Bush, Chairman, Republican National Committee; and Bryce Harlow, Counselor to the President of the U.S. Standing from the left, Francis R. Valeo, Secretary of the Senate, (representing Senator Mike Mansfield, Majority Leader of the Senate); Lee Kling, Finance Chairman, Democratic National Committee; Michael Reed, Legislative Assistant, Office of the Speaker of the House, (representing Rep. Carl Albert, Speaker of the House); Eugene T. Rossides, Attorney, Rogers & Wells; Kenneth E. Davis, Administrative Assistant, Office of the Minority Leader, (representing Sen. Hugh Scott, Minority Leader of the Senate); and John J. Williams, Staff Director, Office of the Minority Leader, (representing Rep. John J. Rhodes, Minority Leader of the House). Mr. Ford was named Chairman.

Comptroller General's responsibility in supervising political campaign financing and reporting activities to another organization. Both S. 372 and S. 3044, as passed by the Senate on July 30, 1973, and April 11, 1974, respectively, call for creation of a Federal Election Commission as an independent establishment of the executive branch which would administer all the activities presently performed under the Federal Election Campaign Act of 1971 by the Clerk of the House of Representatives, the Secretary of the Senate, and the Comptroller General. On August

8, 1974, the House of Representatives approved H.R. 16090 which would replace the present supervisory officers with a Board of Supervisory Officers appointed by the Speaker of the House and the President of the Senate. Both House and Senate bills were referred to a conference committee for resolution. The conference committee's substitute bill, entitled the "Federal Election Campaign Act Amendments of 1974" was agreed to by the Senate on October 8, the House on October 10, and approved by the President on October 15, as Public Law 93-443.

During fiscal year 1974 we disposed of 4,716 legal matters, classified as follows:

Procurement law:	
Bid protests	1059
Other	490
Personnel law:	
Civilian	679
Military	417
Transportation	690
General government	1381
Total	<u>4716</u>

CHAPTER THREE

LEGAL SERVICES

Highlights

The Office of the General Counsel, under the direction of Paul G. Dembling, general counsel, and Milton J. Socolar, deputy general counsel, continued to provide a full range of legal services as dictated by the requirements of the Congress; GAO; agency and department heads; fiscal, certifying, or disbursing officers; and individual claimants.

We made staff members available to committees of the Congress as direct assistance, commented on proposed legislation, and furnished informal advice and comments to individual Members and their staffs. We continued to provide legal advice to the Comptroller General to assist him in discharging his statutory responsibility for determining the propriety of public expenditures by the executive branch. We wrote formal decisions which affected the rights and obligations of agency heads, disbursing and certifying officers, and individual claimants. We expanded our in-house counsel capabilities to provide an increasing flow of legal advice and opinions on matters encountered by other GAO divisions and offices.

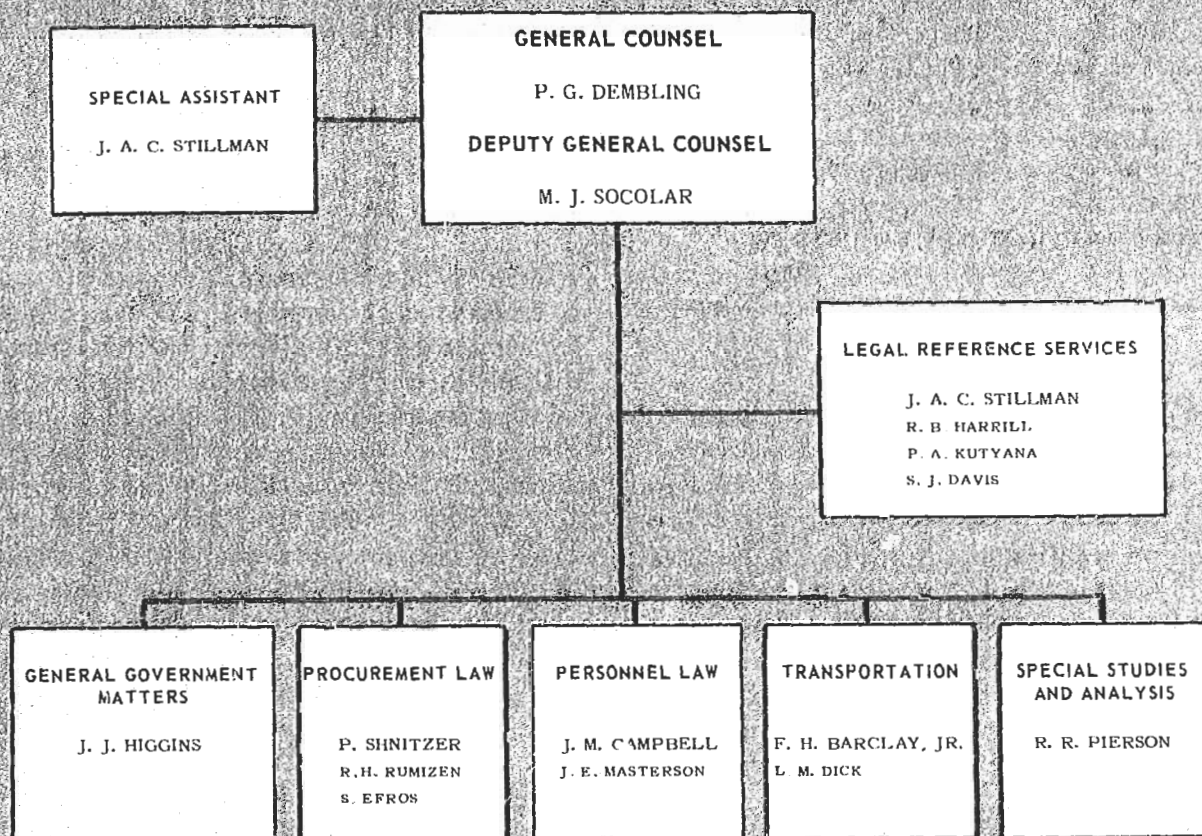
An indication of the effort required to process this workload can be gathered by breaking down the responses to the questions presented in these 4,716 cases by quantity and type.

Decisions rendered:	
To heads of departments and agencies	877
To certifying, disbursing and, contracting officers ...	142
To individual claimants	1912
To the Office of Management and Budget	21
Interpretation of procurement regulations	<u>11</u>
	2963
GAO internal matters:	
Reviews of audit reports	451
Memoranda to divisions and offices	<u>836</u>
	1287
Congressional requests:	
Opinions	521
Comments on legislation	<u>533</u>
	1054
Miscellaneous:	
Circular letters	12
Litigation reports (Attorney General/and Court of Claims)	<u>446</u>
	458
Total	<u>5762</u>

These figures are for responses only. They do not include 2,096 pieces of correspondence in bid protest cases and 1,638 letters in matters other than bid protests which were written in 1974.

The principal problem which we faced in the

OFFICE OF THE GENERAL COUNSEL



JUNE 30, 1974

past year has been that of increasing our staff of attorneys to a level which will enable us to process our formal case workload and provide sufficient manpower to furnish required legal services to other GAO divisions. In 1974 we hired 30 lawyers and 12 more accepted employ-

ment beginning in the first quarter of fiscal year 1975.

In fiscal year 1973 we created the Special Studies and Analysis Branch to integrate our legal skills and experience with the talents of the other divisions and offices. During the past year

Special Studies and Analysis, in response to a broad variety of questions presented to it, issued 203 memoranda and opinions to GAO divisions, offices, and the General Counsel and has contributed greatly toward the expeditious resolution of legal problems.

In fiscal year 1973 we inaugurated a summer legal intern program which offered employment to 16 law school students who had completed their second year of school. This program was primarily designed to provide us with a pool of competent personnel for future employment. The program was successful; one-half of the new hires reporting in the first quarter of fiscal year 1975 were participants in the program. We are continuing the program and anticipate continued success.

General Government Law Matters

As the scope and complexity of Government programs expand in response to the social, economic, and political needs which create them, our work on general government matters becomes more diversified and it includes every activity of the Government. This diversification requires continual interpretation of legislative enactments to insure that their operation is conducted in a manner consistent with the intent of the Congress.

Our attorneys answer legal questions and analyze pending or proposed legislation for committees, subcommittees, and individual Members of Congress. These analyses may include advice on fiscal and administrative aspects of the legislation, as well as discussions of legal inconsistencies or technical difficulties presented by the legislative language. Such analyses may also include discussions of the prospective effect on GAO if the legislation were enacted.

We also respond informally to literally hundreds of questions raised by the staffs of committees and individual Members and provide legal advice and propose drafts of legislation.

We frequently prepare testimony or statements for presentation during hearings before congressional committees and prepare decisions to the heads of Federal agencies which involve the construction of particular statutes and the availability of appropriated funds for various purposes. Finally, our attorneys prepare advance

decisions for certifying officers of Federal agencies on the legal propriety of certifying vouchers for payment and for individual claimants who may request a review of claims settlements issued by GAO.

The following examples illustrate the many questions answered within the past year.

In January 1971 the Congress enacted legislation, amended in February of 1972, which required that all excess defense articles granted to foreign countries over and above specified amounts be charged against Military Aid Program funds. This legislation was further amended in December of 1973 to require that all domestically generated defense articles be charged against Military Aid Program funds but to require such charging for foreign-generated defense articles only after a specified ceiling had been reached. The Assistant Secretary of Defense asked the Comptroller General to decide if the 1973 act, as it related to excess defense articles, was effective as of the beginning of the current fiscal year (July 1, 1973) or as of the date's enactment. We held that the intent of Congress was to apply that law to the entire fiscal year. (B-178205, Mar. 8, 1974.)

We sent an advisory opinion to Senator Richard S. Schweiker on the waiver authority of section 2 (b) (2) of the Export-Import Bank Act which prohibits the Bank from guaranteeing, insuring, or extending credit in connection with the purchase or lease of any product by a Communist country except "*** in the case of any transaction which the President determines would be in the national interest ***" We concluded that the waiver authority was not satisfied by a single blanket presidential determination that the Bank's participation in any and all potential transactions involving a particular Communist country—in this case the Soviet Union—would be in the national interest.

Another matter involved the unauthorized seizure of the Bureau of Indian Affairs building in November of 1972. We held that the cost of providing food to a special group of Federal Protective Officers who were assembled and kept ready throughout the emergency could be reimbursed in view of the danger to human life and the destruction of Federal property involved, despite the general rule that in the absence of authorizing legislation the cost of meals furnished to Government employees may not be

paid with appropriated funds (B-177900, Aug. 2, 1973, 53 Comp. Gen. 72).

At the urging of two Members of Congress, the Department of State requested the Comptroller General to review the legality of an excess rupee agreement negotiated with India. After reviewing the Mondale-Poage amendment relating to excess foreign currencies, we stated that GAO would not object to the agreement but we believed that congressional clarification of the applicable statutes should be obtained before the United States entered into any similar agreements. (B-146749, Feb. 26, 1974.)

Procurement Law

In the past fiscal year, our procurement law attorneys devoted about 30 percent of their efforts to questions relating to the acquisition, lease, sale, or disposition by the Government of its goods, services, equipment, buildings, or other facilities. They devoted the remaining 70 percent to processing bid protests. In this latter area, because our decisions are significant to parties both inside and outside the Government as guides and precedents, we concluded an arrangement with two commercial organizations to publish all procurement law decisions at no cost to GAO. This arrangement makes the full body of our agency-developed law available to anyone.

Procurement Law Bid Protests

GAO bid protest procedures provide an independent and unbiased forum for timely and inexpensive resolution of complaints by parties aggrieved by agency procurement actions. Statistics on our bid protest work follow.

BID PROTEST ACTIVITY

Disposition of cases handled:

Protests sustained	44
Protests denied	<u>534</u>
Total protests decided	578
Protests withdrawn	320
Miscellaneous actions	<u>161</u>
Total	<u>1059</u>

Formal protest decisions rendered:

Department of Defense	1
Defense Supply Agency	64
Department of the Air Force	62
Department of the Army	116
Department of the Navy	117
Marine Corps	<u>4</u>
Total Defense	<u>364</u>
Architect of the Capitol	2
Atomic Energy Commission	2
Department of Agriculture	16
Department of Commerce	7
Department of Health, Education, and Welfare	25
Department of Housing and Urban Development	8
Department of the Interior	15
Department of Justice	5
Department of Labor	3
Department of State	3
Department of Transportation	21
Department of the Treasury	4
Civil Service Commission	2
District of Columbia Government	7
Environmental Protection Agency	8
Federal Communications Commission	2
General Accounting Office	2
General Services Administration	40
Government Printing Office	1
Interstate Commerce Commission	2
National Aeronautics and Space Administration	14
Small Business Administration	4
Smithsonian Institution	1
Tennessee Valley Authority	1
U.S. Information Agency	1
Veterans Administration	<u>18</u>
Total other than Defense	<u>214</u>
Total Protests Decided	<u>578</u>

In fiscal year 1974, we had 14 bid protest cases under section 236 of the Legislative Reorganization Act of 1970. This act requires Federal agencies to report the actions taken as a result of any recommendations made by GAO to the head of any agency.

The following cases illustrate our work during 1974.

Perhaps no bid protest involved a greater complexity of factual data or caused more congressional interest than did the Lockheed protest of NASA's selection of a contractor for the \$800 million solid rocket motor phase of its space shuttle program. Analyzing the voluminous material leading to NASA's decision dictated a novel and unusual approach, with the formation of a team composed of our attorneys, representatives from the Transportation and Claims Division, the Procurement and Systems

Acquisition Division, and auditors from our Atlanta Regional Office. Based on the team's analysis and review, it was determined that there would be a substantial net decrease in probable cost difference between the two lower bidders and that NASA should determine on this basis whether the selection of the prime contractor should be reconsidered. (B-173677, June 24, 1974, to be published in 53 Comp. Gen.)

An Air Force contract for maintenance of the Presidential aircraft fleet did not include wage rates required by the Service Contract Act because the procuring agency had determined that the contract was not subject to the act. Following award of the contract, the Department of Labor held that the contract was subject to the act. We decided the contract was not illegal, notwithstanding Labor's holding since the Air Force's determination of nonapplicability was made in good faith and on a reasonable basis. However, we recommended to the Secretary of Labor the development of a regulation which would provide for applying Service Contract Act wage rates in situations where the Department of Labor, after the award of a contract, disagreed with the procuring agency's good faith determination of the inapplicability of the Act.

In another case under the Service Contract Act, we were asked to determine whether the act applied to clerical "white collar" employees and whether the "locality" (the basis for the wage determination) was the place of contract performance or the site of the installation which procured the services. In 53 Comp. Gen. 370 (1973), we concluded that the act did not apply to "white collar" employees and the "locality" was the place of contract performance. However, we took no action since we could not state that the contrary interpretation by the Labor Department was illegal. Our interpretations were upheld by the U.S. District Court for the District of Delaware in the case of *Descomp, Inc. v. Sampson*.

In a solicitation for bids to perform dredging work restricted to small business concerns, we held that a provision in the Armed Services Procurement Regulation requiring a bidder to certify its intention to use a small business dredge for 40 percent of the dredging work advertised was an unauthorized size standard since, under the appropriate statutes, the Small Business Administration had exclusive statutory

authority to establish small business size standards. (B-180196, June 4, 1974, to be published in 53 Comp. Gen.)

In another interpretation of the Service Contract Act, we held that the Department of Labor could consider the claim of a number of labor unions that the wage scale established in their collective bargaining agreement with a contractor, upon which the contract had been awarded, was lower than the prevailing wage scale in the locality and that the Department could also issue a revised wage determination which would apply to the contract presently in effect. We recommended to the Secretary of Labor the development of a regulation to provide for applying such revised wage determinations to existing contracts. (B-179871, Dec. 3, 1973, to be published in 53 Comp. Gen.)

In another matter involving NASA, we held that the record supported its determination that only one source could meet the required delivery schedule for weather observation satellites, upholding the agency's decision to procure these without competitive bidding. We also rejected a contention that concern for timely performance justified a noncompetitive procurement only under the circumstances set forth in 10 U.S.C. 2304 (a) (2). (B-179815, Mar. 14, 1974, to be published in 53 Comp. Gen.)

Personnel Law

Civilian Personnel

A varied and ever-increasing body of statutes, administrative regulations, and instructions insures fair and equitable treatment to civilian employees of the Federal Government in questions about their rights and entitlements. This body of law controls such matters as severance, overtime, holiday, Sunday, night, and environment differential compensation; the reimbursement of travel, transportation, and relocation expenses; vacation and sick leave; removal from service; and numerous general personnel management matters.

Agency heads and other Government officials doubtful about the propriety of making any such payments may seek an advance determination by the Comptroller General. The Comptroller General provides a convenient and inexpensive forum where Federal employees may present their claims for such compensation

or benefits and have them adjudicated on the basis of their legal entitlement.

The following examples illustrate the variety of civilian personnel decisions rendered during the past year.

In accordance with the two-thirds rule, which provides that in each 24-hour period only 16 hours may be duty time, we held that employees who were required to perform overnight standby duty at a remote facility may receive overtime compensation, even though they performed no actual work during non-duty hours. (B-170264, Dec. 1973.)

We decided that an employee was entitled to environment differential pay when he was obliged to work in a cold storage area, even though his agency supplied protective clothing to alleviate his discomfort. (B-180109, Apr. 24, 1974, to be published in 53 Comp. Gen.)

We held, in a case involving 3,000 claims by past and present members of the Federal Protective Service, that these officers were to be allowed a maximum of 15 minutes in which to change their uniforms, with an additional 4 minutes to draw their weapons on each shift where their work required this in preparation for their tours of duty. (B-158549, Jan. 22, 1974, to be published in 53 Comp. Gen.)

When a Federal employee had been reinstated following his separation, which was later determined to have been unjustified, we decided that income which he had received from the publication of a book during his separation need not be deducted from salary owed him by the Government, provided that he was engaged in writing and preparing the book before the date of his separation. (B-162578, May 6, 1974, to be published in 53 Comp. Gen.)

In a case involving a claim for travel, we determined that the responsible agency official who had ordered an employee to perform non-duty-time travel for which overtime was not authorized must record his reasons for such an order. (B-179503, Jan. 21, 1974.)

In answer to requests by Senate and House committees to comment on pending legislation which would increase mileage and per diem allowances for Federal employees, we recommended considering a new procedure to adjust, on a continuing basis, the maximum authorized travel allowance without further and particular

legislation for each future increase. (B-5019, June 4 and June 26, 1974.)

Military Personnel

The complex system of statutes, regulations, and military instructions which govern the entitlement of members of the U.S. Armed Forces to pay and allowances also applies to the U.S. Coast Guard, commissioned officers of the Public Health Service, and commissioned officers of the National Oceanic and Atmospheric Administration. Since the Armed Forces still comprise the largest single institution in the Federal Government, the pay, allowances, and benefits of its members continue to be a substantial and vital expenditure of Federal funds.

Our decisions in the military personnel area involve such matters as marriage, divorce, and inheritance rights under domestic and foreign statutes and deal with a variety of questions relating to pay, allowances for travel and transportation, and retirement benefits for members of the Armed Forces and their dependents. These questions are often prompted by court decisions which establish a broad mandate in a related field.

Thus, in *Frontiero v. Richardson*, 411 U.S. 677 (1973), the U.S. Supreme Court held that certain provisions of laws relating to allowances and benefits provided to military personnel unconstitutionally discriminated between the sexes. This case produced many military fiscal questions; in 53 Comp. Gen. 148 (1973), we held that the non-discrimination policy should be broadly applied.

When a candidate for the Air Force Academy, before being sworn in as a cadet, had been given a physical examination which disclosed a sickle cell anemia trait prohibiting his admission, we decided that he was entitled to the appropriate travel allowances, even though these were not specifically authorized by law, since such an individual should be accorded the same allowances as any other applicant rejected for admission to the uniformed services. (B-179331, Oct. 19, 1973, to be published in 53 Comp. Gen.)

In a submarine pay case, we held that the statute which authorized submarine pay to the off-ship crew of a nuclear-powered, 2-crew submarine also permits payment of this allowance to a special 14-man augmentation crew which



Attorneys Leslie L. Wilcox (seated), Victor B. Goddard, Douglas Faulkner, and Brian Harris research an article for *The GAO REVIEW*.

had come aboard to allow regular members of the on-ship crew to remain ashore for training and rehabilitation. (B-178815, Apr. 10, 1974, to be published in 53 Comp. Gen.)

To correct the inequity of denying Armed Forces enlisted personnel who retired after 20 years of service a travel allowance which they would have received if they had only served 3 years, we held that such retirees could optionally receive travel benefits to their homes of record despite the fact that these might not meet the tests imposed by the appropriate regulations as homes of selection. (B-180352, June 14, 1974, to be published in 53 Comp. Gen.)

Transportation Law

Our work in transportation law encompasses all matters relating to Federal expenditures for

domestic and international movement of Government shipments and personnel by air, motor, rail, and water carriers. Decisions in this area cover highly technical and complex cases requiring the interpretation of tariffs and rate tenders relating to charges for air, motor, rail, water, and intermodal transportation services. A thorough knowledge of contract law, negligence law, and the principles of agency and of applicable statutes and regulations is required. Frequently we prepare detailed briefs and pleadings for use before regulatory agencies and the courts.

We drafted the joint regulation prescribing payment standards for transportation charges of persons or property for the United States by any carrier or forwarder. The Secretary of the Treasury and the Comptroller General subsequently issued the regulation pursuant to Public Law 92-550, 49 U.S.C. 66.

As part of our responsibility to report to the Congress on proposed legislation which relates to the field of transportation law, we made an extensive report on the Surface Transportation Act of 1973 (H.R. 5385) introduced in the 92d Congress. This is a broad-scale first step in revitalizing surface transportation in the United States and affects railroads, the motor carrier industry, barge lines, and freight forwarders. Our comprehensive report included a suggestion that the bill include an amendment to the Interstate Commerce Act to facilitate the recovery of reparations against carriers.

Similarly, we reported on the Rolling Stock Utilization and Financing Act of 1973 (H.R. 6777) which would deal with the freight car shortage problem in the railroad industry by increasing the supply of rolling stock and improving its use.

Our contract work included a case involving the movement of a tug and barge under a contract that was cancelled because the contractor did not have the required Interstate Commerce Commission operating authority. We held that the amount paid out by the contractor for services performed before the cancellation was not reimbursable because there is no authority for agents of the Government to waive provisions of statutes. Further, we held that no benefit accrued to the Government which would warrant payment on a *quantum meruit* basis. (B-178307, Feb. 25, 1974, to be published in 53 Comp. Gen.)

An unusual case which we decided involved a claim against a carrier for the value of antique Imari and Kutani Japanese porcelains lost in the transit of an Air Force officer's household goods. The value of the porcelains (\$11,000) was recovered by setoff against the carrier, who denied liability because the porcelains were not declared to have extraordinary value. We also found that a judicial decision that silverware is an article of extraordinary value within the meaning of the exclusionary provision of the carrier's tariff was consistent with our decision and afforded no authority for a holding that antique oriental porcelains had the same characteristics of negotiability in commerce as silver or silver products. (B-178161, July 31, 1973, 53 Comp. Gen. 61; *id.*, April 15, 1974, to be published in 53 Comp. Gen.)

Our attorneys made a substantial contribution to the successful resolution of a landmark case involving the so-called port terminal charge. On January 17, 1974, the U.S. Court of Appeals for the District of Columbia affirmed the judgment of the U.S. District Court for the District of Columbia and stated that it agreed with the result reached by the Interstate Commerce Commission in the case of *United States v. Southern Pacific Company*, 337 I.C.C. 504 (1970). The Commission had held that export rates in a transcontinental tariff did not apply to shipside on shipments which had moved through a U.S. Government facility at a Pacific Coast port and therefore the port terminal charge was not applicable. This case may successfully be used as a precedent in settling the freight charges on thousands of other shipments exported through Government facilities at Pacific Coast ports.

Special Studies and Analysis

The primary purpose of our Special Studies and Analysis group has been to provide a complete in-house counsel service to the 3,500 professionals in GAO's offices and divisions. In the past year these attorneys have provided legal advice to GAO's increasing contracting effort considered the legal implications of responses by executive branch agencies to the recommendations of the Commission on Government Procurement, helped prepare and support the first bills in nearly 25 years to make major amendments to GAO's statutory authorities and prepared study papers on various legal and policy topics. The variety of legal matters handled by these attorneys is as diversified as the work of the offices and divisions which comprise GAO. Some examples of this work follow.

The Joint Committee on Internal Revenue Taxation requested GAO to review the policies and procedures of the Internal Revenue Service. Our attorneys worked with General Government Division staff members to identify legal issues and analyze legislative histories concerning the intent of Congress with respect to certain provisions of the Internal Revenue Code. We also provided legal advice in response to various questions raised by the audit division. For instance, we advised that cashing and collecting a check tendered by a taxpayer in full settlement of a

tax claim does not constitute an accord and satisfaction under the Internal Revenue Code, so as to cut off the taxpayer's rights of appeal or to bar the Internal Revenue Service from assessing an additional deficiency.

A GAO operating division brought to our attention certain facts which it had gathered in response to a congressional interest in the rate-setting practices of the Federal Power Commission. We believed that these facts indicated possible violations of the Natural Gas Act and also that financial interests held by some Commission employees violated the Commission's conflict-of-interest regulations.

A GAO division informed us of the circumstances of a settlement by the Veterans Administration of a \$10 million claim. The legal issues presented by these facts ultimately resulted in legislation which constrained the agency's use of appropriated funds by installing safeguards to insure the legitimacy of claims before final settlement.

Our attorneys provided continuing legal support in a review of the implementation of the Organized Crime Control Act of 1970 by the Bureau of Alcohol, Tobacco and Firearms of the Department of the Treasury. The conclusion which we reached about the intent of Congress led to a change in regulations by the Bureau which governed applications for licenses to deal in explosives.

Legal Reference Services

The Index-Digest, Index and Files, and the Legislative Digest Sections of Legal Reference Services provide a complete support service to assist our attorneys and the staffs of other GAO divisions and offices in carrying out their daily work. Legal Reference Services issues numerous periodicals to keep GAO personnel, Government agencies and departments, and private sector organizations informed of legislative or legal developments pertaining to GAO which would affect their special interests. Thus, we distribute advance copies of decisions and digests, prepare monthly pamphlets summarizing decisions in particular areas, prepare an annual volume of decisions which illustrate novel and significant



A view of the Index-Digest Section of Legal Reference Services.

points of law or which otherwise are of widespread interest and applicability throughout the Government, and serve as a clearinghouse for the distribution of legislation introduced and being considered by the Congress.

On a regular basis we make copies of our procurement law decisions available for commercial publication. The text of all published decisions and digests of all unpublished ones are systematically sent to the Air Force Accounting and Finance Center in Denver, Colorado, for inclusion in its computerized research service, Project LITE (Legal Information Through Electronics).

Our Index-Digest Section annotates and cross-references all decisions, maintains an elaborate card index file, and provides telephone and personal research services. In the past year its employees processed 3,912 research inquiries and distributed 40,307 copies of our decisions.

The Index and Files Section logs, indexes, cross-references and processes all incoming and outgoing correspondence and prepares daily reports of all these matters to inform GAO's offices and divisions about our activities. This year its personnel processed 67,361 pieces of incoming correspondence and sent out 17,635 decisions, reports, and letters.

During fiscal year 1974 the Legislative Digest Section prepared 9,999 legislative history files on all public and private bills introduced in the first and second sessions of the 93d Congress and processed requests for reports on 533 bills from committees and individual Members of Congress.

CHAPTER FOUR

FINANCIAL AND GENERAL MANAGEMENT STUDIES

Responsibilities

The Financial and General Management Studies Division has the following principal functions:

Cooperating with the Treasury Department and the Office of Management and Budget in improving and standardizing the fiscal, budgetary, and program information systems of the Federal Government in servicing congressional and executive branch needs.

Establishing and testing methods of program evaluation and helping committees to define their needs in legislation for evaluation.

Providing expert technical and advisory services in the fields of automatic data processing, systems analysis, actuarial science, and statistical science.

Participating in the Joint Financial Management Improvement Program.

Helping Government agencies develop accounting systems that meet the principles and standards prescribed by the Comptroller General.

Reviewing agency accounting systems in operation for conformity with the Comptroller

General's accounting principles and standards and settling the accounts of accountable officers, except for military disbursing officers.

Reviewing automatic data processing activities or programs on a Government-wide basis.

Continuing studies related to developing and disseminating audit and accounting standards and methodologies.

This division is under the supervision of Donald L. Scantlebury, director, and Fred D. Layton, deputy director. Its organization chart appears on the following page.

Congressional Assistance

In fiscal year 1974 the division received a total of 114 congressional requests for assistance, 41 from congressional committees and 73 from Members of Congress.

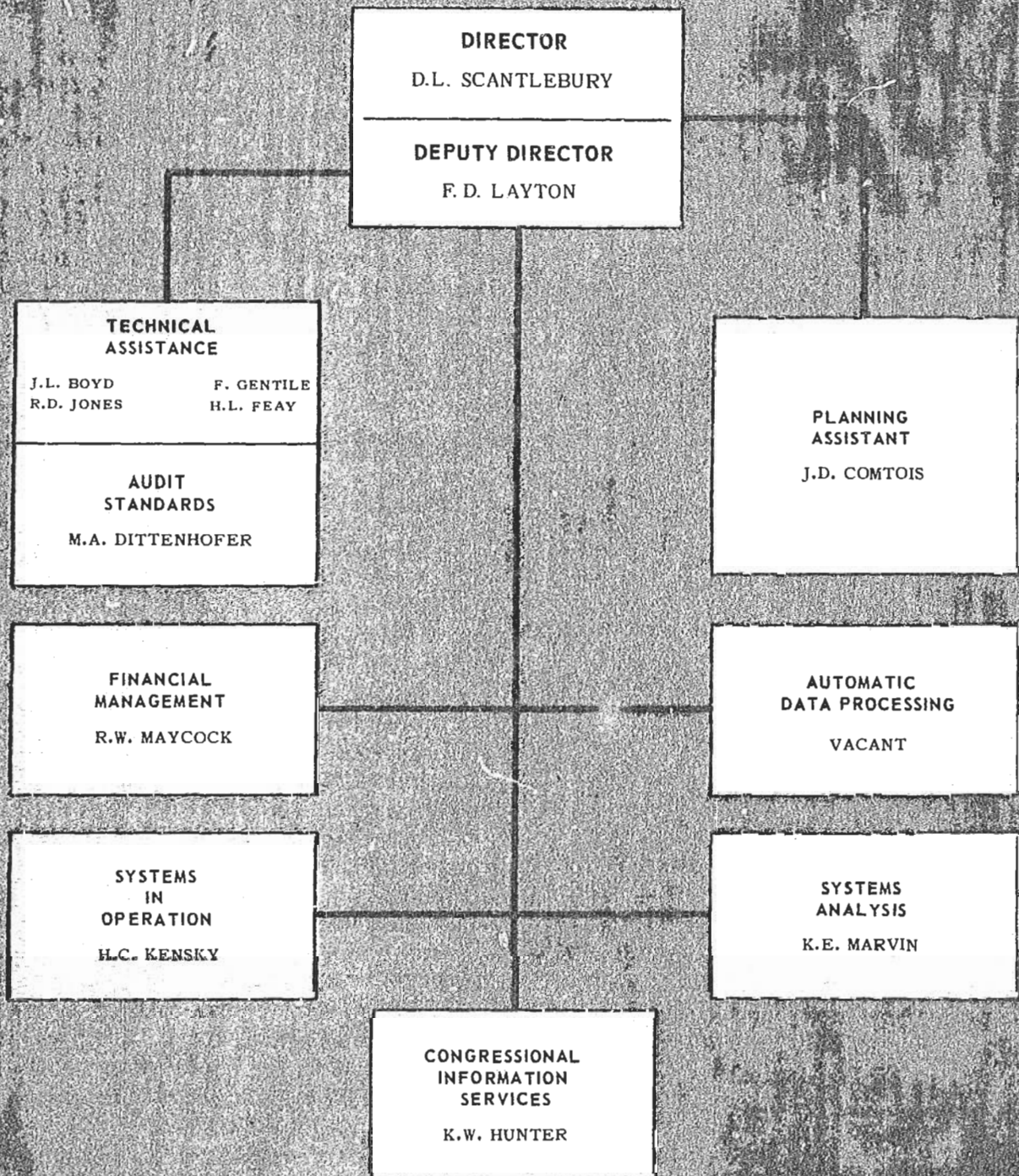
Improving Fiscal, Budgetary, and Program Information Systems

Sections 201 and 202 of the Legislative Reorganization Act of 1970 as they existed at the beginning of fiscal year 1974 required the Secretary of the Treasury and the Director of the Office of Management and Budget, with GAO cooperation, to develop, establish, and maintain (1) a standardized information and data processing system for budgetary and fiscal data and (2) standard classifications of Federal programs, activities, receipts, and expenditures.

As agent of the Congress, GAO insures that congressional interests are adequately represented and considered by the Office of Management and Budget and the Treasury in developing the required information and classification systems. This developmental effort requires the coordination of all elements of the Federal Government in serving congressional and executive branch needs.

We notified the Congress in fiscal year 1973 that the ongoing and planned efforts of the executive branch would not fulfill the information needs of the Congress and suggested several actions that could be taken by the executive branch including the development of a comprehensive plan for coordinated systems development.

FINANCIAL AND GENERAL MANAGEMENT STUDIES DIVISION



In response to the congressional needs referred to in our report, the Office of Management and Budget and the Treasury formed the Legislative Reorganization Act Implementation Planning Team in June 1973. That team forwarded its plan to the Congress on March 7, 1974. We monitored the team's activities and the plan included some of our suggestions.

We continued our attempts to define the specific requirements of congressional users of fiscal and budgetary data and to develop consistent program structures for reporting on various Federal activities. The initial requirements for information about programs of the Department of Housing and Urban Development have been completed. A similar attempt to consider the congressional information needs on activities of various programs of the Department of Agriculture is well underway.

The Congressional Budget and Impoundment Control Act of 1974 included amendments to the Legislative Reorganization Act of 1970 and shifted primary responsibility to the *Comptroller General* for developing standard classifications and for assisting the Congress to obtain and use data. We are building the capabilities to carry out these new responsibilities to most effectively meet the needs of the Congress, especially the new congressional budget committees and the new congressional budget office created by the act.

Several related efforts were performed during the year pursuant to congressional requests. Examples of this work follow.

Usefulness of Reports Submitted to The Congress by Executive Agencies

In response to a request of the Chairman, House Committee on Government Operations, we studied and recommended improvements in or elimination of certain recurring reports submitted to the Congress by executive departments or agencies. We identified 747 recurring reports based on information provided by 68 executive departments, agencies, councils, and commissions. We identified 54 reports which the congressional committees indicated they no longer needed. Cost data provided by the preparing agencies indicated that eliminating 39 of the 54 reports would save about \$222,000 a

year. The agencies did not give us cost data for the other 15 reports. (B-115398, Oct. 26, 1973.)

Budget Scorekeeping Report Documented

In January 1974, we completed a description of the scorekeeping process of the Joint Committee on Reduction of Federal Expenditures. Since 1968 this committee has produced the "Budget Scorekeeping Report" which is designed to show the dollar impact of "congressional actions or inactions in the current session on the President's budget estimates for new authority, outlays and receipts." In this study we documented the specific budget scorekeeping activities of the Joint Committee. In a followon effort we provided assistance to the Committee in its efforts to assess the feasibility of applying automated techniques to the process.

3- to 5-Year Projections of Outlays Studied

At the request of the Chairman, House Committee on Appropriations, we are surveying various agencies to determine the availability of 3- to 5-year projections of selected major Federal outlay programs, primarily those for which annual appropriation action by the Congress is not necessary. The House Committee on Appropriations wants to keep better track of the Federal Government's fiscal commitments over a 3- to 5-year period.

We also provided assistance to the House Information Systems staff in obtaining and utilizing Federal budget and Federal outlay computer tapes from the Office of Management and Budget.

Feasibility of Linking Authorizations, Appropriations, Committee Jurisdictions, And Agency Programs

At the request of the Chairman, Select Committee on Committees, House of Representatives, we participated in a task group, comprising representatives of GAO, the Committee, and selected experts, which was formed to study the feasibility of creating a system of classification codes for linking authorizations, appropriations, committee jurisdictions, and agency programs.

During fiscal year 1974 the task group issued two progress reports to the Chairman. The first progress report (July 1973) concluded that the creation of the capability to link authorizations, appropriations, committee jurisdictions, and agency programs to the basic statutes was feasible. The second progress report (December 1973) provided an example of a cross-referencing, or linking, capability. The task group was directed to continue the study to determine the costs and resources that would be necessary for such a system to be developed, established, and maintained.

Program Evaluation

Our systems analysis staff is responsible for special studies concerning program evaluation and for making related reviews at the request of congressional committees and Members of Congress. For example, this staff has assisted congressional committees, in cooperation with the Office of General Counsel, to formulate language for establishing legislative requirements for evaluation by the executive agencies and reporting to the Congress or its committees.

Other work of this staff relates to the location and organization of information on the state of the art in analysis and evaluation. For example, information has been collected on the scope and possible uses of a number of computer models available on such subjects as energy, transportation, and logistics which have been designed by various public agencies and private firms. A start has also been made on suggested criteria and methods for the conduct of evaluation studies. Views of various experts and representatives of professional societies and Federal, State, and local units of government are being obtained to insure that this work is responsive to the needs of the various users of program evaluation.

Federally Chartered Organizations

Several organizations such as the Civil Air Patrol, the National Safety Council, the United States Olympic Committee, and the Boys' Club of America were established under Federal charters and must comply with the financial reporting requirements of Public Law 88-504. These organizations are audited by public ac-

countants and the reports are submitted to the Chairman of the House Committee on the Judiciary. Under an agreement with the Chairman, GAO reviews these audit reports and comments on their compliance with the statute. We reviewed 11 such audit reports in fiscal year 1974.

Technical Assistance Services

In March 1974 the Technical Assistance Group was established to centrally combine all staff members in this division who are primarily responsible for providing expert technical advisory services to other GAO divisions and offices. This group provides a central analytical capability which supports work of other divisions in accordance with Section 204 of the Legislative Reorganization Act of 1970, as amended, which requires GAO to conduct reviews and evaluations of Government programs. Such services are in the fields of system analysis, automatic data processing, actuarial science, and statistical science.

This group also keeps abreast of new developments in these specialized areas and promotes an internal capability to apply new methods and techniques to the GAO auditing role. The group also provides instructors and materials for training auditors in the uses of systems analysis.

Joint Financial Management Improvement Program

The Joint Financial Management Improvement Program, which has been in operation since 1948, is a Government-wide cooperative effort of all Federal agencies to promote the development and maintenance of useful financial management systems. Leadership is provided by the five principals of the program—the Comptroller General, the Secretary of the Treasury, the director of the Office of Management and Budget, the Chairman of the Civil Service Commission, and the Administrator of General Services.

These principals furnish broad policy guidance. A steering committee, made up of a representative from each of the central financial agencies, coordinates the program. The committee meets regularly to discuss problems,



The signing of the terms of reference of the Joint Financial Management Improvement Program June 27, 1974. Seated left to right are Secretary of the Treasury, William E. Simon; Chairman of the Civil Service Commission, Robert E. Hampton; Comptroller General of the United States, Elmer B. Staats; Administrator of General Services, Arthur F. Sampson; and Associate Director of the Office of Management and Budget, Robert H. Marik. Standing left to right are John Lordan, GSA; John Cole, CSC; John Carlock, Treasury; Edward Murphy, CSC; Gerald Murphy, Treasury; Wallace Wasserstein, Treasury; David Mosso, Treasury; Bertram Rosen, JFMIP; Donald Kull, JFMIP; Toney Head, OMB; Donald Scantlebury, GAO; Ronald Zechman, GSA; Fred Layton, GAO; Dwight Ink, GSA; and Thomas Morris, GAO.

direct work projects, and evaluate financial management progress throughout the Government.

Leadership of this program was strengthened in fiscal year 1974 with the establishment of a full-time position of executive director responsible for developing and directing financial management improvement programs and projects approved by the steering committee. Donald C. Kull was appointed as the first incumbent of this position on December 9, 1973. Revised terms of reference, which provide policy guidance and define operational responsibility of the joint program elements, were signed at a meeting of the principals in June of 1974.

More detailed information about the program's accomplishments and activities appears in separately published annual reports on the program.

Measuring and Enhancing Federal Productivity

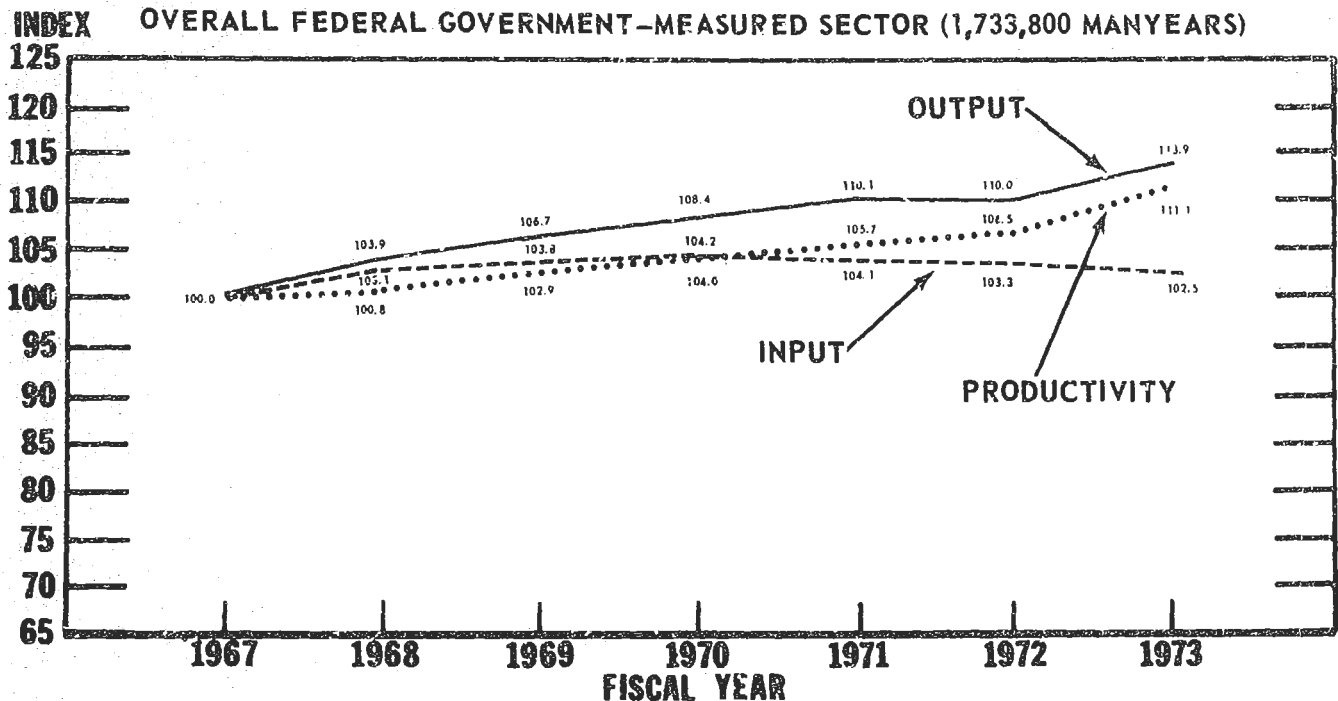
The joint program has been assigned a major role in the interagency project for measuring and enhancing productivity in the Federal Government. This project is participated in by GAO,

the Office of Management and Budget, and the Civil Service Commission. A two-volume report on the Federal productivity was completed in June 1974, summarizing productivity trends for fiscal years 1967-73 and analyzing the causes of productivity change. The report contains data from 200 separate organizational elements of 46 Federal agencies and covers the work of 1.7 million employees, or 61 percent of total Federal civilian employment. Overall productivity for the measured functions increased 11.1 percent from fiscal year 1967 to 1973, or an average of 1.8 percent per year. The most frequently cited reasons for productivity increases were automation and capital investment. (See p. 30)

Approval of Agency Accounting Systems

The Budget and Accounting Procedures Act of 1950 requires that executive agency accounting systems be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles,

FEDERAL PRODUCTIVITY TREND FY 1967-1973



standards, and related requirements prescribed by him. The act also provides that GAO cooperate with executive agencies in the development of their accounting systems.

Two agencies' accounting principles and standards statements covering 21 systems, and designs for 25 systems, were approved during fiscal year 1974 as shown in the table on page 32.

Accounting Principles and Standards

With the approval during the fiscal year of a statement of principles and standards covering 20 accounting systems, the Department of Defense obtained approval for all necessary principles and standards. Of the 10 major civil and international departments and agencies, 8 had principles and standards approved for all their accounting systems and the remaining 2 had principles and standards approved for 90 percent or more of their systems.

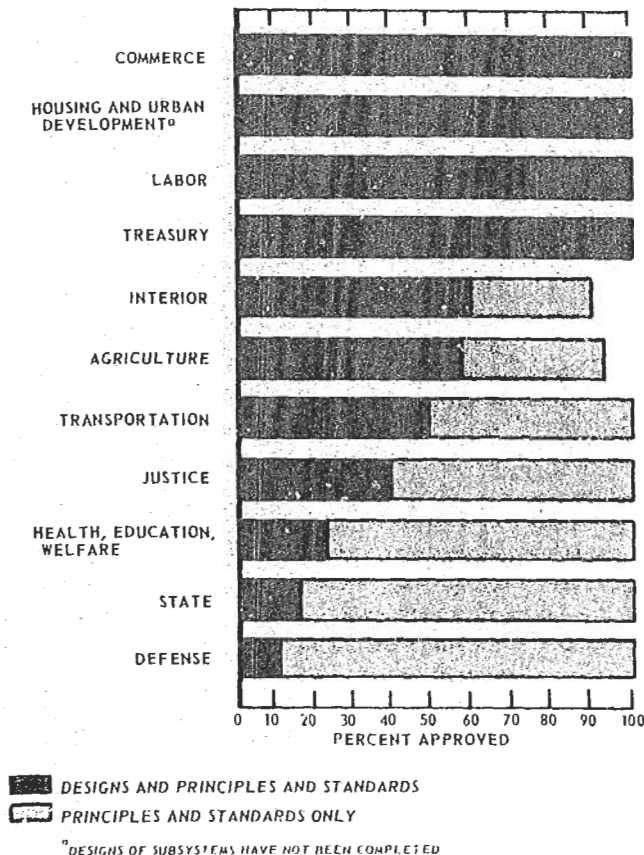
Accounting System Designs

Designs of systems were approved during the fiscal year for 15 civil systems and 10 defense systems. As of June 30, 1974, designs had been approved for a total of 108 civil systems. This represented 68 percent of the 158 civil accounting systems subject to approval. In the Department of Defense the 15 system designs approved as of June 30, 1974, represented 12 percent of the 125 accounting systems subject to approval.

The number of accounting systems in the District of Columbia subject to approval has not yet been identified.

The Treasury Department joined the growing number of departments having complete approval of accounting system designs. Other departments having such approval include the Departments of Commerce, Housing and Urban Development, and Labor. Designs of subsystems in the Department of Housing and Urban Development have not yet been completed. Of the

APPROVAL STATUS BY DEPARTMENT AT JUNE 30, 1974



remaining 7 departments, Agriculture and Interior had more than 60 percent of their designs approved, and Transportation had 50 percent. Four departments had designs approved for less than 50 percent of their systems.

A chart depicting the overall status of approvals at June 30, 1974, for the 11 Federal departments is shown above.

Charts are also included showing progress to date and the work remaining to be accomplished in the civil and international departments and agencies; the status of approvals; and the number of systems yet to be approved in the Department of Defense (See p. 33.)

Policy and Procedures Manual

In fiscal year 1974 titles 6 and 7 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies were amended. These chapters

contain the pay, leave, allowance, and fiscal procedures to be observed by Federal agencies.

Review of Accounting Systems in Operation

The Budget and Accounting Procedures Act of 1950 requires GAO to review executive agency accounting systems in operation from time to time. The objectives of these reviews are to (1) ascertain whether accounting systems comply with the principles, standards, and related requirements prescribed by the Comptroller General, (2) identify areas needing improvement and encourage further development by the agencies, (3) identify ways to improve overall financial management, and (4) settle the accounts of accountable officers.

Adequate accounting information is an important tool for effective management. Therefore we are concerned that the information produced by accounting systems be useful to, and be used by, management.

Also, after an accounting system design is approved, we follow up on the agency's installation and operation of the system. If the system is not put into operation promptly or has been adversely modified, we recommend that the agency take corrective action. When specific financial policies needing corrective action have been identified during our followup work, they are frequently made the subject of separate reports.

We sent 42 reports to executive agency officials and 1 report to the Congress on selected aspects of accounting system operations during fiscal year 1974. In these reports we recommended actions designed to (1) improve the Department of the Treasury's program for the safekeeping of U.S. Savings Bonds, (2) improve the efficiency of the Small Business Administration's loan accounting operations, (3) reduce the cost of Treasury borrowing by reducing the amounts of cash kept on hand by military finance offices, (4) improve the accounting for, funding, and disclosure of the costs of maintaining unutilized and underutilized plant and equipment in the Department of Defense, and (5) improve controls in Defense automated civilian payroll systems.

	Approval date			Approval date	
	Principles and standards	System designs		Principles and standards	System designs
CIVIL DEPARTMENTS AND AGENCIES			INDEPENDENT AGENCIES		
Department of Agriculture:			Environmental Protection Agency	12-12-73	
Soil Conservation Service		3-29-74	National Science Foundation--Payroll		5-16-74
Department of Health, Education and Welfare:			Selective Service System		6-18-74
Food and Drug Administration.....		6-27-74	Small Business Administration--Payroll		6-28-74
			MILITARY DEPARTMENTS		
Department of the Interior:			Department of the Air Force:		
Bonneville Power Administration		12-21-73	Medical Materiel		10-24-73
Bonneville Power Administration--Payroll.....		6-24-74	Medical-Dental Stock Fund Division		10-24-73
Departmental Integrated Payroll System		1-14-74	ROTC Cadet Pay		1-24-74
Bureau of Reclamation		6-26-74	Retired Pay		1-14-74
Department of Justice:			Uniformed Services Savings Deposit Program		1-28-74
Bureau of Prisons		6-25-74	Academy Cadet Pay		3-18-74
Department of Transportation:			Joint Uniform Military Pay System		6- 6-74
Office of the Secretary		3-18-74	Department of the Army:		
Department of the Treasury:			Joint Uniform Military Pay System		10-24-73
Working Capital Fund		2-19-74	Department of the Navy:		
Internal Revenue Service:			Public Works Centers		3-29-74
Tax Lien Revolving Fund		3-21-74	Office of the Secretary and Defense Agencies:		
Revenue Accounting		6-27-74	Principles and Standards		1-10-74
Bureau of Alcohol, Tobacco, and Firearms		5-17-74	Defense Supply Agency--Standard Automated Materiel Management System		12-12-73

At June 30, 1974, reviews of 15 accounting systems in operation were in process. Reviews of Government-wide financial policy issues resulting from our reviews of systems in operation included matters involving the control and use of letters of credit, the accuracy and usefulness of financial reports submitted to the Office of Management and Budget and the Treasury, and the use of composite checks to remit payroll deductions to financial institutions.

Examples of reports resulting from our reviews of accounting systems in operation issued in fiscal year 1974 follow.

Need to Return Unclaimed Savings Bonds

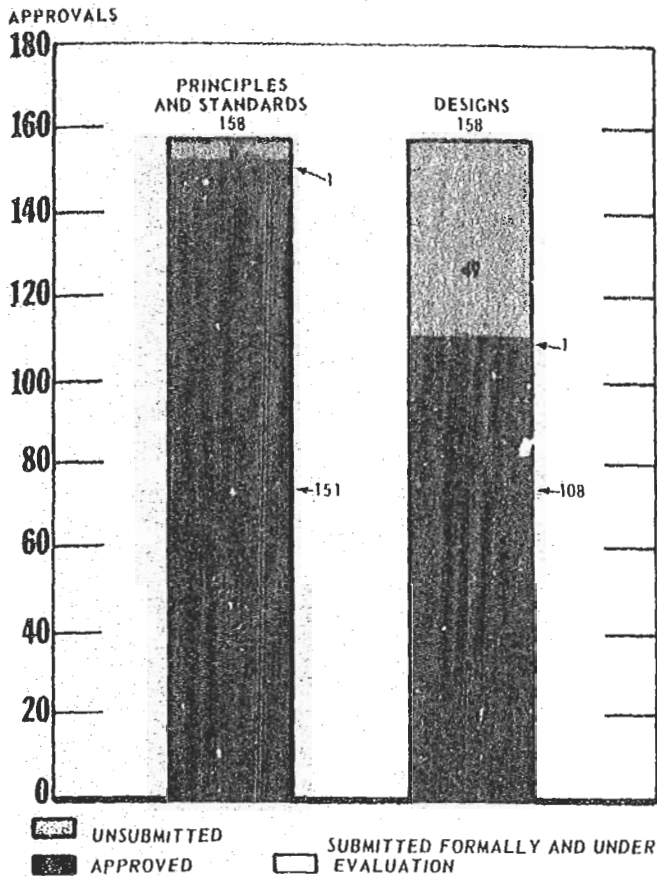
To encourage the purchase of U.S. Savings Bonds, the Department of the Treasury in 1935

initiated a program of safekeeping, on request, individuals' savings bonds. The bonds were stored in the Treasury and in Federal Reserve banks acting as agents of the Treasury. The safekeeping program was terminated on April 1, 1955, for civilians and on July 1, 1968 for servicemen. Thereafter, the Treasury accepted bonds for safekeeping only from Coast Guard and Peace Corps personnel.

In November 1972, even though the safekeeping program had for the most part been discontinued for many years, the Treasury and Federal Reserve banks still had in safekeeping about 700,000 bonds with a face value of about \$50 million which belonged to about 188,000 individuals. Most of the bondowners were veterans, many of whom had deposited the bonds during World War II.

We believed that many of the bonds in safekeeping might never be claimed because (1) their

**APPROVAL STATUS IN
CIVIL AND INTERNATIONAL DEPARTMENTS AND AGENCIES
JUNE 30, 1974**



**Loan Operations of
Small Business Administration**

We reported to the Administrator, Small Business Administration, that as a result of suggestions we made during our review, loan administration costs had been reduced about \$305,000 a year.

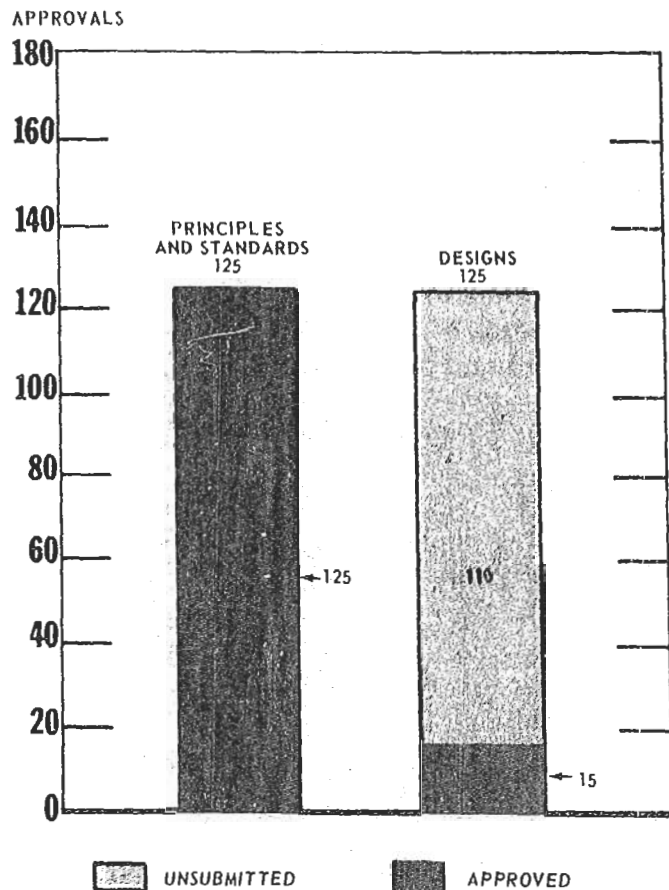
\$250,000 a year was saved by discontinuing sending monthly statements of accounts to borrowers.

\$50,000 a year was saved by eliminating out-moded manual operations.

\$5,000 a year was saved by eliminating unnecessary computer-printed reports.

We also made several recommendations to the Administrator on the need to eliminate unnecessary data processing, verify the accuracy of fees charged by banks, review the procedures used to

**STATUS OF APPROVALS
DEPARTMENT OF DEFENSE
JUNE 30, 1974**



owners had forgotten them, were deceased, or their heirs or beneficiaries were not aware of their existence and (2) it was not Treasury policy to seek out the owners or heirs to return the bonds to them (although some Federal Reserve banks on their own initiative had attempted to do so).

In our report to the Congress, we made several recommendations to the Secretary of the Treasury for returning the bonds to the owners. The Treasury has initiated action to achieve this objective and, at June 30, 1974, had reduced the number of bonds held in safekeeping to about 448,100. For bonds owned by veterans, a pilot project, involving the Veterans Administration, will be undertaken and, on the basis of the project, a determination will be made of the feasibility of an all out attempt to deliver all bonds in safekeeping to servicemen. (B-179225, Aug. 10, 1973.)

determine loans to be uncollectible, and consider the advisability of charging banks fees for loans serviced by the agency. (B-114835, July 11, 1973.)

Savings in Interest Cost by Reducing Cash on Hand at Overseas Activities

Military finance offices in overseas areas keep large amounts of cash on hand and in local banks because they don't have access to Federal Reserve banks.

In reviews of finance offices in Europe and the Western Pacific, we found much more cash on hand than was needed. As a result of our suggestions, cash holdings were reduced about \$58.6 million, thereby reducing Treasury borrowing costs about \$3 million a year.

There were many causes for the existence of excessive cash on hand, but the underlying reason seemed to be a lack of command attention to minimizing cash on hand.

Accordingly, in our report to the Secretary of Defense, we recommended that he:

- Emphasize to officials who approve requests from finance officers for authority to keep stated amounts of cash on hand the need to more closely scrutinize the computation of the amounts involved.

- Emphasize the need for periodic inspections and redeterminations of the need for cash on hand.

- Require more frequent internal audits of cash on hand at the Army central finance and accounting offices in Europe and the Western Pacific.

The Department of Defense advised us that the military departments had accepted our recommendations and would review cash balances at least quarterly to determine that the balances do not exceed operating needs and that the Army Audit Agency would schedule periodic audits of Army central finance and accounting offices. (B-159797, Mar. 21, 1974.)

Accounting for Cost of Maintaining Unutilized Plant and Equipment

Department of Defense policy requires that the cost of maintaining unutilized or under-

utilized plant and equipment necessary for mobilization purposes be identified and separately funded through appropriations rather than be recovered through charges to project orders of industrial fund activities' customers. Charging such costs to customers inflates the costs of the customers' programs and could cause uneconomical source selection decisions to be made.

We examined the manner in which 45 industrial funds accounted for, reported, and charged these costs. During fiscal year 1972, 18 of the funds reported costs of about \$74 million, of which at least \$71.5 million was charged to customers. These charges amounted to 6 to 10 percent of the prices paid by customers. The remaining 27 funds reported little or no such costs although, we estimate, 27 to 34 percent of their plant and equipment was unutilized.

Except for the Naval Ordnance Systems Command, none of the major commands had issued guidelines to its industrial funds for computing and reporting these costs. As a result, computation methods differed and compliance with the Department's policy was incomplete.

In our report to the Secretary of Defense, we recommended that he (1) issue guidelines for computing, reporting, budgeting, and funding the costs of maintaining unutilized and underutilized mobilization-essential plant and equipment at industrial fund activities, (2) require the military services to issue comprehensive implementing instructions and to separately budget for and fund such costs, and (3) require the internal audit organizations to review the implementation of departmental and service policies and instructions during scheduled audits of command and industrial fund activities.

The Department is taking action to implement our recommendations, and the Office of Federal Management Policy, General Services Administration, plans to follow up on the issuance of guidelines and instructions. (B-159896, Mar. 21, 1974.)

Audit and Settlement of Accountable Officers' Accounts

The Financial and General Management Studies Division is responsible for auditing and settling the accounts of accountable officers in the civil agencies of the Government.



Members of systems-in-operation audit team being shown the computer operations of an accounting system at the U.S. Department of Commerce.

Under section 113(a) of the Accounting and Auditing Act of 1950, the head of each executive agency is required to establish and maintain systems of accounting and internal control designed to provide effective control over and accountability for all funds, property, and other assets for which the agency is responsible, including appropriate internal audit.

During fiscal year 1974, we tested in several major departments the feasibility of settling the accounts of all accountable officers in a department on the basis of an overall evaluation of the department's systems of accounting and internal control, including internal audit. The approach proved feasible in highly centralized or standardized systems, but in decentralized nonuniform systems we found the extent of audit effort required was disproportionate to the results. Therefore, at yearend, we were testing other techniques to increase the number of our evaluations of the extent to which executive agencies are complying with the 1950 act with a minimum expenditure of GAO manpower.

Administration of Civilian Pay and Allowances in the Department of Defense

This Department employs about 1 million civilians. Their pay and allowances, which amount to about \$13 billion a year, are computed and processed through about 200 computerized payroll systems operated at over 500 locations.

During fiscal year 1974 we completed 29 reports on reviews of civilian payroll systems at Army, Army National Guard, and Navy installations.

Our reports showed there were opportunities, or needs, for the Department to (1) reduce costs by consolidating payrolls, payroll offices, and computer processing and by eliminating unnecessary computer outputs and duplicate inputs, (2) reduce manual operations and increase accuracy by automating some manual calculations and controls, (3) strengthen controls external to the computerized system to prevent errors and fraud, particularly with respect to

separation of duties and to controls over input documents, computer programs, pay files, and access to data processing equipment, and (4) provide for continuity of operations in the event of disaster by storing duplicate files and computer programs at remote sites and making firm arrangements for the use of alternate computers.

Automatic Data Processing

The Federal Government has over 7,000 computers with operating costs of billions of dollars annually. We are continuing to study and report on policy matters arising from the expanding impact of ADP systems on Government operations. Our principal objective is to identify possible improvements in these operations. Another objective is to strengthen capabilities in this highly technical area to enable us to better serve the Congress, assist other Federal agencies, and provide technical assistance in the audit of Federal programs and operations.

Our automatic data processing staff is responsible for performing such studies and for providing instructors and materials and developing generalized and specialized training in computer system auditing.

Examples of reports completed in this complex field follow.

Tools and Techniques for Improving Computer Efficiency

Increasing the operational efficiency of computers can produce significant savings. We reviewed 43 computer installations to identify how modern tools and techniques could be used to improve efficiency and reduce operating costs. We found several installations which reduced their operating costs substantially by improving the efficiency of their computers.

We believe that the managers of all Federal computer installations should be provided with specific information and guidance on improving the efficiency of their operations. To provide this information, we prepared a report discussing some tools and techniques for improving computer efficiency and pointing out the savings achieved by several installations. We also recommended that the General Services Administration (1) issue detailed guidance to agencies on

methods to improve computer systems' efficiency and (2) consider whether an agency has tried to improve the efficiency of its computers before approving additional acquisitions.

The General Services Administration generally agreed with our recommendations and is taking steps to implement them. (B-115369, June 3, 1974.)

Efforts to Standardize Data Elements And Codes for Computer Systems

Despite advances in computer technology, most data is exchanged between Federal agencies in hard-copy form (paper). Data collected for computer-based systems can be used in many ways. Once collected and deposited in a Federal computer system, it can be transferred from one agency to another. Rarely is data transferred in total to another Federal computer system. However, it can be transferred if originally collected and recorded in a standardized agreed upon fashion.

Standardization of data elements and codes could help reduce high costs of Federal computer operations by eliminating unnecessary duplication and incompatibilities in collecting, processing, and disseminating data.

We suggested that the Secretary of Commerce (1) determine where standards would be most beneficial and establish standardization priorities, (2) issue policy statements to agencies delineating accepted theory and terminology and provide for preparation of guidelines, methodology, and criteria to be followed by agencies in their standardization efforts, (3) assign to specific agencies responsibilities for developing standard data elements and codes in specified areas, and (4) monitor implementation of data standards to insure their uniform adoption and use. (B-115369, May 16, 1974.)

Information Systems of the Social Security Administration Need Redesign

We reviewed the Social Security Administration's information systems to determine whether they have remained current with technological developments. These systems process claims which result in the issuance of benefit checks—

the only income for many aged or disabled people:

Changes in legislation have greatly increased the workload of this agency's information processing systems. Its inventory of computers has grown from 3 in 1960 to 51 in 1973. Its equipment had an installed value of \$61 million as of March 1973 and the annual cost to operate the systems exceeded \$60 million.

We concluded that its information systems could be made more efficient if they were redesigned to take advantage of modern computer technology. To achieve this, we recommended that the agency (1) establish long-range goals and objectives to guide system designers, (2) establish a systems planning group to design a new information processing system, and (3) direct the system designers to examine alternative methods for storing, maintaining, and processing files and programs. (B-164031(4) Apr. 19, 1974.)

The Department of Health, Education, and Welfare agreed to pursue these matters.

Computer-based Information Systems

We are continuing our efforts to bring together governmental, private sector, and public interest groups concerned with computer-based information systems to help us develop guidelines for managing, controlling, and evaluating these systems. Our current emphasis is on the cost accounting for computer-based information system development and operation.

Also we are developing and testing new approaches to the evaluation of computer systems using GAO personnel from several divisions. For example, a study now nearing completion was made of the computer-based systems at the Government Printing Office. We made numerous proposals for modernizing major systems involving inventory control, financial management, and printing operations.

Audit Standards

The issuance by the Comptroller General on August 1, 1972, of the statement entitled "Standards for Audit of Governmental Organization, Programs, Activities, and Functions" was the first step in the long process of strengthening the

audit of governmental programs and activities at all levels of government.

Intergovernmental Audit Cooperation

During the year a review of 10 Federal agencies in 15 States was performed to assess the degree of cooperation existing between Federal, State, and local auditors in reducing duplicative audit work. We found several instances where Federal agencies did use State audits to satisfy their requirements. For the most part, however, coordination of Federal and State auditing was far short of what is attainable. We reported on this situation explaining that greater intergovernmental cooperation was needed for more effective and less costly auditing of government programs.

We recommended that the General Services Administration take positive steps to promote use of State and local audits to satisfy Federal requirements. The Administrator responded affirmatively by issuing a government-wide policy statement endorsing the GAO standards and strengthening the requirement for intergovernmental audit coordination. Under the new provisions Federal agencies are required to rely on State and local audits made in accordance with the standards. Furthermore, agencies are required to report on their progress in complying with the new provisions. (B-176544, Apr. 8, 1974.)

Other Projects

State auditors are frequently requested by Federal agencies to supply information on their organizations. The number of questionnaires, often requesting the same information, has become an annoyance and GAO has established a central data file to help solve this problem and make current information on State audit operations readily available from a single source.

We are continuing to work on several projects designed to interpret and illustrate the standards and promote their use and acceptance. For example, a series of booklets has been published to promote auditing of the scope contemplated by our audit standards.

One project of special interest is our cooperative effort with the International City Management Association in 12 participating cities and



Mid-Atlantic Intergovernmental Audit Forum charter-signing ceremony, Independence Hall, Philadelphia, Pennsylvania, May 1, 1974. Left to right are Elmer B. Staats, Comptroller General of the United States; William G. Klenk II, City Controller, city of Philadelphia; Joseph S. James, auditor of public accounts, Commonwealth of Virginia; and James H. Rogers, regional manager, Philadelphia Regional Office, GAO.

counties to help demonstrate the applicability of the scope of auditing contemplated by our auditing standards to the local governmental institutions.

Audit Forums

A National Intergovernmental Audit Forum and nine regional forums have been organized. The national forum is composed of representatives from Federal agencies with large grant programs and representatives from State and local government audit organizations. The regional

forums' membership is of similar composition but comes from within the boundaries of the Federal region in which each is located.

Objectives of the forums include (1) exchanging views to resolve issues through discussion before they become problems, (2) gaining acceptance and promoting use of the GAO audit standards, and (3) improving coordinated and cooperative working relationships. The several forum meetings that have been convened at the national and at each regional level have aided in the early identification and resolution of significant issues.

CHAPTER FIVE

ENERGY AND SPECIAL PROJECTS

Responsibilities

The Office of Energy and Special Projects was established in December 1973 as a result of growing congressional and public concern over energy and other shortage problems. Other responsibilities include (1) developing the necessary economic and budget analysis capability within GAO to assist the Congress in meeting its responsibilities under the Congressional Budget and Impoundment Control Act of 1974, (2) reviewing the information collection activities of Federal regulatory agencies, and (3) developing an overall analytical capability to evaluate materials shortage issues as they relate to GAO's work.

This office was originally established under the direction of Assistant Comptroller General Phillip S. Hughes. Monte E. Canfield, Jr., formerly deputy director of the Ford Foundation's Energy Policy Project, was appointed director on July 8, 1974.

As shown in the organization chart on the following page, the Office of Energy and Special Projects at June 30, 1974, consisted of three staffs: Energy Projects, Economics and Budget, and Regulatory Reports Review.

As of September 5, 1974, the Office of Energy and Special Projects was renamed the Office

of Special Programs, responsible for (1) GAO-wide planning and coordination of energy and material studies, (2) conduct of selected studies in these areas, and (3) regulatory reports review. A new Office of Program and Budget Analysis was established, responsible for (1) analytical support to the congressional budget process, (2) identification and analysis of major budgetary issues and macro-analysis and forecasting, (3) coordination of GAO-wide support of the congressional budget process, and (4) impoundment review and reporting. The functions of the Economics and Budget Staff were transferred to the Office of Program and Budget Analysis.

Energy Projects

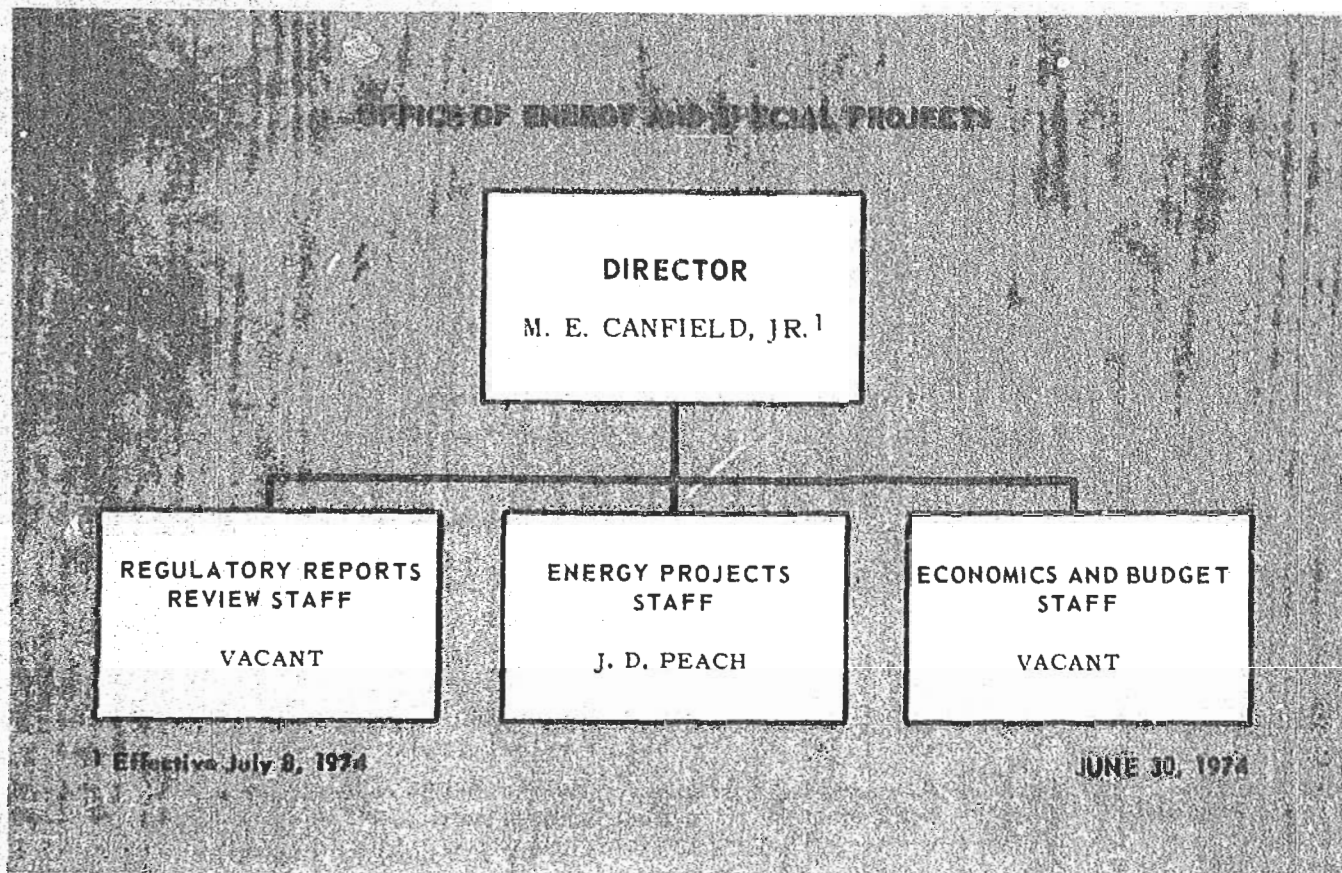
The Energy Projects Staff is responsible for

- developing overall plans and objectives for GAO's energy-related efforts,
- monitoring and coordinating GAO's energy-related work,
- taking a lead role in major, multiagency energy-related work assignments,
- auditing and coordinating with the Federal Energy Administration, and
- monitoring and evaluating Federal energy data collection and analysis activities.

Although this staff is GAO's focal point for energy matters, most of GAO's divisions and regional offices are involved in reviews of energy-related matters. Section 12 of the Federal Energy Administration Act of 1974 makes the Comptroller General specifically responsible for monitoring and evaluating the operations of the Federal Energy Administration; the act gives him access to data from public or private sources in the possession or control of the Administration.

We have identified six areas through our audit and analytical review work in which we believe we can make a positive contribution to solving the Nation's energy problems:

- Federal role in energy conservation.
- Federal role as a proprietor of energy resources.
- Energy research and development.
- Federal collection and analysis of energy data.
- Federal role in implementing and administering emergency energy programs.
- International energy problems.



Our plans included preparing a series of "energy advisory" documents on these six areas designed both to guide GAO's overall work on energy problems and to provide useful information to the Congress and to the public.

GAO spent about 80 man-years during fiscal year 1974 on energy-related assignments. Twen-

ty energy-related reports were completed—17 to the Congress, Members of Congress, and committees and 3 to agency officials. The number and types of reports completed are shown in the following table.

REPORTS SUBMITTED TO			
Prepared by	Congress (note a)	Agency officials	Total
Office of Energy and Special Projects	6	...	6
General Government Division	3	...	3
International Division	2	...	2
Logistics and Communications Division	...	2	2
Resources and Economic Development Division	6	1	7
Total	17	3	20

^aIncludes reports to the Congress, Members of Congress, and committees.

The Chairman, Senate Committee on Interior and Insular Affairs, requested that we consider whether a centralized energy data bank should be established in the Federal Government. We reported that:

- For the most part, energy data is collected in connection with the missions of numerous individual agencies and is only incidentally related to current energy problems.
- Until very recently there was no central point of consolidation or analysis.
- Much of the data, including some of the most important, is voluntarily reported by the energy industries.
- There is little verification of data.
- With limited exceptions only aggregate data is reported; company data is "confidential."
- The only complete and current information on oil and gas reserves, including reserves on Federal lands, is provided by non-Federal sources.
- Reporting of energy data is not timely.
- Terminology and definitions for reporting are not standardized.

We concluded that it would be feasible to establish an energy information system within the executive branch to collect, analyze, and report current information on energy supply and demand. Such a system would take several years to establish and would require enabling legislation. (B-178205, Feb. 6, 1974.)

Solar Heating and Cooling

At the request of the Chairman, Subcommittee on Energy, House Committee on Science and Astronautics, we collected information on Federal and private solar energy activities—primarily solar heating and cooling.

We reported on (1) Federal funding of solar energy research development and demonstration activities, (2) objectives and goals of Federal solar heating and cooling activities, (3) inter-agency coordination of Federal activities, (4) private-sector activities, and (5) economic evaluations that have been made of solar heating and cooling, including an examination of the methods and data used.

We concluded that determining the future economic feasibility of solar heating and cooling is a complex task which must be based on a

number of factors. Two of the more important factors are conventional fuel prices and solar collector costs. (B-178726, June 18, 1974.)

Foreign Sources of Oil For the United States

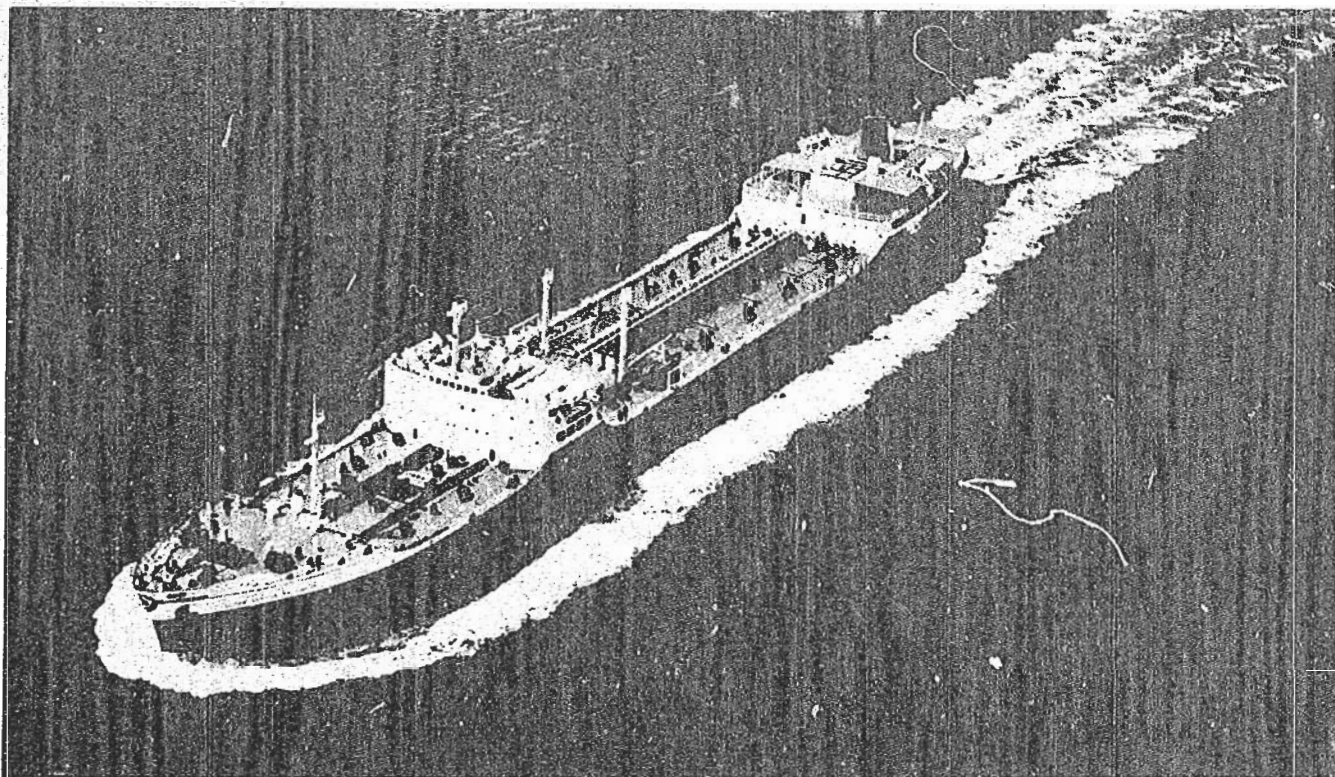
This report discussed (1) the State Department's role in international petroleum matters before hostilities in the Middle East in October 1973 and Arab curtailment of petroleum exports and (2) critical problems facing the Department in resolving issues connected with current and future availability of oil from sources outside the United States.

Traditionally, the State Department has used its influence and programs to promote an environment conducive to U.S. private investment in foreign countries. It generally has avoided direct involvement in the nature, substance, and behavior of private industry.

The report brings out that the State Department must play a major role in developing national energy policy and in influencing oil negotiations. Its responsibilities in protecting the Nation's interests in the rapidly evolving world energy situation obviously are important. It should, therefore, improve its capability to deal effectively with energy-related problems. (B-179411, Jan. 23, 1974.)

Experimental Techniques For Recovering Natural Gas

Our report to the Congress contained information on the economic, technical, and environmental aspects of nuclear stimulation, massive hydraulic fracturing, and chemical explosive gas-recovery techniques. We identified several problems affecting the development and use of energy resources—the resolution of which will depend upon the evaluation of reliable data which does not now exist. These problems involve uncertainty about whether (1) fractures created by nuclear explosives close, (2) recovery of gas using nuclear stimulation is compatible with underground mining of oil shale, and (3) enough water is available for massive hydraulic fracturing and development of other mineral resources in the Rocky Mountain area.



Giant tankers carrying crude oil and refined petroleum products crisscross the seven seas. This supertanker has a capacity of 273,175 barrels of refined products.

Because of the predominant energy-related aspects of the above problems involving the interests of various Federal agencies, we referred these problems to the Administrator, Federal Energy Administration, since he is responsible for providing leadership in determining the need and type of action called for to resolve such problems. (B-164105, Apr. 2, 1974.)

Pacific Northwest Hydro-Thermal Power Program

A Joint Power Planning Council—composed of 104 publicly owned utilities, 4 privately owned utilities, and the Bonneville Power Administration—developed the Hydro-Thermal Power Program in 1969 to meet the growing electrical energy needs of the Pacific Northwest through the integration of regional power resources.

We reported to the Congress that the program had been successful in providing additional generating capacity. However, providing generating capacity had been delayed because of

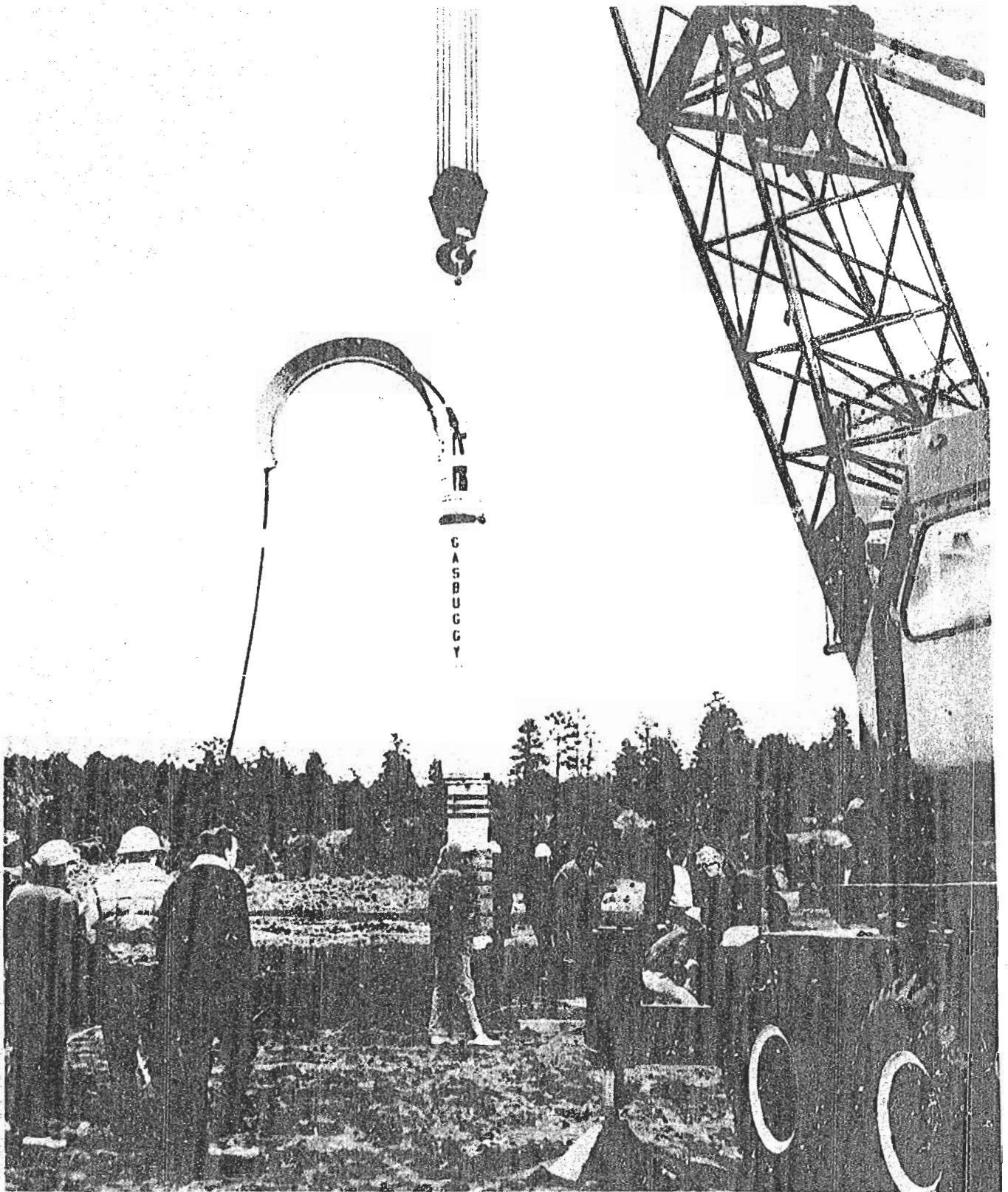
problems in (1) obtaining funds for constructing the Federal hydroelectric projects to be provided under the program plan, (2) planning, designing, and constructing both Federal and non-Federal facilities, (3) obtaining public acceptance of a Federal hydroelectric project, and (4) meeting State air pollution control requirements for a thermal plant.

Actions were being taken to reduce the impact of program delays, but the Bonneville Power Administration predicted regional power shortages during the next 4 years. (B-114858, June 5, 1974.)

Summary of European Views on Dependency of the Free World on Middle East Oil

This report discussed 2 issues with 26 European officials in government, banking, and the oil industry in Germany and England. They were:

- Oil negotiations and European views and concerns on the negotiations, issues, and



A nuclear explosive about to be lowered in a wellbore as part of a test for recovering gas in tight geological formations.

stability of supply.

- The impact of Arab oil money on the international monetary scene, as viewed from European monetary centers.

The principal conclusions drawn by the majority of officials interviewed were:

- The energy crisis and increasing dependency on Middle East oil were real problems for Europe and the United States.
- Immediate action was necessary.
- Europeans were becoming more concerned over U.S. policies on the Middle East and energy.
- Cooperation among oil consuming nations was highly desirable but difficult to achieve.
- Accumulated oil wealth and the excess liquidity of major oil-producing countries must be considered in any new international financial arrangements.
- Both oil and oil-derived wealth were potential economic weapons of growing strength. (B-178334, Aug. 29, 1973.)

Fuel Conservation in Government

We surveyed Federal efforts to conserve fuel when moving men and material since such efforts affect the Government's ability to provide leadership in influencing private users to conserve fuel. During fiscal year 1973 the Defense Fuel Supply Center spent \$1.5 billion to purchase 333 million barrels of petroleum products for military and civil agencies.

Our survey indicated that genuine efforts were being made in the Government to conserve fuel. We did observe certain program management problems which required attention or where improvements were possible. They included the need for (1) more adequate data to measure the success of conservation actions, (2) an improved information system for collecting this data, (3) a broadened role for individual agencies' energy conservation officers, and (4) efforts to reduce motor vehicle fuel consumption.

We reported our observations and recommendations to the Administrator, Federal Energy Administration, who generally agreed and stated that corrective action was underway. (B-178205, Mar. 29, 1974.)

Audit Work in Process

We are continuing to monitor the operations of the Federal Energy Administration for the Subcommittee on Reorganization, Research and International Organizations, Senate Committee on Government Operations, and continuing work on Federal energy data activities for the Senate Interior Committee.

In the international energy area we were working on two reports at yearend—on U.S. activities related to the emerging Arab oil-monetary problem and on the natural gas import issue.

Also, reviews were underway on:

- Federal efforts to maximize the discovery and development of energy resources on Federal lands and the Outer Continental Shelf,
- Federal coal research programs,
- Bureau of Reclamation's geothermal development program,
- Actions by Government contractors to improve the efficiency or minimize the consumption of energy, and
- Government actions to encourage the procurement of recycled products to save energy.

Testimony at Hearings

In December 1973 the Comptroller General testified before the Subcommittee on Legislation and Military Operations, House Committee on Government Operations, on the proposed Federal Energy Administration Act.

We testified before the Subcommittee on Activities of Regulatory Agencies Relating to Small Business, House Select Committee on Small Business, and the Senate Committee on Interior and Insular Affairs in January and February 1974, respectively, on Federal energy data collection.

We also testified in June 1974 before the Joint Committee on Atomic Energy on the future structure of the uranium enrichment industry to assist the Committee in its consideration of the possible need to establish an independent Government-owned uranium enrichment corporation.

Assistance to the Congress

In fiscal year 1974 we provided a staff assistant to the Subcommittee on Multinational Corporations, Senate Committee on Foreign Relations, who testified on the results of analyzing the total earnings, profits, taxes, and other expenses of the Arabian American Oil Company (the world's largest oil-producing company owned by Saudi Arabia and four U.S. oil companies).

In July 1973 we assisted the Joint Committee on Atomic Energy in analyzing various approaches to the operation of uranium enrichment activities and on the balance of payments implications of sales of enriched uranium to foreign users. The Committee referred to our analysis during hearings on the future structure of the uranium enrichment industry.

Regulatory Reports Review

The Regulatory Reports Review Staff carries out the responsibilities given GAO by section 409 of Public Law 93-153. This law, enacted November 16, 1973, amended the Federal Reports Act to require us to review the collection of information by independent Federal regulatory agencies to insure that information is obtained with a minimum burden on those businesses—particularly small businesses—and persons required to provide the information. The amendments also seek to eliminate duplicate data collection efforts and to insure that collected information is tabulated to maximize its usefulness. The law requires GAO to review existing information-gathering practices of the independent regulatory agencies as well as requests for additional information.

The legislative history of the law identified seven agencies as independent Federal regulatory agencies—Atomic Energy Commission, Civil Aeronautics Board, Federal Communications Commission, Federal Power Commission, Federal Trade Commission, Interstate Commerce Commission, and Securities and Exchange Commission. Since enactment, five additional agencies have been identified as being subject to the act—Consumer Product Safety Commission, Equal Employment Opportunity Commission,

Federal Energy Administration, Federal Maritime Commission, and National Labor Relations Board.

We published proposed regulations relating to our new responsibilities in the *Federal Register* for February 11, 1974, and solicited comments from interested and affected parties. The final regulations were published on July 2, 1974.

Between November 16, 1973, and the end of the fiscal year, we received 96 requests from various agencies for approval of proposed reporting or recordkeeping requirements. By June 30, 1974, 79 of these had been approved and the rest were pending.

Testimony at Hearings

On April 24, 1974, we testified before the Subcommittee on Budgeting, Management and Expenditures and the Subcommittee on Intergovernmental Relations of the Senate Committee on Government Operations on the collection and tabulation of information by Federal agencies.

Federal Trade Commission's Proposed Annual Line-of-Business Report

The most significant of the submissions for clearance was the Line-of-Business report program which we received on March 27, 1974, from the Federal Trade Commission. The Line-of-Business report will initially require 500 businesses to report by product line (line-of-business) those assets used in their manufacturing process, their profits, their media advertising, and any research and development costs. The report had been under development for 3 or 4 years and was the subject of extensive debate and two public hearings.

Upon receipt of the Commission's request, we gave public notice of the submission and solicited written comments from all interested persons, organizations, public interest groups, and affected businesses on the proposal and provided time for oral comments. In addition, we sought the advice and counsel of a number of experts.

On May 13, 1974, we gave approval to the report but limited the initial collection of data to 1 year. In addition, we directed the Commis-

sion to (1) conduct intensive discussions to advance the ease and accuracy of the reporting and (2) explore with other Federal agencies the possibility of fulfilling its needs with data collected by those agencies. (B-180229, May 13, 1974.)

Audit Work in Process

We recently initiated a review of the regulatory agencies' data-gathering activities to give us a reasonable basis from which to (1) approve future reporting submissions in a timely manner, (2) advise the Congress about how the activities are working, and (3) advise and assist the agencies in developing adequate data-gathering systems. We plan to complete a report on the review results for the Congress late in 1975.

Economics and Budget Staff

In fiscal year 1975 the thrust of the new formed Economics and Budget Staff will be to expand efforts in (1) the delineation of a work program with initial emphasis in the energy area but with a longer term focus designed to provide appropriate support to the budget evaluation and review needs of the Congress, including those most recently identified in the Congressional Budget and Impoundment Control Act of 1974, (2) the development of an ongoing and effective relationship with appropriate congressional committees, the new Congressional Budget Office, other components of the legislative branch, the executive branch, and relevant organizations and groups within the private sector, (3) the hiring and training of professional staff.

CHAPTER SIX

LOGISTICS AND COMMUNICATIONS

Responsibilities

The Logistics and Communications Division is responsible for the audit of logistics and communications activities in the Department of Defense and the General Services Administration and for related policies and practices throughout the Federal Government. It is also responsible for auditing the activities of the Office of Telecommunications Policy, Executive Office of the President, and all Government functions related to printing and publications, including the Government Printing Office.

This division has audit cognizance over (1) cataloging and standardization activities, (2) supply management effectiveness through reviews of the requirements for, and the receipt, storage, distribution, and disposal of, materials and equipment, (3) the repair and maintenance of equipment and components, (4) the acquisition and management of facilities, (5) the readiness of active and reserve military forces, (6) the management of Government industrial facilities, (7) the acquisition and operation of communications and data processing systems, (8) transportation and traffic management activities, and (9) supporting activities, such as food service, records management, and printing and publishing operations.

The director of this division is Fred J. Shafer and Robert G. Rothwell is the deputy director. An organization chart appears on the following page.

During fiscal year 1974, we submitted 94 reports to the Congress. Of this total, 78 were addressed to committees or Members of Congress in response to specific requests. In addition, 30 congressional requests for information were satisfied without issuing written reports—by telephone conversations, copies of documents and other information, and briefings for Members and their staffs. We also sent 30 reports to the heads of departments and agencies. These reports are listed in appendix 5.

Our more important reviews and studies are summarized in this chapter.

Material Management

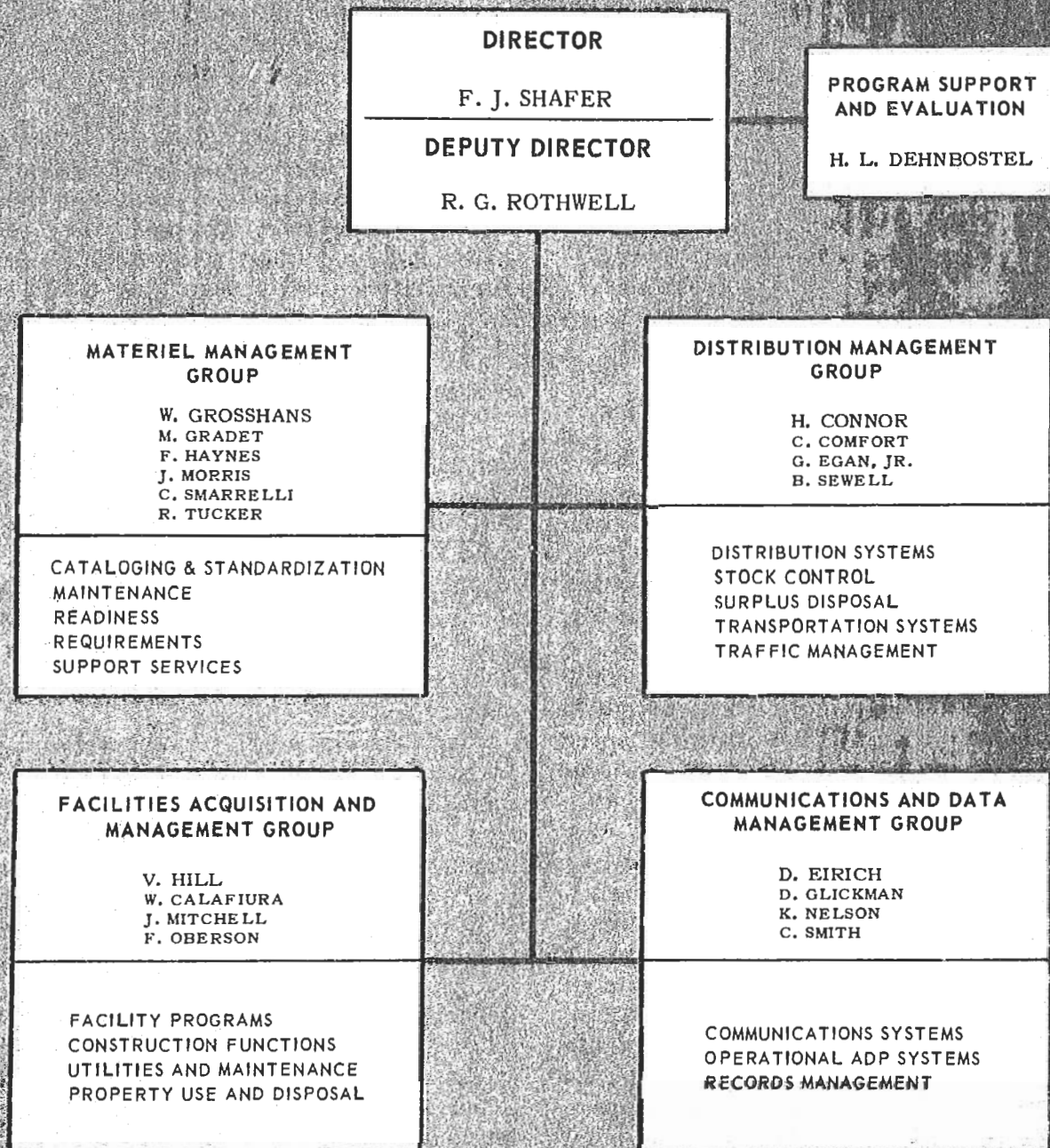
Department of Defense Stock Funds

In fiscal year 1972, Department of Defense stock funds controlled inventories amounting to about \$8.5 billion and reported net sales of about \$10.4 billion. These funds finance and hold inventories of repair parts, subsistence, fuel, and other consumable supplies for sale to military units.

Along with improved communications, transportation, and electronic data processing, stock funds have contributed to better supply management. Significant reductions in inventory can be directly attributable to stock fund management.

Since stock funds operate with money generated through sales, they should have greater financial flexibility than programs funded through direct appropriations. However, this flexibility has not been fully used; most stock funds are still subjected to appropriation-type controls. Moreover, purchasing constraints imposed through apportionment of funds have interfered with the ability of stock funds to provide effective customer support and have forced stock fund managers to resort to such poor business practices as buying less than optimum quantities and canceling purchase orders. Stock funds should become revolving funds, enabling them to be more responsive to inventory requirements. Funds can be adequately controlled by means other than those for appropriations.

LOGISTICS AND COMMUNICATIONS DIVISION



The Department has urged the military services to discontinue using a horizontal stock fund system and to use instead a vertical stock fund system. However, only the Air Force has indicated a willingness. The vertical system offers several advantages over the horizontal system.

- Inventories can be reduced since the user would get direct support from wholesale stocks.
- Duplicate inventory functions can be eliminated.
- Specialized support depots operated by the Defense Supply Agency can be eliminated.

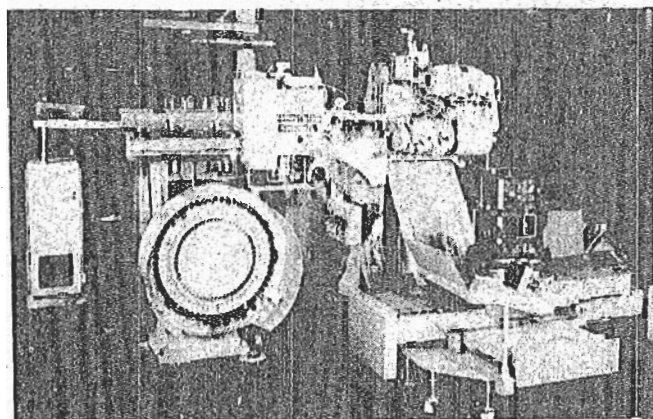
In recent years the military services have greatly expanded their stock funds by transferring to them ownership of materiel already in the supply system. Nevertheless, at least 74,000 additional items worth about \$541 million should be in stock funds. Many items not included are of a reparable nature and have been excluded because the military services, except the Army, were reluctant to include high-cost items in stock funds.

Current policy allows customers to return materiel if it (1) is needed elsewhere and (2) is worth more than the cost of returning it. The volume of returns—materiel totaling about \$4.5 billion was returned in fiscal years 1970, 1971, and 1972—makes it essential that both factors are considered.

The Department of Defense agreed with our recommendations but asked for some additional time to comment further on the vertical stock fund concept. Implementation of this concept would have far-reaching impact on current service structures. (B-159797, Apr. 2, 1974.)

Numerically Controlled Equipment

Numerically controlled industrial equipment includes drills, mills, lathes, etc., controlled automatically by punched tape. It is expensive and complex but offers tremendous productivity increases and savings in industrial operations—particularly for small-lot production. We surveyed military industrial activities' management of numerically controlled industrial equipment and found they did not give enough attention to its use. The activities did not adequately plan for, manage, or follow up on the use of such



Five-axis machining center with an automatic tool changer holding 60 tools. It machines, contours, and works on five sides of a part with only one setup. It costs about \$450,000.

equipment and did not take advantage of reducing inventories of low-demand items. One of the biggest problems facing users was a lack of standardization in equipment.

These conditions suggested that a more coordinated, active Department of Defense role was needed. We therefore suggested that the Secretary of Defense establish a centralized group to coordinate the services' use of this type of equipment and to work with private industry in developing this field and in encouraging standardization of hardware and software. The Department replied that it planned to establish a triservice group to improve numerically controlled equipment management and use and to devote attention to standardization. We intend to monitor this group. (B-140389, Sept. 24, 1974.)

Central Control of Ammunition

In ammunition logistics the Army and Navy have the predominant Department of Defense management roles. They control Government-owned ammunition production plants and storage facilities. Our review of key logistics functions—requirements determinations, procurement, production scheduling, and storage and distribution—showed that management was not satisfactory in terms of economy and efficiency.

We noted that:

- Improved exchange of information on available ammunition could reduce funds appropriated for procuring ammunition.

- More accurate budget requests could reduce funds appropriated for procuring ammunition.
- Improved procurement operations could avoid interservice competition for the limited private industrial capacities.
- Defense-wide perspective in scheduling production, modernization, and mobilization could eliminate competition for appropriated funds.
- Improved storage and distribution management could reduce transportation and handling costs.

These objectives can be reached by Defense-wide planning and by matching total requirements with existing capabilities. Stronger central management could help attain this Defense-wide perspective.

We recommended that the Secretary of Defense establish central management for all ammunition either by creating a new ammunition organization or by assigning this responsibility to one service.

The Department agreed that Defense-wide perspectives in ammunition management need improving. It believes that this can be attained by establishing a joint conventional ammunition production organization, consisting of a coordinating group and working committees operating under the joint logistics commanders.

Although it recognizes the inherent disadvantages of such an organization, the Department wants to give the organization an opportunity to demonstrate fully its management capability before considering alternatives.

Several alternative organizational concepts could be used to improve ammunition management, but we believe the organization described could work if it were given the responsibility and staffing needed to obtain effective central control of ammunition. However, we strongly recommended reconsideration of our suggestion for a single ammunition manager.

Subsequent to our report, the Assistant Secretary of Defense (Installations and Logistics) directed (by memorandum dated June 4, 1974) that the joint logistics commanders draw up a plan to designate the Army as the single manager for conventional ammunition. (B-176139, Dec. 6, 1973.)

Cancellation of Backorders

The military services could save more than \$100 million annually in transportation and handling costs and in material purchases by more frequently and effectively validating unfilled orders and removing past demands, associated with invalid orders, from requirements computations.

Unnecessary transportation and handling costs of about \$15.6 million were identified during a quarterly validation. These costs were incurred because invalid orders were not detected or were detected too late to stop shipment. Also, \$22 million worth of material were purchased unnecessarily because invalid orders identified during the quarterly validations were not eliminated from past demand histories used in requirements computations.

The Department of Defense agreed with our findings and has taken or planned corrective actions which, if properly carried out, should bring about needed improvements. In fact, a one-time automatic cancellation of requisitions over a year old canceled material orders valued at \$45 million. (B-162152, May 21, 1974.)

Transfer of Items from the Army to the Defense Supply Agency

Our tests of 35,000 items transferred from Army to Defense Supply Agency inventory managers showed that, in fiscal years 1971 and 1972, Agency managers made unnecessary buys of about \$3.9 million worth of these items. Also, Agency managers experienced lengthy delays in filling several thousand high-priority requisitions for these items—some of which were needed by combat troops in Vietnam.

The unnecessary buys and delays occurred because:

- The Army unnecessarily retained stock or substantially delayed furnishing inventory data to Agency managers.
- The Army furnished the Agency with inaccurate supply demand data on items transferred.
- Agency managers either lost or did not record accountability data for inventories of transferred items stored at Army depots.

As a result of our review, two Army inventory commands have provided the Agency with accountability information on about \$12.6 million worth of inventories previously transferred. One of the Agency managers located \$1.2 million worth of needed stocks in an Army depot.

The Department of Defense generally concurred in our findings and cited a number of actions taken or planned which should result in many improvements. (B-146828, Jan. 3, 1974.)

Realignment of Army Depots

The phasedown of operations in Southeast Asia and the withdrawal of U.S. Forces resulted in decreased activities at many installations. We reviewed the functions at Sharpe and Sacramento Army Depots as a test case to demonstrate that consolidation or realignment of depot functions was practical, feasible, and would result in savings.

Other depots could absorb most of Sharpe's workload, and savings could be achieved without disrupting logistical patterns. However, Sharpe is a candidate for a consolidated maintenance center in the event that depot maintenance facilities in the Far East are closed in 1974, as announced by the Army. Notwithstanding this possibility, the Army could still save an estimated \$14 million annually in personnel costs alone by transferring only the storage of mission inventories and related administrative functions from Sharpe to the Sacramento Depot.

The Army, responding for the Secretary of Defense, agreed that economies could be realized through realignment, consolidation, and transfer of depot missions and functions. (B-172707, Mar. 4, 1974.)

Property Disposal Operations

A new Army logistics concept, initiated in 1969, and the Vietnam retrograde program, which began the same year, caused a flow of vast quantities of excess materials into Department of Defense disposal facilities. This surge of material frustrated disposal operations—particularly utilization screening—and appears to have resulted in loss of millions of dollars of usable property.

For example, during 1972 over \$2 billion worth of declared excess material was reclaimed and redistributed for Department use as a result of utilization screening. However, only \$500 million, or approximately 24 percent, of this property was redistributed before being moved to disposal yards. The remaining \$1.6 billion was redistributed from disposal yards, increasing multiple handling, transportation, and paperwork costs. This in-and-out movement of property between Department supply and disposal facilities not only increases costs but frequently frustrates recovery of needed items.

In January 1974 the Defense Supply Agency became the central manager for all Defense personal property disposal operations, including 232 holding activities and sales offices throughout the world. We reported to the Secretary of Defense that this centralization should improve management of the Department's disposal program. We also made specific recommendations designed to correct the weaknesses observed in the Department's disposal operations. (B-161507, May 30, 1974.)

Requirements

Air Force Nonexpendable End-Item Equipment

The Department of the Air Force has a new highly mechanized system to manage nonexpendable equipment, such as generators, vehicles, and test equipment. The Air Force uses data from the system to make decisions to buy for present needs, budget for future needs, retain or release excess equipment, and support requests for funds from the Congress.

The data used in requirements computations contained major errors. As a result, equipment needs and assets available to meet these needs were grossly misstated. Because unreliable data was used to compute requirements, the need to buy equipment valued at \$532 million, as determined by the Air Force, was questionable.

The Air Force acknowledged that errors existed and refinements were necessary and said it was taking action to modernize the system. Specific actions to date have saved \$4.9 million. (B-133361, Feb. 26, 1974.)

Coffee Procurements by the Military Services

At the request of Senator Charles H. Percy, we reviewed coffee procurements by the Department of Defense. Since about 1950, the ground roasted coffee used by the military services has been a blend of 70 percent Brazilian and 30 percent Columbian coffee. The services annually purchase about 25.5 million pounds of green coffee beans at various prices, dependent on the types of beans.

We determined that, by developing one or more alternatives to the 70:30 blend, quality coffee could be procured at more favorable prices. In contrast to the services' consistent use of the 70:30 blend for more than 20 years, the private sector has used a substitute technique to balance cost and quality. Developing acceptable alternative blends could strengthen the competitive base by better enabling small businesses to compete for Government contracts.

The Department of Defense agreed that selective changes to the blend requirements would not significantly alter quality and said it was adopting a flexible formula that would allow processors to provide the least expensive blend under the formula and the existing market condition. (B-175530, Nov. 5, 1973.)

Additional work was performed to determine whether the Department of Defense was taking advantage of market conditions on other products. Specifically, we reviewed procurement practices, requirements, specifications, packaging, and inspection requirements. We have called our observations in these areas to the attention of the Department.

Use of Economic Order Quantity Principle

The economic order quantity (EOQ) principle is a mathematical device for determining the purchase quantity that will result in the lowest total costs for ordering and holding inventory to meet expected supply requirements. We surveyed the use of this principle at the Department of Defense, the Department of Transportation, the General Services Administration, and the Veterans Administration.

We found that the Government is not saving as much as it could in operating costs and reduced inventory investment because most

agencies are not applying the principle properly or fully.

In one or more of these agencies:

- The principle was not used.
- Cost factors used to compute economic order quantities were not current.
- An inadequate number of factors were used to accurately reflect costs.
- Price discount information for quantity purchases was generally not obtained or used.
- Constraints were placed on EOQ computations; therefore true EOQs were not determined.
- The principle was generally not applied to repairable items.

Recommendations to each agency were generally concurred in and corrective actions initiated, except for Veterans Administration. (B-133396, June 27, 1974.)

Industrial Management

Industrial management reviews attempt to evaluate the efficiency of an organization's overall performance as it relates to the cost of items produced.

In February 1971 we reported to the Congress that industrial management reviews could identify ways to reduce Government contractor costs and that it was feasible for us to make such reviews. Because of the similarity between contractor and Government industrial maintenance operations, we are now making these reviews at Government-operated industrial facilities. Two are summarized below.

Maintenance Directorate, San Antonio Air Materiel Area

We reported to the Secretary of Defense that the Maintenance Directorate (the depot), San Antonio Air Materiel Area, Kelly Air Force Base, Texas, could improve its use of direct resources for repairing, overhauling, and modifying end items.

The depot's work measurement system, which was intended to improve labor productivity and provide better decisionmaking information, fell short of its objectives because of inflated or inappropriate labor standards and incomplete

productivity analysis. Correction of a single labor standard for the repair of B-52 wing flaps resulted in estimated annual savings of about \$400,000.

The depot was experiencing exceptionally high absenteeism due to sick leave. Reducing the depot's sick leave rate to the national average would provide about \$1 million of additional productive labor a year. A more effective program to reduce this loss is needed.

There were opportunities for reducing accumulations of unneeded parts in maintenance shops by improving material standards and control of parts.

The depot's 36 percent general-purpose machine-use rate indicated unneeded machines were on hand. From a random sample of general-purpose machines in four machine shops, we made four equipment-use studies. The following chart shows the results of our studies.

After our review, almost \$1 million worth of machines were identified as excess and were being offered to other agencies. Many have already been claimed.

Although the depot was supposed to compare repair costs with new part prices before repairing items, we found the cost of repairing some items

exceeded catalog prices. Discontinuing repair of 16 sample items saved the depot an estimated \$200,000 over a 12-month period.

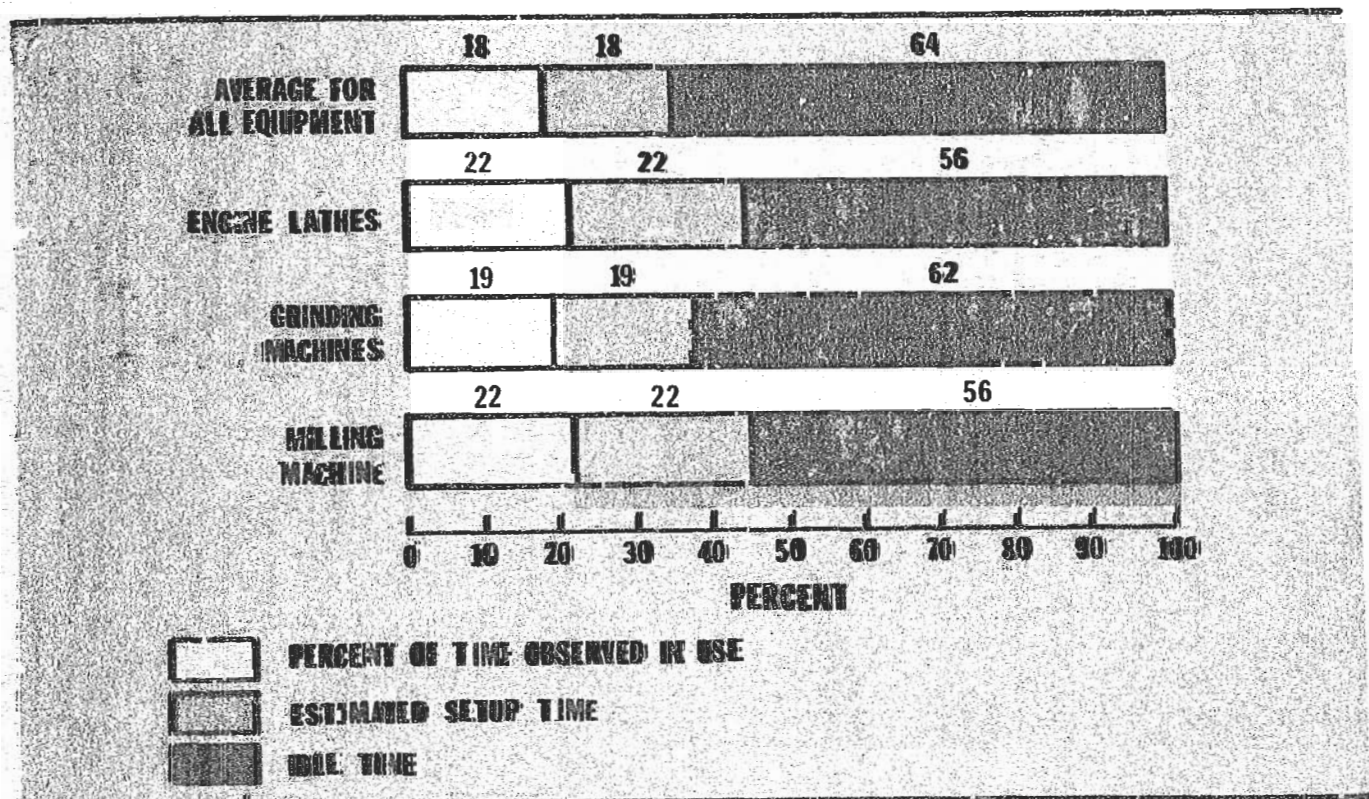
The potential savings from strengthening management controls were not fully measured. However, it could amount to several million dollars.

The Air Force has taken action on most of the problems and plans to act on others. (B-159896, Apr. 11, 1974.)

Puget Sound Naval Shipyard

U.S. naval shipyards are major shore activities whose missions include repair, modernization, overhaul, conversion, and construction of ships for the active fleet. Although the number of active ships decreased from 917 in 1968 to 523 in 1973, the Navy continued to operate 10 shipyards until the April 1973 decision to close 2 of them. Shipyard employment decreased from over 90,000 in 1968 to less than 70,000 at the beginning of 1973. Shipyard costs, however, remained relatively constant at about \$1.25 billion a year.

In view of the overall decline in shipyard activity, we undertook an industrial management review at Puget Sound to identify ways to

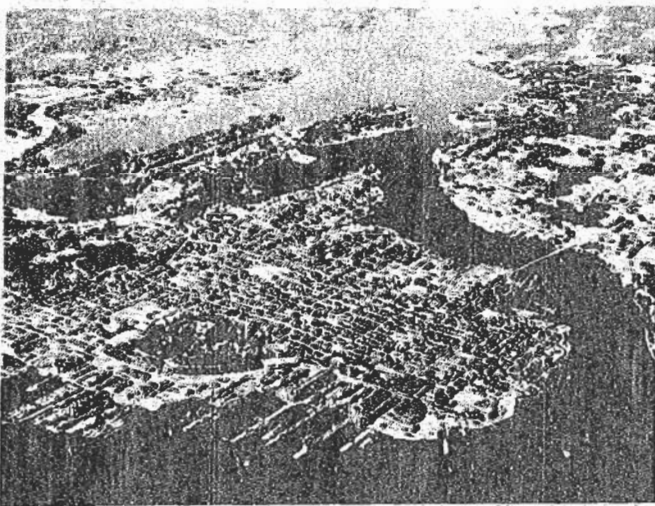


improve or enhance productivity in the shipyards.

Managing the shipyard efficiently and economically was difficult because workload at Puget Sound had decreased 40 percent during the 1968 to 1972 period. As a result, shipyard facilities had been greatly underutilized; much equipment was underused or idle; manpower could not be quickly adjusted to workload; and the labor force had become less productive.

Improvements could be made by improving machine-use data, the work measurement system, the labor standards program, and the quality assurance program. However, since the most critical constraint on shipyard operation appeared to be the level and predictability of workload, the greatest opportunities for improving overall shipyard productivity required stabilizing and increasing the workload and developing a means of balancing manpower requirements with the workload.

We developed a mathematical model to relate labor resources consumed to the number of days that available docks and berths were used. Our test results of the model were quite favorable and indicated that it could be used to gage shipyard activity and level of employment. However, we pointed out to the Navy that the model needed further refinement and should be used with other indicators of performance, particularly when program results, complexity of work, effectiveness, and quality were involved. (B-118733, Aug. 5, 1974.)



Puget Sound Naval Shipyard

Maintenance

Management of Aircraft Modification Programs in the Army, Navy, and Air Force

The Army, Navy, and Air Force continue to be faced with numerous problems in managing their aircraft modification programs. We found that:

- Not enough emphasis was given to using the capability and capacity that exist below depot level.
- Management data is frequently unreliable.
- Modifications were not adequately tested before materiel was purchased, causing delays in the correction of equipment defects and the accumulation of unusable materiel.
- Programs slipped because modifications were not installed when aircraft came to the depot for repair or, in some instances, because aircraft did not come to the depot as scheduled.
- Modification kit accountability and control procedures were inadequate.

Although the services are still confronted with these and other similar longstanding management problems, the aircraft modification programs of the Army, Navy, and Air Force are generally at a controllable level. The relationship between the procurement funds provided to the Army and Air Force over the past 3 years and the inventories on hand at June 30, 1973, indicate that these services have acquired materiel and installed modifications at a reasonable rate. The Navy's inventory of modification materiel is relatively large.

We suggested that the Secretary of Defense require the Navy to evaluate its backlog of modification materiel to insure that the modifications are still warranted and that the high cost of installation is justified. In addition, the Secretary of Defense should require each service to:

Develop and submit, with their budget requests for aircraft modifications, backup data in a standardized format that shows a projected installation schedule, considers modification workloads that have already been approved and funded, and forecasts capabilities for installation.

Consider the modification capability and capacity that exists below the depot level when identifying the level of application.

Emphasize improving the accuracy and reliability of modification management data.

The Secretary of Defense said that the services generally agreed with our suggestions and that steps were being taken to implement them.

Maintenance Training for Republic of Vietnam Armed Forces Personnel

U.S. contractors held 34 logistics support contracts, valued at \$43.3 million, as of September 1973 to provide training for Republic of Vietnam Armed Forces (RVNAF) personnel. These contracts are administered by the Defense attache office in Vietnam.

In our report to the Congress on nine of these contracts, valued at \$13.1 million, we pointed out that the effectiveness of U.S. contractor training was limited and RVNAF self-sufficiency delayed because:

- Not enough people were being trained in specific skills.

- Sufficient attention had not been given to training supervisory or middle-management personnel.

- High percentages of trainees and those who completed training were absent from assigned duties.

- Poor logistics support by the RVNAF supply system had impaired the training program and caused delays in equipment repair and overhaul.

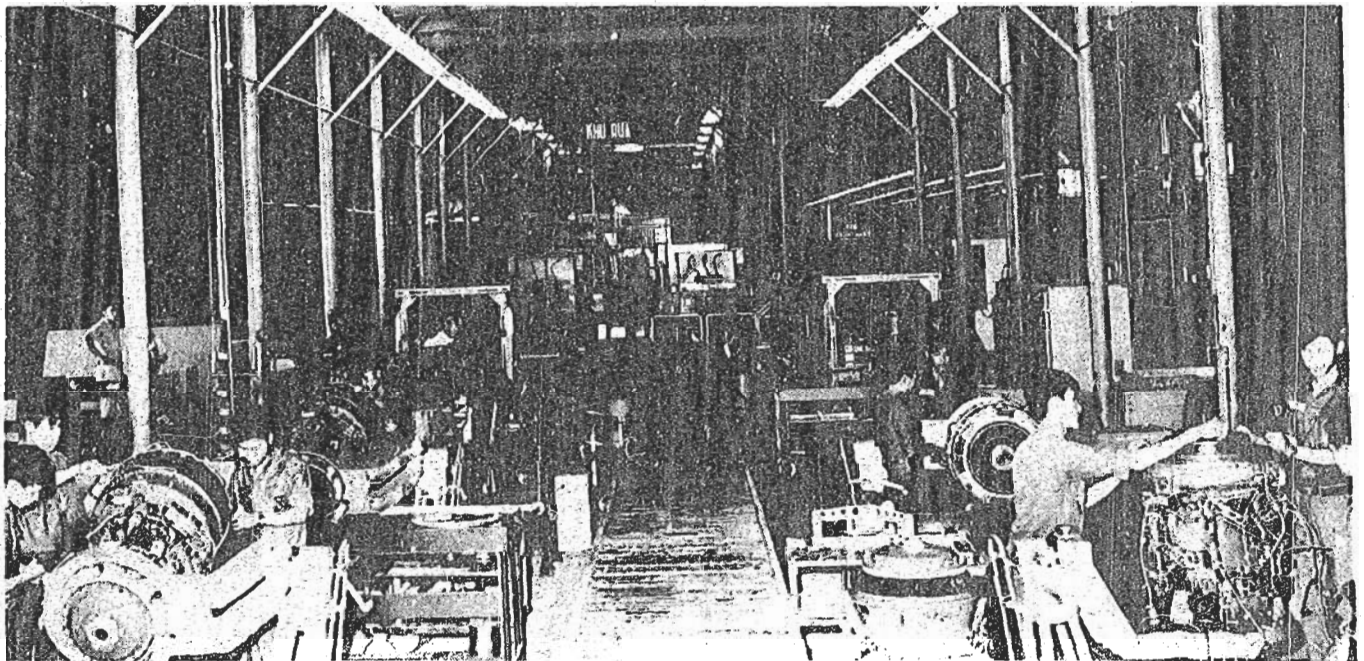
We recommended that the Secretary of Defense direct the Defense attache office to:

Obtain a commitment by RVNAF to insure that an adequate number of trainees is provided when required and to reduce the high level of absenteeism.

Have an adequate number of middle-management personnel trained in areas involving introduction of new functions.

Require U.S. contractors to alert the Defense attache office to supply problems so it can communicate these problems to RVNAF and find satisfactory solutions.

The Department of Defense agreed with our conclusions and recommendations and initiated actions to correct the deficiencies noted. (B-159451, June 11, 1974.)



Jet engine overhaul — Bien Hoa, Vietnam

Analysis of Air Force Rates of Aircraft Not Operationally Ready Due to Supply (NORS)

During the past few years the Air Force has used the NORS rate to justify reprogramming funds into maintenance. Because of this, the House Committee on Appropriations directed us to look into the (1) causes of NORS, (2) application of funds to the most critical maintenance problems, (3) cost effectiveness of reducing NORS to 3 percent, and (4) impact of NORS on Air Force readiness. In our report to the Committee, we pointed out that:

- NORS was usually caused by unexpected part failures, late repair of parts, and modification of parts for new aircraft systems.
- The Air Force recognized and was willing to live with a high NORS rate on new systems, such as the C-5A.

Funds were being spent primarily on exchangeable spares for high-priority aircraft systems. In addition, even though some systems' NORS rates decreased when funds increased, the impact on the overall NORS rate was marginal. Furthermore, no strong correlation existed between funds expended and NORS rates for given weapon systems.

It would not be cost effective to reduce the overall NORS rate to 3 percent because a direct relationship does not necessarily exist between exchangeable repair funds and NORS rates. Also, the expense of buying and stocking additional spares at many locations is prohibitive.

The impact of an increasing NORS rate on Air Force readiness cannot be quantified.

In summary, we pointed out that the use of an overall NORS rate as a readiness indicator was overemphasized and was not sufficient justification by itself to request reprogramming of funds. (B-179264, Mar. 29, 1974.)

Transportation

Our transportation reviews included land, sea, and air activities involved in the movement of personnel, household goods, and all types of supplies and equipment.

Loading and Unloading Ships

Delays in unloading and loading U.S. ships at Far East military ports cost the Government

about \$10 million or more a year. Reduced operating hours was one reason, another was lack of coordination among the terminals.

These reasons can be traced to the fragmented funding of ocean shipping (commands controlling port or terminal budgets do not bear any ship-delay costs) and to the fact that no single authority is responsible for ship dispatch at the various terminals.

We recommended that the Secretary of Defense make the port operators accountable financially for ship delays over which they have control. The Department also should consider placing overseas ocean terminals under a single authority capable of establishing common policy and coordinating activities.

The Department did not question our findings, the estimate of savings, or the reasons for delay. It did cite other causes for delay and agreed to seek solutions of the sort we recommended. (B-179260, Aug. 16, 1973.)

Management of Air Exports

As a part of our continuing assessment of the effectiveness of military transportation systems, we reviewed the military air export cargo management functions of the Military Traffic Management and Terminal Service (MTMTS) and the Shipper Service Control Offices of the Army, Navy, and Air Force. Military air exports are cargo originating inside the continental United States and terminating outside.

The military departments are unnecessarily duplicating MTMTS functions in varying degrees, because they are reluctant to relinquish control over cargo movement. We estimated that over \$1.5 million annually could be saved by eliminating duplicated efforts and by restricting management authority to a single agency.

We reported our findings to the Secretary of Defense and later, at the request of the Assistant Secretary of Defense (Installations and Logistics), we participated in a briefing on the matter. As a result of our report and subsequent briefing, the Department of Defense took action to eliminate the duplication. (B-133025, Oct. 18, 1973.)

Passenger Sedans in the Government

Concerned about the proliferation of passenger vehicles within the Federal Government, the Ad Hoc Subcommittee on Government

Vehicle Use, Senate Committee on Appropriations, requested us to review the matter. Many Congressmen also expressed an interest and requested that they be informed of the results of our work.

A GAO task group found that:

- Individual departments and agencies generally do not keep central inventories of vehicles by type and location.
- Once a year the General Services Administration accumulates a Government-wide inventory of vehicles, by department and agency, without verifying its reliability. The inventory was incomplete and inaccurate.
- Control over the use and assignment of vehicles in most agencies is decentralized, and local officials are responsible for these functions.
- The General Services Administration and the departments and agencies have not provided adequate criteria for measuring vehicle use and evaluating actual vehicle needs.
- Many installations do not require daily logs on vehicle use and their records are insufficiently detailed to evaluate the need for vehicles.
- The Secretary of Defense has authorized 70 military and civilian positions transportation between home and office.
- There is no standard criterion for assigning vehicles to individuals.
- Many vehicles were being used contrary to department or agency policies for transporting personnel from home to work, from home or place of duty to local airports, theaters, restaurants, golf courses, and sporting events and their children to and from school.
- Most agencies have no sound basis for evaluating requests for additional or replacement vehicles originating from lower level organizational units.
- Most agencies make no internal reviews of the management of their passenger vehicles.

Our report to the subcommittee included the group's findings on these matters and on the effect of new energy conservation policies on Government vehicle use. (B-158712, Sept. 6, 1974.)

New Negotiation Procedures for Obtaining Transportation Rates

In May 1969 we reported to the Congress that (1) the Department of Defense could realize savings by using space on military aircraft to transport unaccompanied baggage and (2) the rates charged by forwarders for arranging the transportation of baggage were high in relation to services provided. We made a followup review to determine what action had been taken on recommendations in the earlier report.

Forwarders' rates were still high in relation to the cost of services provided, and the Department's negotiation practices had not created a truly competitive environment. The Department concurred in our findings and subsequently changed its negotiation practices on shipments from five points in the Pacific to a more competitive method resulting in rate reductions ranging from 35 to 45 percent. We estimate that savings of \$1.9 million annually will result from these reductions.

We reported the results of our followup review to the Secretary of Defense and recommended that the new negotiation procedures be adopted in other areas. In response, the Department stated that it was planning to expand procurement of competitive rates on a worldwide basis. (B-133025, Apr. 29, 1974.)

Department of Defense Cargo Security Program

During our survey of the Department of Defense's cargo security program, we identified weaknesses in accounting controls at all levels of the supply line. Because of these weaknesses, we could not determine the extent of cargo losses nor evaluate the overall effectiveness of the program.

In response to several interim reports we prepared during the survey, the Eighth U.S. Army, Korea, reported that corrective actions, taken after our survey was completed, reduced U.S. Government losses in Korea about \$876,000 annually. This saving is based on the difference between calendar year 1972 losses of \$1,208,000 and calendar year 1973 losses of \$332,000. We have not learned the results of corrective action in other areas.

We reported the results of our overall survey to the Secretary of Defense. In response, the

Department cited the actions already taken or programmed to correct the weaknesses. (B-180220, Jan. 23, 1974.)

Transportation of Armed Forces Exchange Goods

The Congress is aware of, and apparently approves, the use of appropriated funds to pay some of the transportation costs of military exchanges. But we could find nothing to indicate that the Congress is aware that such funds are being spent to procure transportation solely for exchange goods.

Statutes governing the Army and Air Force permit appropriated funds to be used for transportation costs of exchange cargo when it is carried on public transportation not required for other purposes. Although there is no legislative history defining "public transportation," a reasonable interpretation would be those conveyances owned, leased, or chartered by the Government for which the Government is already obligated to pay for the space whether it is used or not.

After reviewing the matter and evaluating the various interpretations of the pertinent statutes, we believe there is considerable doubt as to the intent of the Congress on using appropriated funds to finance the exchanges' transportation costs.

Because of the amount of appropriated funds being used for transporting exchange goods (about \$60 million a year), we recommended that the Congress consider whether it is appropriate for the Government to continue paying these costs when the facilities are not owned by

the Government and the Government is not otherwise obligated to pay for them. (B-169972, Aug. 6, 1973.)

Acquisition and Management of Facilities

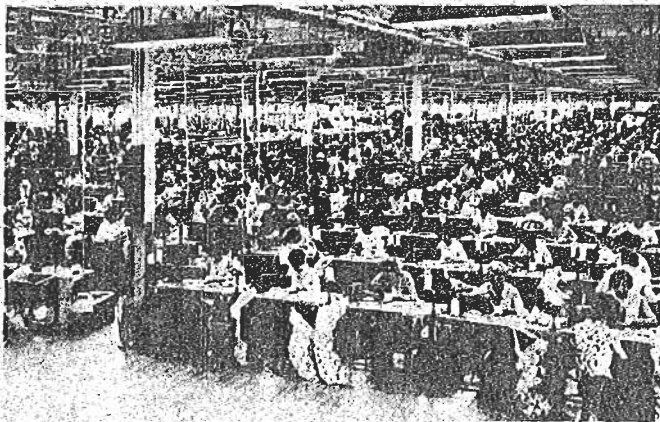
Army's Program to Modernize Ammunition Plants

In a review requested by the Chairman, House Committee on Appropriations, we found that \$94 million of \$195.4 million requested for modernization and expansion of ammunition plants by the Army in fiscal year 1975 was questionable because the Army may not be able to effectively use these funds. This was the third year that we reviewed the Army's budget requests for its ammunition modernization program.

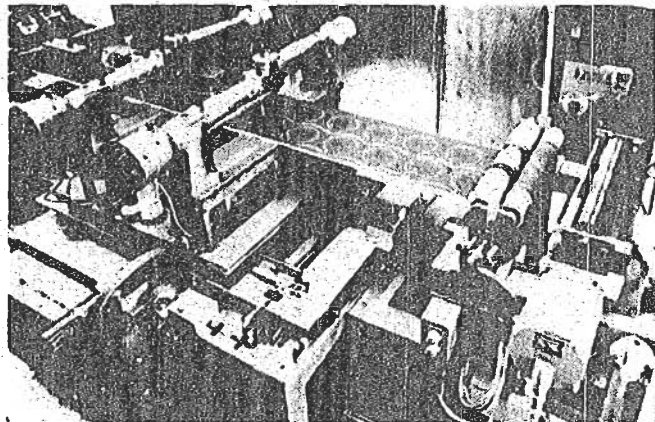
The Army initiated several management improvements, such as revising mobilization requirements and planning maximum output of its modernized production lines during mobilization. The Army also has pilot and prototype projects for new manufacturing technology. These changes, when fully implemented, should result in an improved modernization and expansion program. (B-172707, July 15, 1974.)

Value Engineering

Although several construction agencies were actively seeking to promote value engineering, all agencies needed to increase their efforts to benefit from the value engineering cost-saving



Indiana Army ammunition plant — manual bag sewing.



Indiana Army ammunition plant — automated bag sewing.

technique. Of the 10 construction agencies we reviewed, 4 had had value engineering incentive programs for about 10 years, 2 had recently initiated programs, and 4 had no programs.

Of the six agencies having incentive programs, four were using unwieldy and complicated incentive clauses that did not provide specific sharing ratios for subcontractors, four had no procedures for handling subcontractors' cost-saving proposals, two excluded a large portion of their construction contracts from their incentive programs by restricting the incentive clauses to larger contracts, and most needed to increase their efforts to promote contractor and subcontractor participation.

Also there was a need to circulate proven value engineering proposals within and among Federal agencies—a major benefit of a value engineering cost-saving proposal is its potential for use on other projects.

Federal construction agencies generally agreed with our findings, conclusions, and recommendations for corrective action. The General Services Administration said that steps were being taken to explore with the construction agencies the feasibility of developing a uniform incentive clause for construction contracts awarded by all Federal construction agencies. The Administration also said it was willing to develop a system to circularize proven value engineering cost-saving proposals. (B-163762, May 6, 1974.)

Air-Conditioning Military Family Housing in Hawaii

We reported that the Department of Defense directive requiring air-conditioning of all new and existing military family housing in Hawaii was unnecessary. Such across-the-board air-conditioning was unwarranted because of the cooling effect of the trade winds and the consistently moderate temperature and humidity conditions that exist in Hawaii. The three military services in Hawaii, the U.S. Coast Guard, the Federal Housing Administration, and private builders all agreed with our position that central air-conditioning was not needed except in certain locations with unusual weather or excessive noise.

The Department of Defense disagreed with our conclusions and stated unequivocally that central air-conditioning was needed for military

family housing in Hawaii. We reported our findings, conclusions, and recommendations to the Congress, including the fact that, if the Department does not revise its policy, as much as \$100 million will be unnecessarily spent for central air-conditioning in Hawaii. (B-172376, May 20, 1974.)

Effectiveness of Public Law 92-582

Because of requests from several Members of Congress and because of our own continuing interest, we are reviewing the effectiveness of Public Law 92-582, which requires that architect-engineer contracts be negotiated with firms selected by virtue of demonstrated competence and qualifications. We are evaluating, among other things, whether the law has (1) increased competition among prospective architect-engineer firms and (2) resulted in increasing the number of new firms being considered and/or awarded contracts. The selection methods of Federal agencies are being compared with the policies and practices of various States, cities, and private corporations in obtaining architect-engineer services.

A report on our findings, conclusions, and recommendations will be issued to the Congress in fiscal year 1975.

Selling Excess Properties and Acquiring Public Building Sites

Under competitive bidding, the Government would be better assured of receiving the highest value for excess property than it would under negotiated exchanges based on appraised fair market value.

Appraised values do not insure that the Government is receiving the highest value obtainable because participation in an exchange is limited to one individual. In some cases, former Government property was sold shortly after an exchange at prices much higher than the appraised value at which it had been exchanged.

To provide all interested parties an opportunity to acquire excess Government property in exchanges, we recommended that the Congress amend the law to permit the General Services Administration to offer such property at competitive bid and to deposit the cash proceeds into a building fund to be used, subject to

annual appropriation acts, for acquiring public building sites. We also recommended that the Congress amend the law to eliminate the provisions authorizing the acquisition of property by the exchange method. (B-165511, Feb. 15, 1974.)

Communications and Navigational Systems

Proliferation of Radio Navigation Systems

In a report to the Subcommittee on Coast Guard and Navigation, House Committee on Merchant Marine and Fisheries, we discussed the growing proliferation of radio navigation systems, the need for a comprehensive national navigation plan, and the need for closer coordination between Government and civil users in order to eliminate duplication and reduce costs.

For example, the Coast Guard was pursuing development of three distinct radio navigational systems—one each for the (1) high seas, (2) coastal confluence, and (3) rivers and harbors. Although no system could provide the coverage and accuracy required, a proper mix of two of the systems could meet stated requirements with substantial savings accruing to Government and users alike. The Coast Guard agreed with our suggestions and decided to proceed with development of two systems instead of three, resulting in an immediate savings of \$1.3 million in research and development funds.

We agreed with the Coast Guard's actions and suggested some ways in which the implementation could be improved. However, much more interagency coordination is needed to arrest the proliferation of navigation systems, and to decide upon the minimum number of systems consistent with Government and civil requirements. (B-180715, Mar. 26, 1974.)

Communication Center Consolidation

We suggested that the Navy consolidate 12 communication centers in the San Diego area to 2. Navy officials have informed us that as of March 1974, five communication centers have been closed or consolidated at an annual savings of \$460,000. Their goal is to continue the effort until only two centers remain. (B-169857, July 17, 1974.)

Data Processing

Competition—Key to Reducing ADP Procurement Costs

Federal outlays for automatic data processing equipment exceed \$600 million a year. Because most of this equipment was still being acquired without competition, we reviewed procurement procedures of the General Services Administration and various agencies. Our report to the Congress showed how significant savings could accrue to the Government if agencies followed regulations and replaced equipment leased under Federal schedule contracts with equipment acquired on a competitive basis. In many instances orders were placed to renew leases or to purchase equipment without seeking competition or making a determination of lowest overall cost. The Administrator of General Services agreed with our recommendations which, he said, would aid his agency in its efforts to achieve greater economy in the procurement process. (B-115369, May 7, 1974.)

Printing and Records Management

Public Documents Department, Government Printing Office

The Government Printing Office is widely known to the American public through its Public Documents Department. The Department receives about 4.8 million orders annually for Government publications. It also receives over 600,000 customer service complaints annually, of which it estimates about 40 percent are related to nonreceipt of publications.

A survey we made revealed several problems in the order-processing system, which contributed to errors and delays in filling customer orders. These problems were lack of adequate control over orders and inventories and the excessive time spent attempting to decipher inadequately described publications. We also reported on personnel-related problems which could be affecting employee motivation and resulting in delays to customer orders.

Because the Government Printing Office has a task force working on customer service problems, we did not conduct a comprehensive

review. We did, however, present our findings to the Public Printer. (B-114829, June 14, 1974.)

Regional Printing Procurement Offices

The Federal printing procurement program completed its first full year of operation in fiscal year 1972. This program was established after a Joint Committee on Printing study showed that decentralized printing services and more extensive use of commercial printing were needed. As a result of the study, the Committee authorized the Government Printing Office to establish 14 regional printing procurement offices and required the Federal agencies to obtain their commercial printing through these regional offices.

At the request of the Joint Committee on Printing, we reviewed the program and concluded that its success is difficult to measure because there is no standard on how much commercial printing should be obtained, and comprehensive information on past commercial procurement is not available. We did, however, identify the following areas for improvements.

The Government incurred additional costs because the regional printing procurement offices did not always offer printing to the lowest responsive bidder. This was caused by these offices manually evaluating orders and also evaluating large orders on the basis of experience.

The regional offices spent inordinate amounts of time in processing low-value contracts. The prices charged to clients were not sufficient to cover costs incurred in obtaining this printing.

Customer agencies complained about long delays in receiving bills for printing services. We found that a portion of the billing process was involved in duplicate verification of invoices and billings.

We developed a computer program for analyzing bids and recommended that the Government Printing Office install such a program in all regional printing procurement offices. The Government Printing Office has since tailored our program to the needs of the regional offices and is installing it in 11 of the 14 regional offices.

The Government Printing Office has also issued instructions to regional printing procure-

ment offices to use simplified purchase procedures for procurements of less than \$2,500 when the end product is conducive to that method.

We recommended that the surcharge be analyzed to determine if small, medium, and large value printing orders are charged a proportionate share of cost incurred, and if not, adjust the surcharge rates accordingly. The Government Printing Office is making such an analysis and plans to modify its billing practices to appropriately recover costs on the basis of individual jobs, as well as in the aggregate.

We also recommended that the Government Printing Office reduce reviews of contractor invoices and customer billings and provide for a sample postaudit of both reviews. The public printer subsequently ordered the implementation of statistical sampling in the regional printing procurement offices. (B-114829, Feb. 20, 1974.)

Records Management

Since 1966, estimated Federal costs of paperwork have increased from \$8 billion to \$15 billion a year. Similarly, Federal Records Center holdings have increased by more than 2.8 million cubic feet and now total over 11.6 million cubic feet.

The National Archives and Records Service has had limited success in persuading Federal agencies to correct weaknesses in their records management programs. One reason is that the Service identifies needed improvements and makes sweeping recommendations without demonstrating corresponding savings.

In our report to the Congress, we recommended that the Service assume a stronger role by attempting to convince agencies that suggested changes could save time and money. If this does not work, the Service must exercise its authority (which has never been used) to report to the President, the Congress, or the Office of Management and Budget those instances when agencies do not take action. Additionally, the Service could be more effective in minimizing the time that records are retained in Federal Records Centers and in insuring that records are destroyed when their period of retention has elapsed. (B-146743, Aug. 13, 1973.)

was spent by the Department of Defense and the military services.

Significance of Programs For Acquiring Major Systems

The investment necessary in acquiring major systems continues to have a heavy impact on the Nation's resources. While these systems are dynamic with the acquisition process for new systems starting and some systems completing each year, the estimated costs of 104 major systems being acquired by the Department of Defense at the beginning of fiscal year 1974 was more than \$162 billion. Another 300 acquisitions by civil departments and agencies was estimated to cost more than \$125 billion.

Significance of Research and Development Programs

Federal research and development programs not only have an impact on the Nation's economic situation but also shape the Nation's future security. In fiscal year 1973, \$16.8 billion of the approximately \$30 billion spent for research and development in this country was funded by the Federal Government. Department of Defense outlays for research, development, test, and evaluation programs amounted to about \$8.4 billion in fiscal year 1973.

Audit Reports

During fiscal year 1973 we submitted 21 reports to the Congress relating to research and development, Federal procurement practices, and the acquisition of major weapon systems. These reports are summarized in this chapter. In addition, we submitted 105 reports to specific committees and Members of Congress. These reports included special reviews made at their request and individual reports on the status of 53 major systems being acquired.

The special reviews concerned such matters as (1) cost-effectiveness studies for various programs, (2) contractor efficiency, (3) full-scale development, (4) contract provisions, such as escalation, termination costs, and use of mailing

CHAPTER SEVEN

PROCUREMENT AND SYSTEMS ACQUISITION

Responsibilities

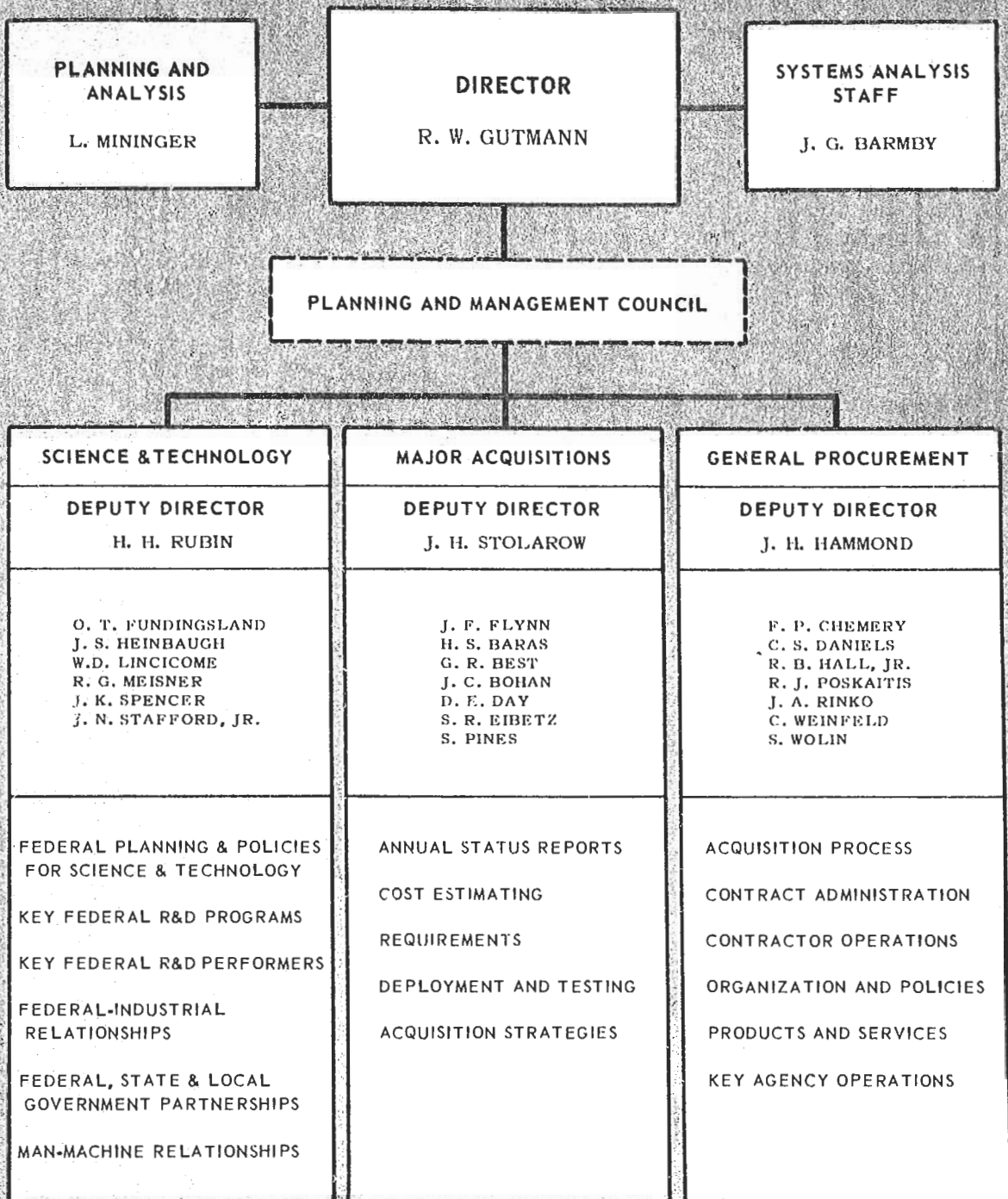
The responsibilities of the Procurement and Systems Acquisition Division span the entire spectrum of Federal procurement, including the procurement and related research and development functions, programs, and activities of the Department of Defense, National Aeronautics and Space Administration, Atomic Energy Commission (weapons only), General Services Administration, and Renegotiation Board. In addition, this division reviews the *overall* policies and practices of the Federal Government relating to procurement and research and development, including—but not limited to—the acquisition of major hardware systems.

The division is under the supervision of Richard W. Gutmann, director, and James H. Hammond, Harold H. Rubin, and Jerome H. Stolarow, deputy directors. An organization chart appears on the following page.

Volume of Federal Procurement

Procurement of goods and services by the Federal Government in fiscal year 1973 involved ~~some~~ 16 million transactions and totaled about \$56.8 billion. The major portion of this amount

PROCUREMENT AND SYSTEMS ACQUISITION DIVISION



JUNE 30, 1974

indicia, (5) contractors' independent research and development, (6) test results of various programs, (7) sales practices in the chemical industry, (8) executive branch response to recommendations of the Commission on Government Procurement, and (9) practices in procuring specific goods or services and administering specific contracts.

We also submitted four reports to contractors and 26 reports to departmental or agency officials on procurement, systems acquisition, research and development, contract administration, and related matters.

A list of reports to the Congress, its committees and members, and departments or agencies is included in appendix 5. A listing of the reports on the status of individual major systems follows:

Army (14 systems):

Aircraft:

Advanced Attack Helicopter (AAH)
Heavy Lift Helicopter (HLH)
Utility Tactical Transport Aircraft System (UTTAS)

Missiles:

Dragon
Improved Hawk
Lance
SAM-D
Stinger

Vehicles—Ordnance:

Bushmaster
Mechanized Infantry Combat Vehicle (MICV)
Scout
XM-1 tank
XM-198 howitzer

Other:

Tactical Fire Direction System (TACFIRE)

Navy (26 systems):

Aircraft:

CH-53E
E-2C
EA-6B
F-14/Phoenix
Light Airborne Multi-Purpose System (LAMPS)
P-3C
S-3A

Missiles:

Aegis
Condor

Harpoon
Poseidon
Sidewinder
Sparrow-F

Ordnance:

Mark-48 Torpedo Program
Phalanx

Ships:

CVAN
DD-963/LHA
DLGN-38
Patrol Frigate (PF)
Patrol Hydrofoil Guided Missile Ship (PHM)
Sea Control Ship (SCS)
Surface Effects Ship (SES)
SSN-688
Trident
Sonar:

AN/BQQ-5

Other:

Versatile Avionics Shop Test (VAST)

Air Force (11 systems):

Aircraft:

A-10
Advanced Medium STOL Transport (AMST)
B-1
F-15
Lightweight Fighter

Missiles:

Maverick
Subsonic Cruise Armed Decoy (SCAD)
Short Range Attack Missile (SRAM)

Other:

Advanced Airborne Command Post (AABNCP)
Airborne Warning and Control System (AWACS)
Over-the-Horizon Backscatter Radar (OTH-B)

Department of Transportation (1 system):

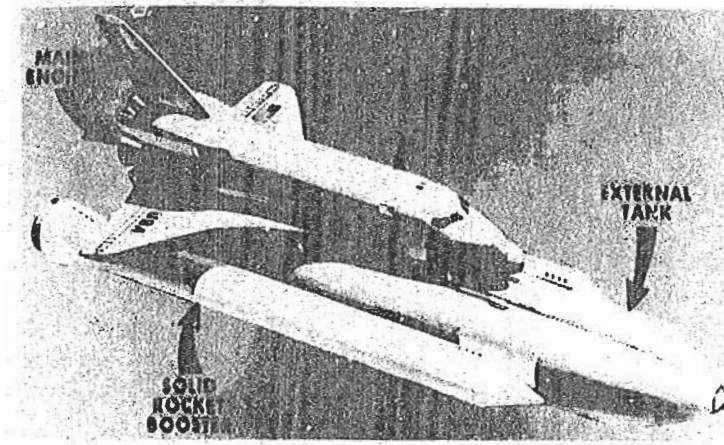
U.S. Coast Guard:

Polar Class Icebreaker Ships

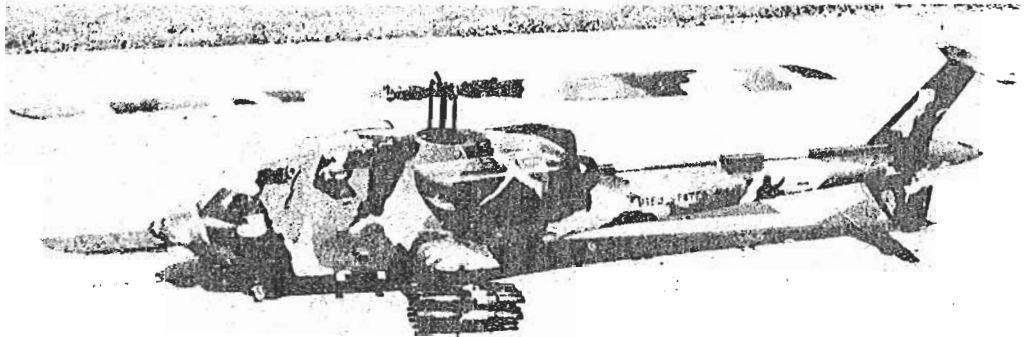
National Aeronautics and Space Administration (1 system):

Space Transportation System

Our reports on major systems are prepared for the committees of the Senate and House for use in their authorization and appropriation hearings. These reports contain our assessment



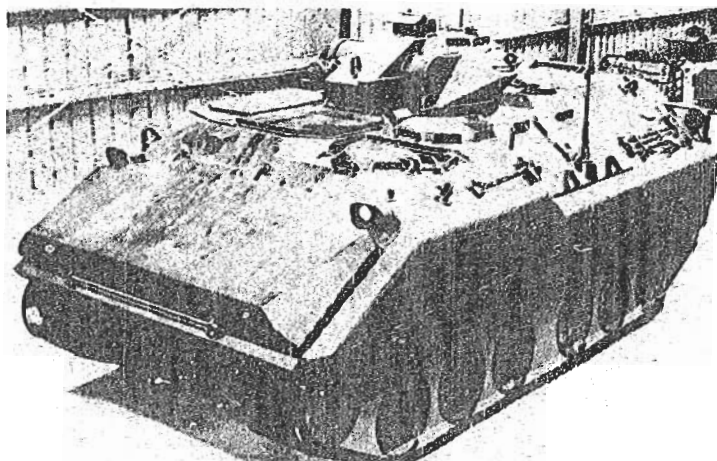
Space Shuttle System



Bell's AAH Mockup



Hughes AAH Mockup



Mockup of MICV

of the system's current status as to cost; schedule for development, production, and deployment; and technical performance.

Science and Technology

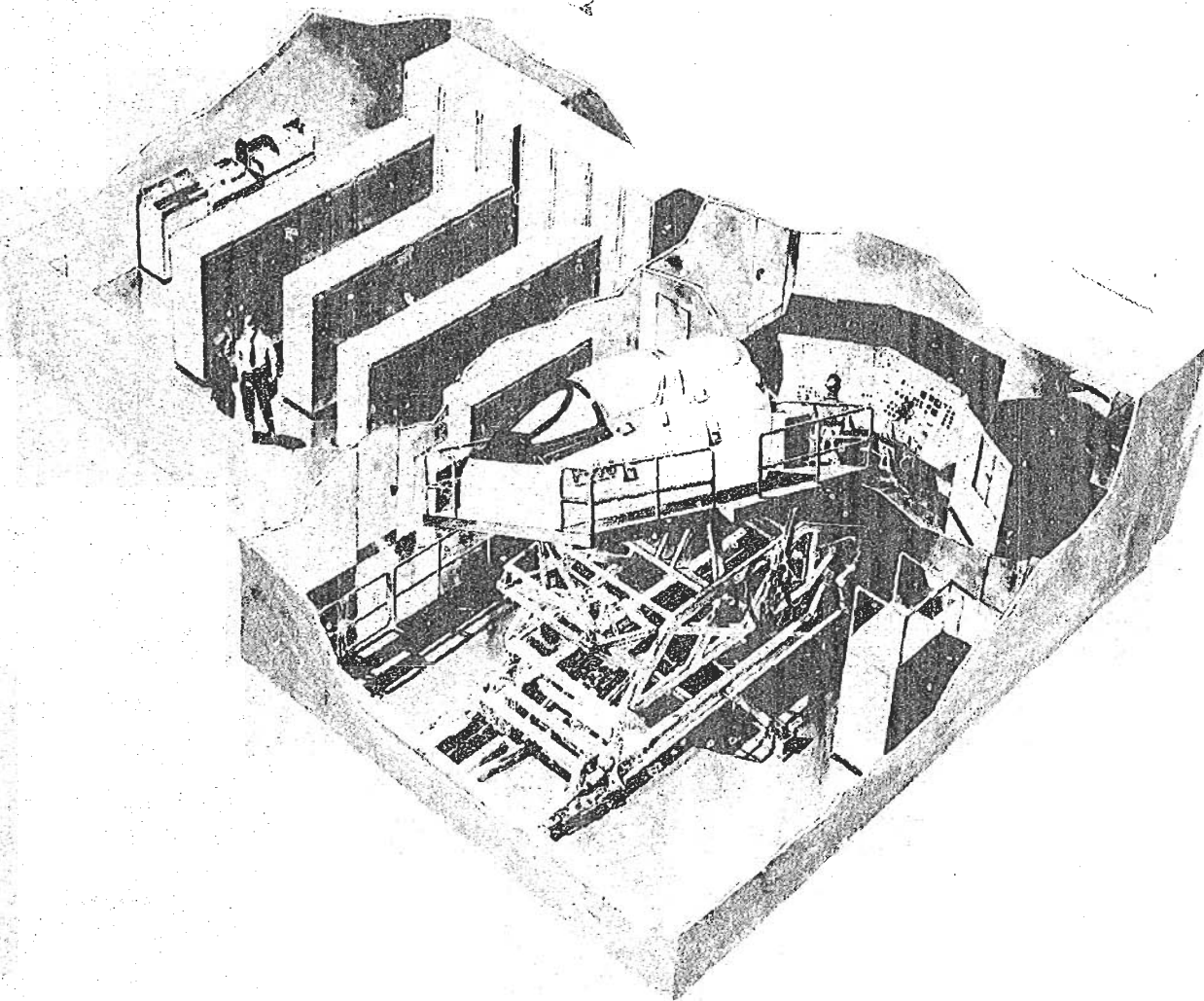
We submitted four reports to the Congress on various aspects of research and development activities—an appraisal of the development and use of flight simulators; the development of aircraft engines; duplication in the development of new military equipment; and the pros and cons for participating in international research and development programs.

Work in process at the end of the year includes reviews of (1) aircraft collision avoid-

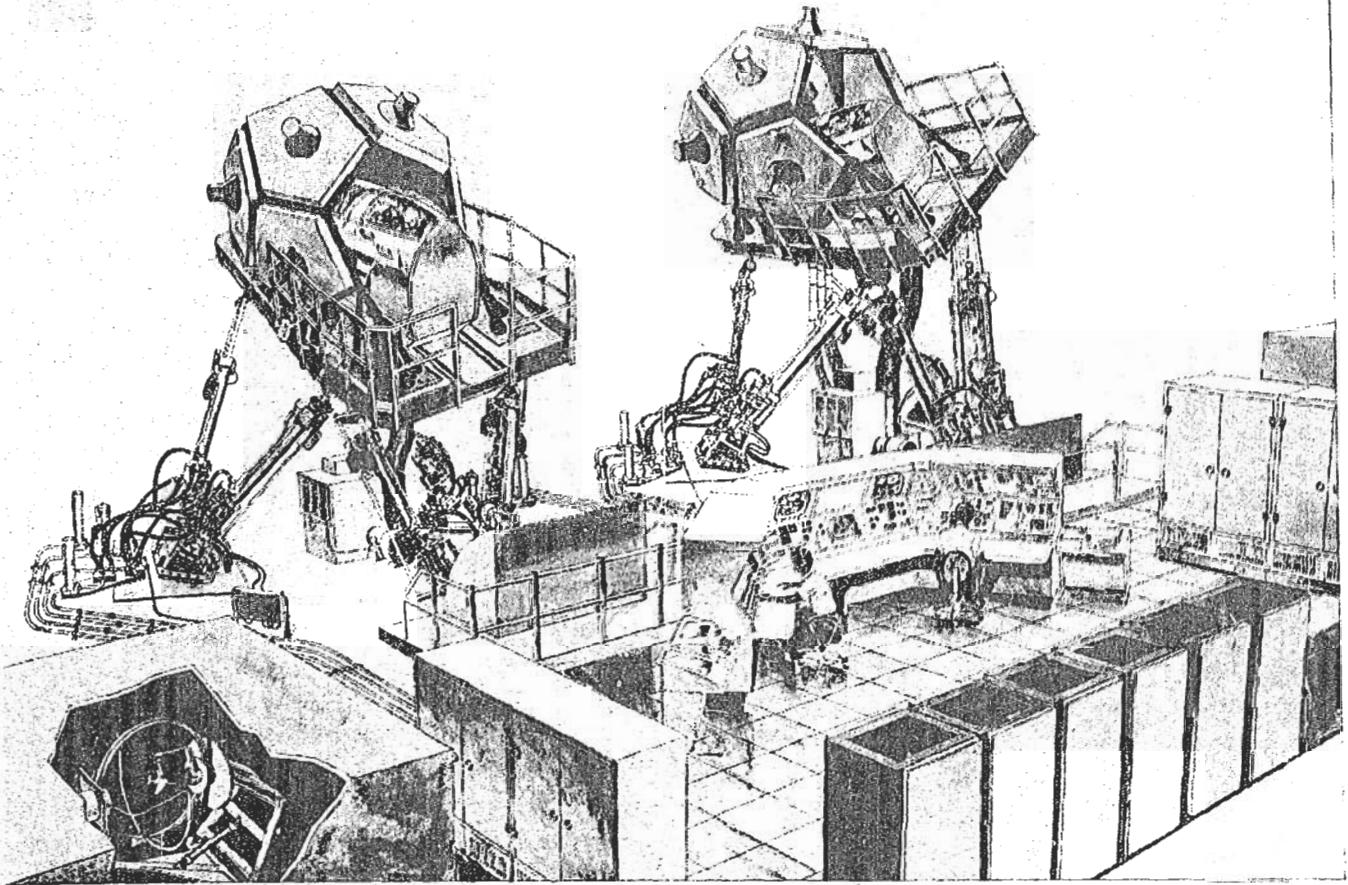
ance systems technology, (2) the Army's ballistic missile defense programs, (3) the use of aircraft simulator technology, (4) Government-wide laser research and development programs, (5) Department of Defense policies and procedures for insuring the propriety of independent research and development allocations in accordance with Armed Services Procurement Regulation requirements, and (6) value of and alternative approaches for independent research and development.

Development and Use of Flight Simulators

Advances in technology are continually improving the ability of flight simulators to



Artist's conception of the F-4J aircraft weapon system trainer, Device 2F83.



ARTIST'S CONCEPTION OF SIMULATOR FOR AIR TO AIR COMBAT

duplicate the operating characteristics of flying and flight environment. Without the cost and risk of actual flight, pilots can "fly" takeoffs and landings, hear engine noise, and feel the pull of gravity from sharp turns or other maneuvers.

Increased use of simulators could lower flight training costs greatly, save fuel, and provide safer training.

After our report to the Congress the military services took several constructive steps to increase simulator development and use for pilot training. (B-157905, Aug. 9, 1973.)

Managing the Development of Aircraft Engines

The acquisition and maintenance of aircraft engines by the Department of Defense is a major undertaking. It owns about 90,000 aircraft engines costing about \$9 billion. Of this amount,

\$6 billion is for engines installed on aircraft and the remainder is for spare engines. During 1971 the Department spent about \$1 billion to maintain these engines, with some 29,000 engines being either overhauled or repaired.

An engine usually is not fully developed at the time it passes the model qualification tests. It requires extensive and complex development effort concurrent with production. This may be attributed to the practice of awarding development contracts based on specifications somewhat below the capability ultimately desired. Over a 17-year period, about \$3.3 billion has been used for component improvement programs to attain the engine performance desired.

In our report to the Congress in May 1974, we recommended that the Secretary of Defense modify the method of developing and acquiring aircraft engines to reduce the extent of concurrent development and production. (B-179166, May 23, 1974.)

Unnecessary Duplication in Developing New Military Equipment

We reviewed Defense policies and practices for avoiding unnecessary duplication in equipment development. We selected laser applications, laser-protective goggles, and scatterable mines for detailed review. We found that duplicative development programs were being conducted.

At the time of our review, all three services were developing duplicative laser-guided missiles. A departmental ad hoc group examined this problem and concluded that as much as \$7 million of research and development funds and up to \$50 million of procurement funds could be saved if duplication were eliminated.

The Army and the Air Force each contracted for development of laser-protective goggles and had spent over \$660,000 in these development efforts through fiscal year 1973. A total of \$280,000 was budgeted for continuing their development efforts in fiscal year 1974.

In 1971 the three services approved separate requirements for similar air-scatterable landmines. A departmental committee, established to look into duplication of air munitions, subsequently terminated the Navy's program after the Navy had spent about \$6.5 million and estimated it would need an additional \$16 million to complete the project. The Army and Air Force development efforts then required \$28.5 million to complete. In October 1972 the services signed a joint requirement and a joint development plan was prepared.

Although each of the services had a system to coordinate development programs with the other services, we found they had not coordinated effectively. Duplication in development occurred because (1) key documents were not made available, (2) key documents were not written clearly enough to compare requirements, (3) the services did not respond to requests for comments, and (4) effective action was not taken to eliminate duplication even when recognized.

The director of Defense Research and Engineering did not agree with our recommendation in our report to the Congress in June 1974 requiring interservice coordination and stated that other management systems existed that provided opportunity for the services to prevent

unnecessary duplication. We recognize that these systems may indicate potential duplication; however, they were not designed to specifically identify duplicate development which did occur in the programs we reviewed. Therefore, we believe that additional actions are needed to avoid unnecessary duplication among the services. (B-133313, June 10, 1974.)

Benefits and Drawbacks of Participating in International Cooperative Research and Development Programs

The Department of Defense participates in cooperative military research and development programs with allied countries to strengthen military alliances and to better use free-world technical and economic resources.

We found that as of September 30, 1973, there were 29 ongoing international cooperative programs involving the United States and 12 other countries. Because agency records were incomplete, we could not determine the extent of U.S. investment in all of these programs; however, our investment in 21 ongoing programs totaled \$172.1 million. In addition, we identified 15 terminated programs in which the U.S. investment ranged from \$30,000 for an exploratory development program to \$523.7 million for an engineering development program.

We found that the Department can achieve some of its goals for international cooperative programs by obtaining foreign-developed equipment through (1) interdependent research and development programs, (2) licensing agreements with foreign developers, and (3) direct procurement of foreign hardware.

We concluded that the future for international cooperative research and development is much more promising for basic research and exploratory development programs than for engineering development programs. We believe that, since the Department of Defense can realize favorable cost and technical results, it should continue to emphasize licensing U.S. production of existing foreign equipment which will meet firm U.S. requirements.

In our report to the Congress, we recommended that the Department prepare a formal annual summary of international cooperative programs and submit it to the Congress with the

budget. The summary should identify all significant programs and indicate the estimated cost, development category, and benefits of each. The director of Defense Research and Engineering stated that the Department of Defense concurs with our recommendation. (B-167034, June 4, 1974.)

Implementation of Legislation Involving Contractor Independent Research and Development

Section 203 of Public Law 91-441 requires, among other things, that the Department of Defense (1) not pay contractors for independent research and development or bid and proposal costs unless the work has a potential relationship to a military function or operation, (2) negotiate advance agreements to establish dollar ceilings with all companies that received more than \$2 million of independent research and development or bid and proposal payments from the Department of Defense in the preceding year, and (3) base the independent research and development portion of the agreements on company plans that are technically evaluated by the Department of Defense before or during the fiscal year covered by the agreements.

Our report to the Chairman, Senate Committee on Armed Services, on April 16, 1973 (Payments for Independent Research and Development and Bid and Proposal Costs, B-167034), made seven recommendations to the Secretary of Defense to improve the implementation of section 203.

On October 4, 1973, the Chairman, Senate Committee on Armed Services, asked us to continue our examination of contractors' independent research and development including followup on the recommendation in our April 16, 1973 report. The Chairman requested that we also obtain the positions of Federal agencies having research and development programs on extending the Department's independent research and development policy to these agencies on a uniform basis Government-wide.

In our report to the Senate Committee on Armed Services, we reported that the Department of Defense had issued a series of memorandums which provided new guidance to the military services in all the areas covered by our recommendations. The new guidance, if prop-

erly implemented, should improve the services' administration of independent research and development and bid and proposal programs.

We also stated that we found no unanimity among Federal agency officials on the need for such a uniform Government-wide policy, nor on whether that policy should be an extension of the Department of Defense policy. Some agencies do not look upon independent research and development as a major procurement problem warranting special treatment, but consider it a matter affecting only the defense/space/system-oriented agencies.

An interagency task group, headed by a Defense official, is studying the recommendations on independent research and development and bid and proposal of the Commission on Government Procurement, including the recommendation for a Government-wide policy. We believe that any action on this matter should be deferred until the task group's study has been completed and the executive branch position is finalized. (B-164912, May 1, 1974.)

Planning for Innovative Research

We made a survey within the Department of Defense and the military services to examine the relationship between their support of long-term, high-risk, inventive (innovative) research programs designed to produce entirely new military equipment, systems, and processes and the support of low-risk (evolutionary) research programs designed to solve relatively short-term technical barrier problems.

The services support both long-term innovative and short-term evolutionary research but make no attempt to distinguish the extent of effort going into such research or to maintain the desired balance between them. We believe a need exists for increased visibility and accountability for the support of innovative research.

Although we were unable to ascertain the adequacy of the Department's support for innovative research, support for research, in general, had decreased about 30 percent over the last 10 years.

To aggressively search out alternatives to existing products, systems, and processes, a conscious and determined effort must be made to support innovative research. Therefore, in a report to the Secretary of Defense in February

1974, we recommended that the Director of Defense Research and Engineering develop more explicit policies and procedures for support of innovative research designed to develop the technology base for new ideas and capabilities. We further recommended that innovative and evolutionary research be defined and distinguished and that the research be categorized for measurement purposes. (B-167034, Feb. 14, 1974.)

The Department replied that it was not able to form a quantitatively useful definition of innovative research and therefore could not establish management control in this area. However, this area would continue to receive attention at all levels and would be carefully assessed.

Use of Technology Coordinating Papers

Technology coordinating papers, initiated within the Department of Defense in 1970, were intended to be long-range planning documents, to bring together the exploratory development goals of the military services in given technology fields, and to provide a closer coupling between military requirements and the selection of exploratory development programs.

Most service officials regarded the technology coordinating papers as merely another reporting requirement solely for the use of the Office of the Director, Defense Research and Engineering. They stated that there were probably some coordination benefits, but little use was made of the papers in planning and managing their technical programs. Service officials stated that they need more specific information concerning requirements, needs, and priorities presented in a format compatible with the way their respective services plan and manage technical activities.

We concluded that the technology coordinating paper process offers the military services a continuing opportunity to improve the planning and coordination of their technology-base activities. To better realize the potential benefits of the technology coordinating papers, we recommended that the Secretary of Defense:

1. Emphasize the preparation and use of the technology coordinating papers in order to resolve service opposition to establishing the new management relationships.

2. Establish a formal, direct, and visible relationship between the technology coordinating papers and the military services' planning and management documents and processes to promote the paper's accuracy, credibility, and use. (B-164912, Mar. 14, 1974.)

Defense officials agreed that emphasis on technology coordinating papers should be continued to overcome service opposition but disagreed with the need to establish a direct and visible relationship between technology coordinating papers and the services' planning and management documents. As an alternative, the services are being instructed to provide an analysis of their fund allocations for each established technology area beginning in fiscal year 1976.

General Procurement

Our general procurement audits resulted in six reports to the Congress on (1) ways to reduce administrative costs for awarding negotiated contracts, (2) use of formal advertising for procurement, (3) a build and charter program for nine tanker ships, (4) pricing of contracts with foreign firms, and (5) borrowings under the Emergency Loan Guarantee Act (two reports).

At the request of the Chairman, House Committee on Government Operations, we prepared two reports on the progress of executive branch action on recommendations of the Commission on Government Procurement. We also prepared a report at the request of the Architect of the Capitol, furnishing an analysis of a price proposal received by the Architect.

Work in process at the end of the fiscal year included: (1) Government support of the shipbuilding industrial base, (2) Air Force expenditures for aerospace ground equipment used to repair, maintain, overhaul, and operate aircraft and related subsystems, (3) a review of the effectiveness of Department of Defense purchasing offices in negotiating noncompetitive contracts, (4) a survey of the feasibility and economies of the Government's policy of self-insurance, (5) determining ways in which the General Services Administration can become more effective in making commercial goods and services available to civil executive agencies, (6) identifying actions that could be taken by Government or

contractors to improve the efficiency, or minimize the consumption, of energy, and (7) determining what the Government is doing to emphasize or encourage agencies and activities to buy recycled products.

Reducing Administrative Costs on Negotiated Contracts

The Department of Defense spent \$35 billion in fiscal year 1972 for goods and services procured under negotiated contracts. Individuals in and out of Government frequently express the view that the Department could improve its negotiated buying without weakening numerous laws, rules, and regulations designed to safeguard the taxpayer's dollar.

We examined the Department's policies and practices for buying parts and components by negotiation, to identify opportunities for improving procurement methods. We then inquired into how business firms throughout the country bought similar parts and components. We found many similarities; however, the main difference is that, in addition to obtaining materials and services, the Department—in response to congressional desires—attempts to get maximum competition and to meet certain nonprocurement objectives (such as small business programs, labor surplus area programs, the Buy American Act, equal employment opportunity programs, etc.). In seeking competition, industry generally solicits proposals from a limited number of carefully selected firms while the Department of Defense generally solicits many firms to achieve maximum competition and to avoid charges of favoritism and collusion.

In our report to the Congress, we did not consider industry policies and practices to be those which the Department should follow. However, we did use industry methods as guides in identifying ways to reduce costs.

Millions of dollars in administrative costs could be saved annually without sacrificing adequate competition, reasonable prices, or the nonprocurement goals of the Congress. For example:

About \$900,000 could be saved annually on procurements over \$10,000 by a 50-percent reduction in the number of pages in solicitation documents and a reduction in the number of documents in a solicitation package

prepared by the Navy and the Defense Supply Agency from three to two.

A substantial annual saving could be realized by preparing fewer solicitation packages.

Costs of up to \$30 million annually might be avoided at procurement centers by raising the ceiling price on purchases subject to simplified negotiation procedures from \$2,500 to \$10,000.

About \$150,000 could be saved annually if the requirement for preparing certain determinations and findings was repealed.

We recommend that the Department encourage greater use of master solicitations and require its procurement centers to include only two copies of the solicitation document in each solicitation package. Since the Department's buying system is tied to legislation, certain administrative costs cannot be reduced without congressional action. We therefore recommended that the Congress enact legislation:

Authorizing agencies to solicit proposals from a competitive, rather than a maximum, number of sources.

Raising the ceiling price of procurements subject to simplified procurement practices.

Repealing the requirement that contracting officers prepare determinations and findings for certain procurements.

The Assistant Secretary of Defense (Installations and Logistics) agreed with the general thrust of our recommendations, and stated that the Armed Services Procurement Regulation Committee was working on those matters that could be resolved within the Department. (B-168450, Sept. 17, 1973.)

On May 21, 1974, we testified before the Subcommittee on Legislation and Military Operations of the House Committee on Government Operations on our position on a bill (H.R. 14494) that would raise to \$10,000 the ceiling for Government procurements subject to simplified purchasing procedures.

Improvements Needed in Use of Formal Advertising for Government Procurement

Government agencies procure material from private industry by two basic methods—formal

advertising and negotiation. Procurement by negotiation permits discussion of a proposal while formal advertising requires inviting suppliers to submit a firm bid price for a specified product or service.

Historically, the Congress has believed that Government interests are best served by a maximum amount of competition for any particular procurement. Procurement by formal advertising, when feasible, offers the best opportunity for full and free competition.

Congressional hearings, speeches, and articles frequently cite problems Government agencies face in using formal advertising for procurement. With this in mind, we reviewed formal advertising procedures and practices used by procurement offices in the Department of Defense, the General Services Administration, and the Tennessee Valley Authority. We reviewed procurement records for 138 formally advertised contracts awarded from September 1967 through May 1971 and valued at about \$97 million.

In our report to the Congress, we identified problems that limit competition and increase costs to the Government and offered suggestions for more effective and less costly use of formal advertising for procurement.

For the 138 contracts examined, we found that 8,956 suppliers were solicited; however, only 8 percent submitted bids. Fifty-three of the 138 contracts were awarded on the basis of 3 or fewer bids. Some of the causes for low response were:

Bidders lists were based on broad categories of items and did not reveal the relatively few sources capable of bidding for a specific item. Previous bidders were not regularly solicited. Advertising in the *Commerce Business Daily* was not timely, and the published description of supplies or services required was insufficient to elicit bids.

Causes for the low number of bids were not evaluated to increase competition for future procurements.

Restrictive specifications or purchase descriptions were used repeatedly.

The complexity of invitations discouraged suppliers from bidding.

Bidders were given insufficient time to bid.

Bids were rejected because of minor discrepancies.

We concluded that routinely following procedures for formal advertising does not always insure effective competition. Procurement officers need to give closer attention to how well their formal advertising practices achieve maximum competition.

We recommended that the Department of Defense and the General Services Administration, the major agencies responsible for procurement policy, instruct their procurement offices and agencies to:

Establish programs to selectively review the extent of competition achieved under formal advertising and take aggressive action to stimulate competition where it appears to be restricted.

Establish work simplification programs to reduce administrative cost by (1) soliciting only previous bidders or suppliers and firms that request an invitation for bid, (2) simplifying and shortening invitations for bids, and (3) reevaluating the requirements for distributing invitations for bids.

The agencies agreed in general on the problems but did not always agree with our suggested solutions. Both agencies were concerned about the additional regulation and control that we seemed to be suggesting. While the Department of Defense said many of the suggestions had been considered previously, would be costly, would add to procurement time, and would create additional paperwork, the General Services Administration said that these problems could be solved by educating personnel at the operating levels of procurement. We agree that educating personnel is necessary, but we also believe Government agencies should achieve more genuine competition in formal bidding at lower administrative costs. (B-176418, Aug. 14, 1973.)

Lease Versus Purchase of Navy Tankers

One of the responsibilities of the Navy is to arrange ocean transportation of bulk petroleum, oil, and lubricant products for the Department of Defense.

In June 1972 the Navy entered into a build and charter program to acquire the use of 9 new

tankers. Private interests were to provide the financing for their construction, with a commitment from the Navy, that it would lease the tankers, with renewal provisions, for 20 years.

The cost to the Government to lease these tankers in undiscounted dollars would be \$314 million, while the cost to purchase in undiscounted dollars would be \$136 million. However, whether leasing or purchasing is the more economical alternative depends upon the discount rate used to calculate the present value of future payments. Our analysis shows that it would be more economical to purchase the tankers using a 6 percent discount rate under the criterion contained in Office of Management and Budget Circular A-76, and that it would be more advantageous to lease the tankers using a 10 percent discount rate under the criterion contained in Circular A-94.

The Department did not concur in our recommendation. Therefore, we stated in our report that Defense, along with Office of Management and Budget, should determine the appropriate discount rate to be used in lease-versus-purchase analyses.

Since the Navy's build and charter program is similar to Government programs for leasing buildings, we suggest that the Congress consider evaluating the need for legislation similar to Public Law 92-313 of June 16, 1972. This law amended the Public Building Act of 1959 to require congressional approval of all leases greater than \$500,000 a year and to require that a prospectus containing the details of the transaction be provided to the Congress. Similar legislation may be appropriate for long-term leasing of such assets as ships. (B-174839, Aug. 15, 1973.)

Contracts with Foreign Firms Should be Priced in Local Currency

The Department of Defense has not established a formal policy for determining whether defense contracts with foreign firms should be priced in dollars, local currency, or a combination of both. Since selection of currency is left to the judgment of local contracting officers, a number of different practices exist, sometimes within the same country or continent.

The kind of currency used is of little importance when the rate of exchange is stable. When the exchange rate has a history of significant

fluctuation or is expected to change during the contract period, the kind of currency used becomes important.

We found that the Department of Defense refrained from formulating a uniform policy on the basis that its contracting officers needed flexibility to insure that (1) currency fluctuations did not result in unjust gain or loss to either the U.S. Government or the contractors, and (2) payment arrangements did not provide incentives for contractors to speculate on currency fluctuations. We believe this approach has not accomplished the intended purpose; in fact, the opposite appears to have occurred in a number of instances. While there is a diversity in the practices being employed, generally the area or local practices follow the contractors' wishes.

In our report to the Congress we recommended that:

The Secretary of Defense establish a policy requiring that local currency be used to price and pay foreign contracts unless there is a compelling reason to use dollars, such as a requirement for purchases in the United States.

Justifications for pricing and paying contracts in dollars be approved at a level above the contracting officer. Such policy would protect both the U.S. Government and the foreign contractors in the event of currency fluctuations.

A less preferable method would be to pay foreign contracts in dollars subject to provisions for an appropriate price adjustment if the exchange rate fluctuates significantly during the contract period.

The Assistant Secretary of Defense (Installations and Logistics) did not agree with the conclusions and recommendations in our report. The Department did agree to review this matter further to determine to what extent any type of policy pronouncement or revised management of payments to foreign contractors might be appropriate to protect the interests of the U.S. Government. (B-146749, July 6, 1973.)

Guarantee of Contractors' Loans

The Emergency Loan Guarantee Act of 1971 created the Emergency Loan Guarantee Board and authorized it to provide a Government

guarantee for repayment of loans up to \$250 million to major business enterprises that meet certain conditions. These conditions included: (1) a loan is needed and failure to meet the need would adversely and seriously affect the economy, (2) credit is not otherwise available to the applicant, and (3) prospective earning power of the applicant and value of the security pledged reasonably protect the United States. The act provides that GAO audit and report to the Congress and the Board on all accounts, books, records, and transactions of any borrower under the act. We submitted our first such report to the Congress in December 1972. Our second and third reports to the Congress on implementation of this act were submitted in August 1973 and April 1974, respectively.

The only business to apply for a guaranteed loan under the act has been the Lockheed Aircraft Corporation, Burbank, California.

As of June 30, 1974, Lockheed had borrowed \$220 million under the Government guarantee. Higher costs than anticipated for the L-1011 TriStar commercial airliner program, reduction in deliveries scheduled and anticipated in 1974 and 1975, changes in Department of Defense policies resulting in slower progress payments and faster pension plan funding, and withholding of receipts anticipated from settlement of ship claims have necessitated additional working capital. Cash requirements have steadily increased to the extent that Lockheed says it expects to borrow the total of \$250 million authorized under the Emergency Loan Guarantee Act. Lockheed expected repayments to start in the fourth quarter of calendar year 1973 and the Government-guaranteed loan to be fully repaid by the end of 1975.

On June 30, 1974, Lockheed had firm orders for 135 L-1011 aircraft, and optional orders for 39, all of which are planned for delivery through 1977. Lockheed's customers have indicated generally that they plan to exercise these options. We found no basis for questioning Lockheed's forecast that 39 optional orders will be delivered through 1977. If these firm and optional orders are delivered as projected, available data indicates that sufficient cash would be available to liquidate guaranteed loans up to \$250 million and other corporate debt requirements. (B-169300, Aug. 13, 1973 and Apr. 22, 1974.)

Recommendations of the Commission on Government Procurement

The report to the Congress in December 1972 by the Commission on Government Procurement included 149 recommendations for improving Government Procurement. The Chairman, House Committee on Government Operations, asked us to monitor progress of executive branch actions on the Commission's recommendations.

In our second report responding to this request in September 1973, we pointed out that:

Executive branch structure for Government-wide direction of procurement policy was still developing.

The executive branch program to act on the recommendations was of considerable magnitude and complexity.

The General Services Administration had doubled its staffing of the Office of Procurement Management, appointed an acting director, and furnished additional guidance to the 14 lead agencies.

A few lead agency positions had been submitted to the General Services Administration.

In January 1974 we submitted our third report on this subject. We pointed out that, while the executive branch had made considerable progress in previous months, our appraisal was that completing a program of this nature, size, and complexity was likely to require a long time—at least several years.

The report contained recommendations addressed to the executive branch and to the House and Senate Committees on Government Operations, directed toward (1) accelerating the executive branch program, (2) widening participation of interested parties, (3) improving coordination of action between the executive and legislative branches on Commission recommendations, and (4) developing a coordinated approach within the Congress in shaping procurement policy, to enhance the likelihood of favorable action on needed Government-wide legislation. (B-160725, Sept. 19, 1973, and Jan. 31, 1974.)

Paper Proposal Analysis for the Architect of the Capitol

House Concurrent Resolution 330 of the 93rd Congress, 2d Session, authorized and directed the Architect of the Capitol to procure and install security apparatus for the Capitol building. The Architect, with the assistance of his staff and the United States Secret Service, reviewed potential contractors and selected one of whom he was qualified to carry the responsibility.

The Architect requested our assistance in evaluating the \$2.7 million price proposal submitted by the contractor for price negotiations. We analyzed all cost elements included in the price proposal and determined that various costs were overstated by \$75,000. We also questioned costs totaling \$118,000 for several items and the rate proposed for general and administrative expense. In September 1974 we reported our findings to the Architect.

The final contract price negotiated was \$117,000 less than initially proposed by the contractor. The Architect of the Capitol informed us that our evaluation enabled him to negotiate the lower price. (B-13 '66, Sept. 15, 1974.)

Acquisition of Major Weapon Systems

We submitted 11 reports to the Congress concerning the acquisition of major weapon systems: a study of alternatives for the strategic manned bomber, an appraisal of two shipbuilding programs, test and evaluation, development testing, three periodic reports on the status of various acquisitions, and four quarterly reports covering the C-5A aircraft contract and payments.

Summaries of our reports to the Chairman, Research and Development Subcommittee, Senate Committee on Armed Services, on the Army's SAM-D surface to air missile and to the Secretary of Defense on the Navy's Surface Effect Ship program are also included in this section.

Work in process at the end of the year included reviews of: (1) Air Force and Navy efforts to develop strategic cruise missiles, including Atomic Energy Commission efforts to develop

accompanying nuclear warheads; (2) status of Air Force and Navy Sparrow, Sidewinder, Agile, and Clay missile programs in terms of cost, schedule, and technical performance; (3) utility of proposed ocean escort vessels, Sea Control Ship and Patrol Frigate acquisitions, and alternatives considered; (4) the Navy's airborne antishubmarine warfare program; (5) the Department of Defense's acquisition of (6) efficiency and (7) unavailability of contractor operations; (6) life cycle cost estimating; (7) the design-to-cost concept; (8) weapon system deployment; (9) weapon system testing and test resources; (10) the Army's tactical air defense capabilities and requirements; and (11) the Navy's defense capabilities against airborne threats to the fleet.

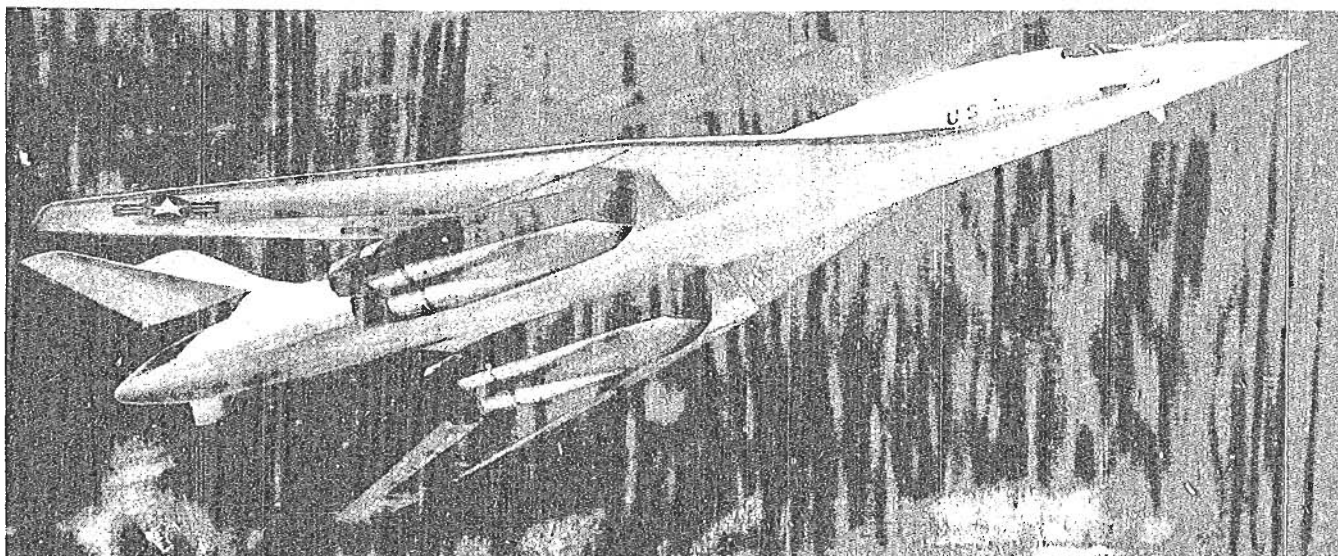
Study of Alternative Courses of Action for the Strategic Manned Bomber

The strategic deterrence mission is currently based on a triad concept: manned bombers, land-based missiles, and submarine-launched missiles. Because of congressional interest and the fact that alternative courses of action are still available, we made a study of selected aspects of the strategic manned bomber program.

A study for an advanced bomber was last made in 1966 and the decision to develop the B-1 bomber was made in 1968. The B-1 is being developed to provide the Strategic Air Command with a new manned bomber for force modernization and an option to replace all or part of the current B-52 force.

Although plans call for introducing the B-1 into the Air Force inventory early in the 1980s, the final decision on production will probably be made in 1976. We believe, however, that viable options are still open to the Congress and the Department of Defense, including consideration of B-52 and FB-111 aircraft, and that further study is needed before a decision is made to produce the B-1 in quantity.

We recommended, in our classified report to the Congress, that the Secretary of Defense insure that an updated, independent cost-effectiveness study on a force level basis be prepared for the manned bomber mission. We pointed out that proper and current assumptions should be used, life cycle costs should be considered for the current force and the contractor-proposed prototypes, and the study should be



B-1 bomber

completed for use in 1976 in deciding whether to produce the B-1 in quantity. (B-178845, Apr. 16, 1974.)

On June 10, 1974, the Chairman, Senate Committee on Armed Services, asked us to review the Department of Defense ongoing cost-effectiveness study of the B-1 when it is completed; to provide an independent assessment of the assumptions, as well as the conclusions and recommendations; and report our findings and recommendations to the committee as early as possible, but not later than October 1, 1974.

Outlook for Production of Two Shipbuilding Programs

As part of our continuing review of major acquisition programs, we examined the status of two of the Navy's largest shipbuilding programs—the general-purpose amphibious assault ship (LHA) and DD-963 destroyer.

Much controversy developed over these contracts, particularly over delivery delays and cost growth of the LHA program. Contractor cost estimates for the LHAs are more than ceiling price, and delivery has been delayed 2 years or more.

In our report to the Congress, we noted that the principal concern of Litton and the Navy regarding these programs was the unintended

simultaneous construction of the LHAs and DD-963s and the adverse effect that a slippage in the construction schedule of one program could have on the other. There was little doubt that Litton and the Navy underestimated the problems involved in (1) starting a new shipbuilding facility, (2) obtaining an adequate work force, (3) designing ships 2,000 miles from the construction site by a completely new organization, and (4) using aerospace production techniques.

Unique contracting concepts also contributed to the problems. For the first time, the Navy delegated to the contractor almost complete responsibility for decisions on program execution and complete design responsibility. The effects of these concepts will not be known until all contractor claims are resolved. Both parties have made charges on actions or inactions.

Serious problems have been encountered in getting the LHA program underway. Both the Navy and Litton project cost increases on the LHA contract, but Litton's estimate is higher than what the Navy considers allowable under the contract. They disagree on who is responsible for the problems and resulting cost growth.

The cost and schedule estimates of the DD-963 program have changed little since the contract was signed in June 1970. Congressional reservations, however, were expressed in 1972 when the Congress declined to authorize the

next block of 7 ships (beyond the 16 authorized), providing only long-lead-time item funding. The stress in Litton generated by this situation tends to freeze the announced cost estimates and the delivery schedule for the 30-ship program. We believe some cost growth and schedule slippage on the DD-963 program can be expected. If variances do arise, Litton is likely not to disclose them until after authorization or when the full program seems committed.

Our report contained no recommendations or suggestions for the Navy. We did note that in fiscal year 1973 the Congress withheld procurement funds for destroyers 17 through 23 because of problems with the LHA program; therefore, in fiscal year 1974 the Congress must decide whether it will provide \$387 million for these 7 ships and \$198 million for long lead time equipment for the last 7 ships of the 30 ship program. (B-163058, July 26, 1973.)

Testing and Evaluation Policies and Procedures

In an August 1972 report to the Congress, we made several recommendations to the Department of Defense for improving testing and evaluation in the acquisition process for major weapons systems.

Because of the importance of testing, we made a followon review of testing and evaluation policies and procedures associated with 16 major acquisitions. We found that the Department of Defense and the military services made policy, procedural, and organizational changes that largely met our recommendations.

We also reviewed the process of reporting testing data to the Congress on congressional data sheets for those major weapon systems that involved procurement fund requests. Since many feasibility tests are completed before procurement funds are requested, we believe it would be useful to the authorizing and appropriating Committees if this test data were provided in the same form and content as on the congressional data sheets. In November 1973 we recommended to the Department of Defense that it report test data on all major systems appearing as line items in the budget, whether in research and development or production, in the same form and detail used for the congressional data sheets.

The director of Defense Research and Engineering agreed with our recommendation and said the Navy had taken action similar to our recommendation in its fiscal year 1975 budget justification material. Army and Air Force material will be organized to implement the recommendation beginning with the fiscal year 1976 budget justification. (B-163058, Apr. 18, 1974.)

Improvements Needed in Development Testing

In recent years congressional attention focused on problems in meeting cost, schedule, and performance targets established for major weapon systems. The Department of Defense responded by stressing the importance of testing hardware before a decision is made to produce it.

We reviewed development testing on several systems and subsystems essential to the Navy's airborne antisubmarine warfare mission and the effect of such testing on later phases of system acquisitions. We reviewed one helicopter system and five aircraft sensor systems, with estimated total development and production costs of \$536 million. These sensors are, and will be for years to come, essential to the mission effectiveness of more than \$6 billion worth of antisubmarine warfare aircraft.

Development testing is capable of disclosing problems and risks early in the acquisition cycle, but the problems were often not resolved and continued into operational testing of the equipment. Weaknesses were found in the planning, performing, and reporting of development testing and in the use made of the test results. These weaknesses limited the mission capability of the equipment and related systems.

We recommended that the Navy take a series of actions to implement a fully responsive control system to improve development test and evaluation and apply its results early in the decisionmaking process. We also recommended that Navy development activities establish a test and evaluation section. These sections should be independent of the project engineers and be responsible for (1) reviewing test plans to insure full coverage of technical and performance areas set out by operational requirements and (2) reviewing test results and reports to insure that

they are clearly stated and that risks associated with the system are presented.

The Congress should consider some reordering of priorities to reduce cost and schedule pressures on the development and testing of sensors caused by the pace of new antisubmarine warfare aircraft programs. In addition, the Congress may want to question whether the Department is placing appropriate emphasis on development of needed sensor capabilities in comparison with the emphasis placed on production of new anti-submarine warfare aircraft. (B-163058, Mar. 7, 1974.)

Status of Selected Major Weapon Systems

In 1969 various congressional committees asked us to report periodically on the progress and status of various system acquisitions. Prior to fiscal year 1974, we reported the status of major systems annually as of June 30. In fiscal year 1974 we began semiannual reporting with status reports as of December 31, 1972, and June 30 and December 31, 1973. Evaluations of selected management functions will now be reported as they are completed in lieu of combining an assessment of management actions and financial status in a single annual report. The schedule and performance data on various systems will continue to be reported in our annual staff studies on individual systems.

During hearings before the Subcommittee on Priorities and Economy in Government, Joint Economic Committee, in November 1973, it was suggested that we include schedule and performance data in addition to the financial data in the semiannual report on the status of selected major weapon systems.

Our third semiannual report, submitted to the Congress in May 1974, included financial data, a listing of systems 12 months or more behind the planned schedule for delivery of the first increment, and a listing of systems which, in our opinion, have experienced significant changes in planned performance. We reported a net increase of \$7 billion in estimated costs of 55 major weapon systems for the 6 months ended December 31, 1973. In addition, we included schedule data for 24 systems behind the planned schedule for delivery, and performance data on

15 systems that have experienced significant changes in planned performance. (B-163058, Oct. 2, 1973; Nov. 13, 1973; and May 31, 1974.)

Audit of Payments for the C-5A Aircraft

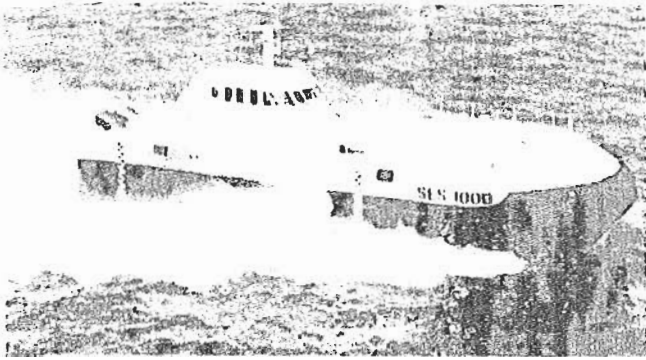
Public Laws 91-441, 92-156, 92-436, and 93-155—the Department of Defense Appropriation Authorization Acts for fiscal years 1971, 1972, 1973, and 1974, respectively—authorize funding for the C-5A aircraft program. These laws (1) provide for payments to the C-5A contractor—the Lockheed Aircraft Corporation—through a special bank account, (2) contain certain restrictions on the payments, and (3) require us to audit payments from the special bank account and submit quarterly reports to the Congress.

Since June 16, 1971, the Department of the Air Force has paid Lockheed \$634.1 million from the special bank account against the total appropriated amount of \$657.5 million. In our four quarterly reports to the Congress in fiscal year 1974, we found no payments from the special bank account to Lockheed that were contrary to the laws.

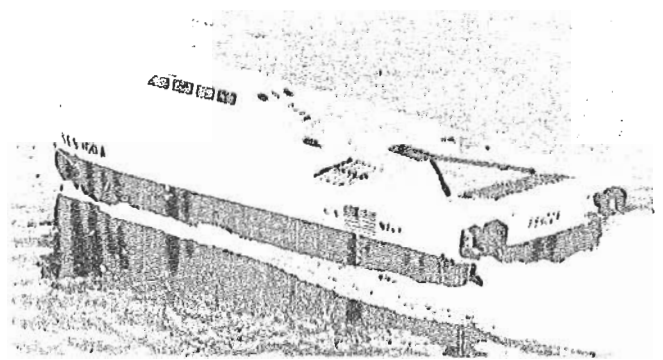
In our previous reports we questioned the propriety of payments to the contractor for contributions to employees' retirement funds well before the contractor needed them. In response to our recommendation, the Department issued Defense Procurement Circular 114 in July 1973 which includes regulation changes designed to encourage regular payments by contractors to pension funds. (B-162578, Aug. 10, and Dec. 3, 1973, and Feb. 19, and May 20, 1974.)

Options for Reorienting the SAM-D Program

In our report to the Congress in June 1973, we suggested the Congress consider whether a new cost-effectiveness study of the SAM-D surface-to-air missile system was warranted in view of cost increases and other changes made to the program. In its report on the Department of Defense Appropriation Bill for fiscal year 1974,



Bell Aerospace surface effect ship.



Aerojet General surface effect ship

Report No. 93-617, the Senate Committee on Appropriations directed the Secretary of Defense to conduct a cost-effectiveness study of the Army's SAM-D missile program. In his December 19, 1973, letter to the Secretary of Defense, the Chairman, Research and Development Subcommittee, Senate Committee on Armed Services, stated that the cost-effectiveness study should be predicated upon a set of assumptions acceptable to the Congress. The Chairman further requested that we work with the Department in the review of the assumptions.

On January 10, 1974, the Deputy Secretary of Defense directed the Army to reorient the SAM-D program from a full-scale engineering development program to an advanced development program.

We stated our understanding of the current program and the basic options available to the Department and the Congress in a report to the Chairman, Research and Development Subcommittee, Senate Committee on Armed Services. (B-163058, Apr. 29, 1974.)

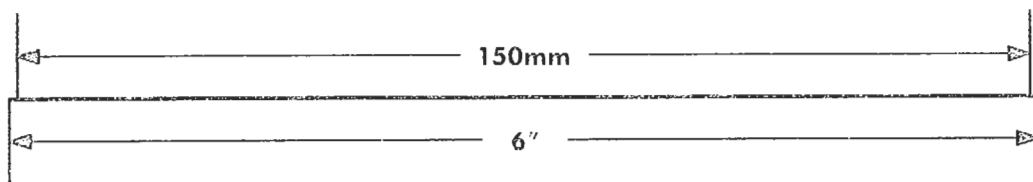
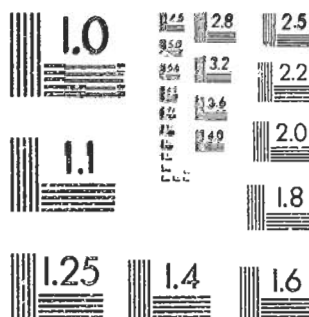
Risks Involved in Surface Effect Ship Program

In our review of the effectiveness of testing practices followed in the development of selected major weapon systems, we concluded that test data obtained by the Navy's surface effect ship program office was insufficient to permit proceeding with confidence into the detailed design phase of the program. We reported to the Secretary of Defense on November 21, 1973, and recommended that the Navy not be allowed to proceed into the detailed design phase until certain high risks were solved.

The Chairman, Research and Development Subcommittee, Senate Committee on Armed Services, expressed concern about our findings and requested they be seriously considered by the Department of Defense. On January 23, 1974, the Deputy Secretary of Defense directed the Navy to undertake a risk reduction program before proceeding into the detailed design and long-lead-time procurement phase of the program. (Nov. 21, 1973.)

IMAGE EVALUATION TEST TARGET (MT-3)

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CHAPTER EIGHT

FEDERAL PERSONNEL AND COMPENSATION

Responsibilities

The Federal Personnel and Compensation Division carries out GAO's audit work relating to Government programs and activities for managing and compensating Federal workers. This includes, but is not limited to:

- Manpower requirements and filling those requirements.
- Employee development through training, education, and career management programs.
- Use and retention of employees.
- Federal pay, fringe benefits, and retirement.
- Employee relations, including equal employment opportunity programs, labor-management relationships, social responsibility programs, and morale and welfare activities.

Forrest R. Browne is the division director and David P. Sorando is the deputy director. An organization chart of the division appears on the following page.

Size and Cost of the Federal Work Force

In June 1974, the Federal Government employed about 5 million persons: almost 2.8 mil-

lion civilian employees and about 2.2 million active duty military personnel. The Government paid about \$63.5 billion in direct compensation and personnel benefits for this work force during the fiscal year. An additional \$1.5 billion was paid for the nearly 1 million members of the Reserve Forces and the National Guard.

Payments totaling more than \$10.9 billion were made to Federal retirees and their survivors. Annuities of about \$5.7 billion were paid from the Civil Service Retirement Fund, and nearly \$5.2 billion was paid from appropriated funds to retired military personnel and their survivors.

Assistance to the Congress

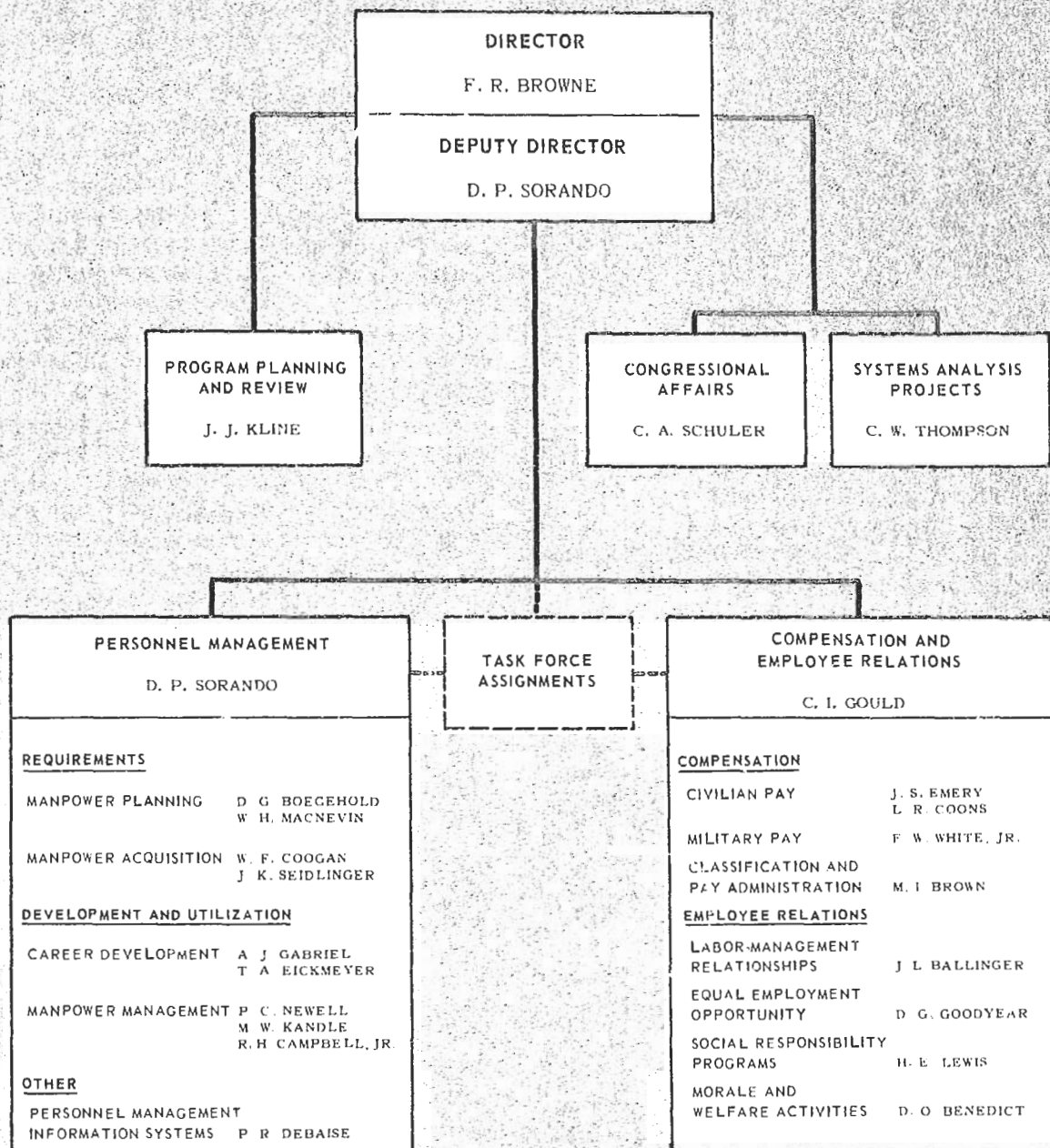
Nearly 40 percent of the audit work of this division during the year was performed in response to congressional requests. The number of requests received increased markedly over the preceding year, from 52 to 93. At June 30, 1974, we had 47 open requests on which we were working.

In addition to sending reports to committees and Members of the Congress to respond to their requests, we informally provided information they requested through briefings, staff papers, and descriptive data.

In several cases, the information provided was used by the Congress to substantially reduce Federal expenditures. For example, the House Appropriations Committee used such information (1) to make a \$1.5 million reduction in the fiscal year 1974 Defense appropriation request for the Uniformed Services Savings Deposit Program and (2) to recommend that, except for the accounts of military personnel missing in action, the program be terminated. The Department of Defense terminated the program as recommended, and this action should annually save more than \$25 million.

Our policy is to assign staff members to committees of the Congress that ask for staff assistance, provided that manpower and funds are available to permit such assignments. At June 30, 1974, two of our senior staff members were assigned to committees—one to the Manpower and Civil Service Subcommittee of the House Post Office and Civil Service Committee; the other, to the House Foreign Operations and Government Information Committee.

FEDERAL PERSONNEL AND COMPENSATION DIVISION



JUNE 30, 1974

Audit Reports

During fiscal year 1974, we prepared 40 reports on Federal personnel and compensation matters. Of that number, 8 were submitted to the Congress and 18 were submitted to specific committees or Members of the Congress on reviews made at their request. The remaining 14 reports were sent to heads of departments and agencies.

Most of our reports contained recommendations to promote greater effectiveness, efficiency, and economy through improved personnel management and controls. Agency officials were generally responsive to our reports, indicating agreement with our findings and intention to take corrective action. Specific actions taken during the year on our reports resulted in one-time savings of about \$14.8 million and estimated annual savings of more than \$28.5 million.

The remainder of this chapter summarizes the principal audit work completed during the year and in process at the end of the year.

Acquiring and Managing The Work Force

Apportionment Requirement For Federal Service Appointments

The Civil Service Act requires that appointments to competitive civil service positions in the departmental service in Washington, D.C., be apportioned on the basis of population among the States, territories, and the District of Columbia. By Executive order, the requirement was extended to positions in the Washington metropolitan area. Apportionment was based on the belief that all parts of the country should be represented in Government operations at the national level.

We reported to the Congress that the effect of apportionment had been minimal. Only 15 percent of the 326,000 civilian Federal employees in the Washington area in May 1973 were counted against the requirement. The remaining 85 percent were either employees whose appointments were not subject to apportionment (such as veterans) or were employees

in positions for which the requirement had been waived. For jobs that were apportioned, equitable distribution had not resulted.

We concluded that apportionment had outlived its usefulness. Accordingly, we recommended that the Congress act favorably upon proposed legislation to eliminate the requirement. (B-84938, Nov. 30, 1973.)

Selection of Support Activity Sources

As stated in Office of Management and Budget Circular A-76, the Government's policy for obtaining commercial or industrial products and services is to rely on the private enterprise system unless the national interest requires a Government agency to provide them directly. Each agency is required to maintain an inventory of commercial or industrial activities and to review each activity at least once every 3 years to justify in-house performance. The reviews should include cost studies whenever in-house performance is based on economy.

We reviewed implementation of Circular A-76 at seven civil agencies whose annual operating costs of inventoried commercial or industrial activities totaled about \$300 million. We found and reported to the Congress that six of the seven agencies had not complied with the requirements of the circular for one or more of the following reasons. They had not:

- Supported justification for in-house performance of activities.
- Inventoried and/or reviewed significant activities.
- Completed reviews when required.

Further, we reported that conversion of activities to contract performance had not been carried out as prescribed by Circular A-76; internal audit groups had not reviewed agencies' implementation of the circular; and agencies' instructions implementing the circular did not provide sufficient guidance.

Our recommendations, which generally paralleled those of the entire Commission on Government Procurement, were that a new approach and stronger implementation were needed in the application of the circular policies. We recommended that a senior member of the Office of Management and Budget be assigned full time to this matter and that he be assisted by an

inter-agency task force. Such a task force was established under the Office of Management and Budget's Chief, Procurement and Property Branch. This group is directing its efforts to achieve stronger implementation of Circular A-76. (B-158685, July 31, 1973.)

Replacing Military Personnel With Civilian Employees

The work forces at the Marine Corps Finance Center and Automated Services Center in Kansas City, Missouri, include both Marines and civilians. The Finance Center examines financial transactions of disbursing officers, pays claims, collects amounts due, and maintains files and records. The Automated Services Center programs and operates computer equipment used mainly for pay and manpower management systems.

During our review of staffing at the centers, we learned that the Marine Corps planned to convert some of the military positions in the two work forces to civilian positions. The plan called for reducing the number of Marines at the centers to 272 at June 30, 1975.

We reported to the Secretary of Defense that there was no need to continue employing Marines at the centers. Marines are not required to be there by law, and they do not perform any duties that civilians could not perform more efficiently and economically. The 272 Marines could be replaced by 249 civilians. Because of this and other identifiable savings, conversion to civilian work forces would reduce the centers' costs by more than \$950,000 a year.

Accordingly, we recommended that the Secretary of Defense direct the Marine Corps to civilianize the centers' work forces. Further, we recommended that he initiate action to identify similar activities of the Army, Navy, and Air Force where civilianization of military positions would result in increased efficiency and economy. (B-146890, June 19, 1974.)

Project Reflex

In 1970 the Departments of the Army, Navy, and Air Force began Project Reflex. Under the project, several laboratories operated under financial controls without manpower ceilings, so



Marine enlisted personnel at the Marine Corps Finance Center pull pay folders of retired Marines to make sure they are up to date.

management could adjust personnel levels to match workload needs and available funds. We reviewed the project and reported that, although it was to operate without manpower ceilings, some constraints remained. These included hiring freezes and, in some cases, ceilings were only partially lifted. Moreover, while efforts had been made to develop techniques for measuring project success, the techniques had not been developed by the time we completed our review.

Nevertheless, we found that benefits had been realized from the project. For example, planning for and matching funds, workload, and manpower improved. Management was provided with more options to use, i.e., direct hire or contracting, and was able to acquire skilled employees needed to increase efficiency and productivity. Moreover, management was relieved of the costly and time-consuming administration associated with manpower ceilings. We agreed with Defense and service officials that the project should continue. Further, it should be extended to other Federal laboratories and to

other Government activities, particularly activities in which productivity measurements have been or can be developed.

We recommended that the Office of Management and Budget, delegating appropriate responsibilities to the General Services Administration:

- Develop and furnish agencies with common criteria and guidelines for implementing the test of managing through fiscal controls.
- Encourage agencies to test the use of fiscal controls to manage operations.
- Monitor actions taken and results experienced by the agencies.

We also recommended that the Secretary of Defense authorize continuation of the project at the service laboratories.

The Department of Defense concurred in our report and endorsed the recommendations. While agreeing with the project objective, the Office of Management and Budget suggested that objective measures of productivity be developed before expanding the project to other agencies. (B-165959, June 21, 1974.)

Army Enlisted Evaluation System

In April 1974 we reported to the Secretary of the Army the results of our study of the Army's Enlisted Evaluation System. The system provides data used as a basis for individual personnel actions and other management actions, such as establishing training plans. The evaluation process, which cost about \$7.5 million in fiscal year 1970, consists of (1) tests of an individual's ability to perform assigned tasks and (2) one or more Enlisted Efficiency Reports representing a supervisor's assessment of certain professional characteristics, duty performance, and advancement potential.

We reported that test absenteeism appeared to be a problem; about 50,000 soldiers (14 percent) missed their scheduled tests in fiscal year 1972. The number of test compromises (i.e., tests being acquired by unauthorized persons) seemed to be rising, increasing from about 12 cases a year in the 1960s to 35 cases during the first 6 months of calendar year 1973. Moreover, while a purpose of the evaluation system is to provide an objective measure of personnel competence, the system did not appear to have much impact on enlisted promotion decisions. It

accounted for only 15 percent of all factors considered for promotions.

Actions taken by the Army should improve the system's operation, but we concluded that the active support of field installation and unit commanders was needed. (B-177952, Apr. 5, 1974.)

Pay and Fringe Benefits

Need to Revise Method of Increasing Military Pay

The objective of Public Law 90-207 is to provide military members with pay increases comparable to Federal civilian pay increases. We reported to the Chairmen, Senate and House Armed Services Committees, that military compensation adjustments made under this law and laws which adjust the quarters and enlisted subsistence allowances separately had not achieved that objective and had caused:

- Overstatement of military basic pay.
- Understatement of quarters and officers' subsistence allowances.
- Inflation of other pays, such as retired pay, related to basic pay.
- Increased take-home pay for military members living and eating in Government facilities over that of members residing in civilian communities.

We recommended that the Congress change the method of determining military pay increases. We pointed out that either of two alternatives would correct the most significant pay adjustment problems and save the Government an estimated \$2.9 billion during the next 5 years. One of the alternatives had been proposed by the Department of Defense; the other had been suggested by the Brookings Institution. We preferred the latter, called the equal percentage method, because it was simple to explain, easy to understand, and uncomplicated to administer.

The report also identified the following problems inherent in the military compensation system which tend to frustrate accurate translation of civilian pay increases into military pay increases:

- There is no agreed-upon external standard for military pay.

- Regular military compensation, the sum of basic pay, quarters, subsistence allowances, and tax advantage, is not a precise equivalent of a civilian salary.
- The military compensation system is not interrelated with the General Schedule as are other Federal pay systems for the purpose of determining pay adjustments.
- Equal, across-the-board regular military compensation increases, when desirable, are virtually impossible to achieve.

Since solutions to these problems require extensive study and consideration, we recommended that they be addressed by the Defense Manpower Commission.

The Department of Defense withdrew its original proposal and submitted a new proposal recommending that the Congress adopt the GAO preferred equal percentage method. This proposal was passed by the House of Representatives on July 1, 1974, and was awaiting action by the Senate. (B-163770, Mar. 14, 1974.)

Need for Executive Pay Increase And Reform of Pay-setting Process

In February 1974, we sent to various congressional committees, Members of the Congress, and agency heads a report containing information and observations on the need for adjustment of Federal executive pay and reform of the pay-setting process. The report was prepared in response to requests from a committee chairman and a number of Members of Congress.

We reported that the quadrennial procedure for adjusting the pay of officials in the executive, legislative, and judicial branches, as provided by the Salary Act of 1967, was failing to achieve its objective. These officials' salaries had not increased in 5 years.

Moreover, senior employees in pay systems other than the Executive Schedule were losing significant comparability salary increases and retirement benefits because the salary rate of Executive Level V had placed a \$36,000 ceiling on these pay systems since January 1971. This adversely affected, not only the employees, but also the Government, because it had made it increasingly difficult to hire and retain senior level personnel.

We concluded that (1) the President's February 4, 1974, recommendations for increasing

executive, legislative, and judicial salaries should be accepted and (2) major reforms were needed in the process for adjusting Executive Schedule salaries.

The Congress did not accept the President's recommendations. However, several legislative proposals were subsequently introduced in the Congress to adjust executive pay and to make major changes in the pay-setting process to correct or help alleviate the problem. We submitted specific comments and testified on these proposals. (B-101892, Feb. 19, 1974.)

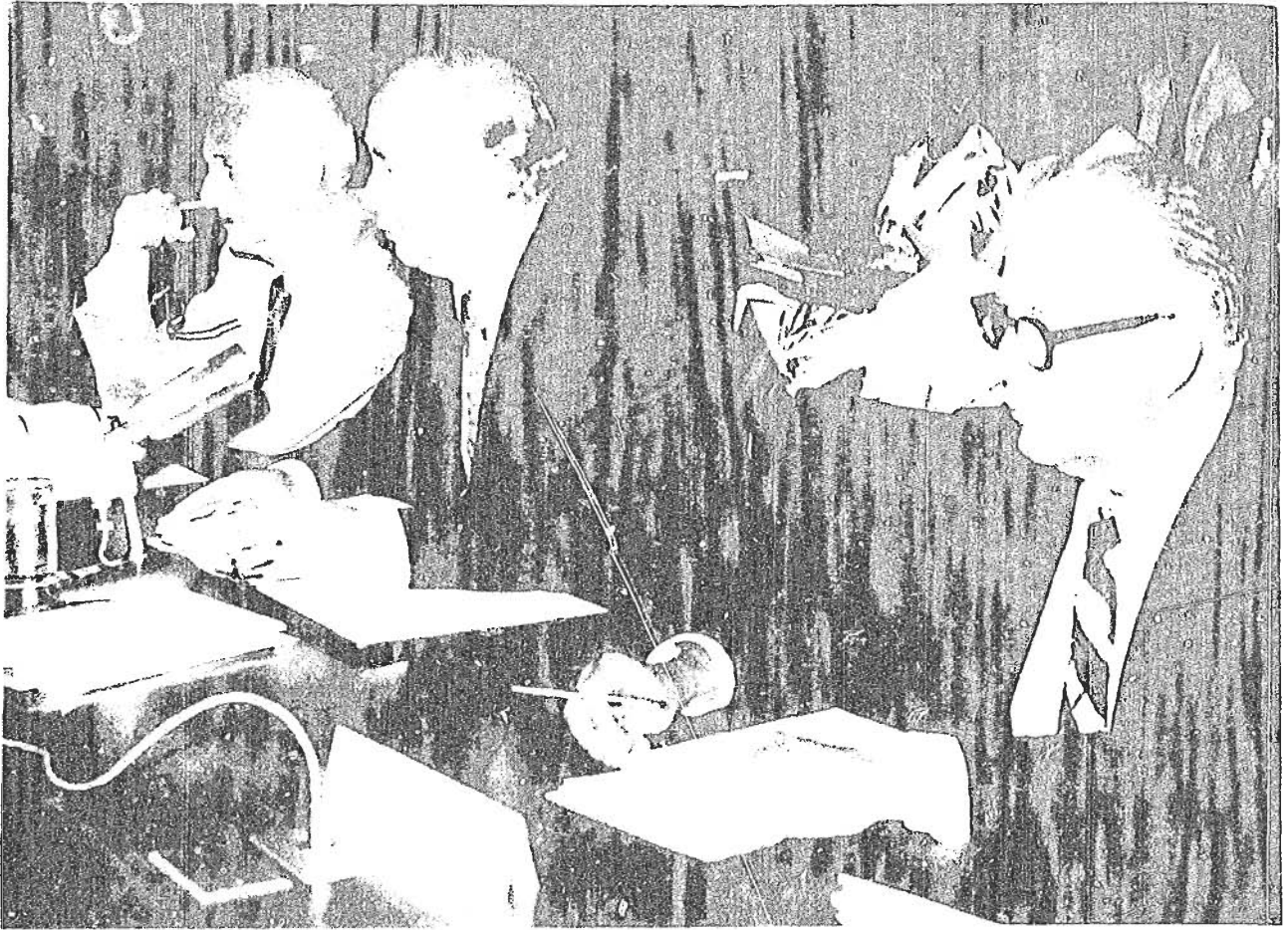
Approving Extended Sick Leave For Retiring Employees

Federal civilian employees earn 13 days of sick leave a year, and any unused sick leave increases employees' service time in computing retirement annuities. Nevertheless, it is financially advantageous for employees to use the leave before retiring, because they generally obtain a larger annuity and receive full pay while on leave.

We reported to the Secretary of Defense that in an examination at five military bases we found that (1) on May 31, 1973, 246 employees were on extended sick leave pending optional retirement and received approval for an average of 222 days of sick leave valued at about \$2.7 million and (2) during the previous 6 months, 139 of the 263 employees who optionally retired used an average of 172 days of sick leave valued at over \$1 million after their last day of work.

At three installations, requests for extended sick leave were approved routinely, usually without adequate medical evidence supporting the employees' incapacity for work. One base required such evidence, and the other prohibited extended sick leave in connection with optional retirement. These varying practices may have occurred because the Department of Defense had not issued guidelines to administer this aspect of sick leave.

Employees on extended sick leave remain on the payroll, and limitations on funds and manpower spaces have prevented their being replaced by hiring additional permanent employees. Consequently, work was deferred, the workload of other employees increased, and overtime and hiring temporary employees were required.



The Comptroller General testifying before the Senate Post Office and Civil Service Committee on executive, legislative, and judicial pay bills. Left to right are Assistant Director John S. Emery, Comptroller General Elmer B. Staats, and Director Forrest R. Browne.

Because about 300,000 Defense employees either were or would soon be eligible for optional retirement, the widespread use of extended sick leave could become a major problem. We recommended that uniform policies be established requiring adequate medical evidence before approving extended sick leave and that Defense installations review existing cases of employees using such leave pending optional retirement. The Department of Defense indicated that our recommendations would be implemented. (B-152073, Feb. 19, 1974.)

Paying Compensation Claims Of Disabled Federal Employees

During fiscal year 1972, the Government processed nearly 27,000 injury and fatality claims submitted for Federal employees and

paid over \$186 million against such claims. Our report to the Congress highlighted the need for a faster way to pay these claims. We pointed out that, on the average, from 49 days to 70 days elapsed between the time an employee was injured and stopped work and the time his compensation claim was approved for payment by the Department of Labor's Office of Federal Employees' Compensation. As a general rule, the compensation check was mailed to the employee 2 or 3 days after the claim was approved.

Agency representatives attributed this time lapse to a number of factors, including (1) understaffing at both the employing agencies and the Office of Federal Employees' Compensation and (2) employees and supervisors being lax in completing required forms, submitting incomplete or inaccurate data, and not knowing their rights and responsibilities.

We recommended that the Congress favorably consider pending legislation that would have reduced the lag in compensation payments by permitting each agency to pay its employees' claims rather than the Office of Federal Employees' Compensation. This seemed appropriate since 90 percent of the claims had been approved in the past. Moreover, payments made on claims subsequently disapproved by the Office of Federal Employees' Compensation could have been recouped by the Government by withholding salaries, retirement benefits, or leave balances after employees returned to work.

That legislation was not enacted by the Congress. However, at the close of the fiscal year, the Congress was considering new, very similar legislation directed at reducing the time required to pay compensation claims to disabled Federal employees. (B-157593, Nov. 21, 1973.)

Training and Education

Transition Program

The Transition Program was initiated by the Department of Defense in 1968 to provide military enlisted personnel with educational and vocational training designed to increase their chances of employment in civilian life after separation from service. We reviewed the program shortly after its initiation and reported to the Congress that management improvements were needed. (B-164088, Dec. 8, 1969.)

During fiscal year 1974, we concluded a followup review to evaluate the program at the installation level. While the review was under way, the Defense Subcommittee, House Committee on Appropriations, requested us to provide it information we had developed on the program. The subcommittee used the information extensively during its hearings on the fiscal year 1974 Defense appropriation request. At the conclusion of the hearings, the subcommittee recommended termination of the program. In response, the Department of Defense terminated the program on May 31, 1974. The phaseout of the program resulted in (1) savings in fiscal year 1974 estimated at \$30.8 million and (2) future years' savings estimated at more than \$100 million.

We believed that, although the program was terminated, the results of our review would be beneficial to the Department of Defense in planning future programs having objectives similar to those of the Transition Program. Accordingly, we reported to the Secretary of Defense our findings and related suggestions on areas where the program had been deficient. In commenting on our report, the Department of Defense informed us that our suggestions would be incorporated in the basic plans of any future programs that are similar or related to the Transition Program. (B-164088, Apr. 1, 1974.)

Consolidating Undergraduate Helicopter Pilot Training

We reviewed the two undergraduate helicopter pilot training programs of the military



Transition Program job training in the Navy.

services. The Army program was 36 weeks long and included 210 flying hours in helicopters at Fort Wolters, Texas, and Fort Rucker, Alabama. Air Force students were being trained by the Army. The Army planned to close its training site at Fort Wolters and consolidate training at Fort Rucker in fiscal year 1974.

The Navy program, conducted at Pensacola, Florida, was 44 weeks long and included a total of 216 flying hours in fixed-wing aircraft and helicopters. Marine Corps students were being trained by the Navy. Although the Navy program was 8 weeks longer than the Army's, both programs provided essentially the same number of flight and academic hours of training.

We recommended to the Secretary of Defense that he direct the Navy to discontinue the fixed-wing training and move toward consolidating undergraduate helicopter pilot training under a joint, all-helicopter program because:

- After the Army consolidates its program at Fort Rucker, that installation will be used at only 55 percent of capacity and could accommodate all Defense undergraduate training requirements through 1976.
- The Navy could discontinue the fixed-wing portion of training without degrading its training program. Such action would enable the Navy to cancel plans to buy 93 new fixed-wing aircraft costing \$18 million.
- The Army had 565 excess training helicopters that could be used in a consolidated training program.
- The Navy could cancel plans to construct training facilities costing \$1.5 million.

Army officials did not object to our proposal for consolidation. Navy officials were generally opposed to this recommendation. (B-157905, May 3, 1974.)

Full-time, Fully Funded Education Of Military Personnel

The Department of Defense spent over \$170 million during fiscal year 1973 on full-time, fully funded graduate and undergraduate education programs for military personnel. The results of our survey of these programs were reported to the Secretary of Defense.

We reported that, in the graduate education area, officers were enrolled in disciplines for

which there were no validated requirements or for which a sufficient inventory of officers with advanced degrees already existed. Conversely, shortages of officers with advanced degrees existed in other disciplines, and in some cases, positions validated as requiring an advanced degree were being filled by officers without such degrees.

In the undergraduate education area, the Navy was using its enlisted personnel program to satisfy educational aspirations of enlisted men rather than to fill job requirements.

The Department of Defense informed us that it concurred in our recommendations for corrective action and that they would be implemented. (B-175773, Mar. 6, 1974.)

Interservice Training in the Department of Defense

We reported to the Secretary of Defense that economies and efficiencies obtainable through consolidating common Defense training requirements had not been achieved. This occurred because each military service had decided how its training requirements could best be met within its own resources. Neither the Office of the Secretary of Defense nor the service headquarters had assessed efforts by training commands to promote interservice training.

After learning of our findings, the services began a joint review of training programs and resources to identify interservice training opportunities. The prospects for meaningful progress were encouraging because of the services' apparent willingness to relinquish parochial interests and to join in a concerted effort to promote interservice training.

We made recommendations directed at having the Office of the Secretary of Defense monitor the services' interservice training efforts. We were informed that action was being taken to implement the recommendations. (B-175773, Nov. 27, 1973.)

Training and Education Programs For Employees of the Department of Health, Education, and Welfare

We reported to the Secretary of Health, Education, and Welfare the results of our survey

of the training and education programs for civilian employees in his Department. The report identified several areas involving administration of the programs in need of improvement:

- Training plans were not based on formal reviews of training needs.
- The Department needed to give more attention to developing curriculums and courses to satisfy training needs common to its constituent agencies.
- The Department had not evaluated the effectiveness of training programs.
- The Department's annual training report to the Civil Service Commission was inaccurate and incomplete.

The Department was in general accord with our observations. It took certain actions and planned others which, if properly implemented, should improve the administration of the training programs. (B-164031(1), July 19, 1973.)

Civil Service Commission Training Centers

Administration of Civil Service Commission regional training centers and executive seminar centers was the subject of a report to the Commission chairman. The report discussed certain management weaknesses we observed in the administration of the centers' training programs.

At several regional training centers, certain practices were uneconomical and adversely affected the availability of training programs. Non-Government instructors were used under conditions other than those permitted by Commission regulations. This practice may have increased training costs. Payments of \$50 a day were often made to non-Government instructors for developing or modifying course materials or content, even though the services for which payments were made did not comply with Commission guidelines.

The use of training contracts between the Commission and individual agencies had, in some instances, caused agencies to (1) continue using the Commission on a contract basis, although internal training capabilities could and should have been developed, and (2) pay more for training than they would have paid if the

training services had been obtained from an outside contractor.

At the executive seminar centers, we found that the Commission should (1) have program directors specialize in assigned areas to better use their backgrounds and experience, (2) establish a reasonable period for providing advance notice to participants of their selection to attend courses, so they would have time to properly prepare for the program, (3) review selection procedures with agencies to insure that courses meet organizational and individual needs, and (4) base admission to training on applicants' responsibilities, position, and potential rather than solely on grade level.

Commission officials agreed with our findings and indicated that our recommendations for corrective action would be implemented. (B-151678, Jan. 7, 1974.)

Employee Relations

Department of Defense Domestic Action Program

Several years ago, the Department of Defense initiated a Domestic Action Program under which military personnel are used to help other Federal agencies and the private sector solve domestic problems. We reported to the Secretary of Defense the results of our survey of program operations at five major military installations and one Reserve and four National Guard units.

Only one installation visited, Fort Bragg, North Carolina, was achieving significant results in the community with the Domestic Action Program. The effectiveness of Fort Bragg's program appeared to be directly related to the fact that it had originated a similar program in 1968 and to the way the commanding officer supported it.

The other installations and units visited had not implemented well-organized programs, although each was conducting domestic action activities to some extent. Commanding officers of these installations and units had not established effective communications or actively sought projects which would benefit both the military and the communities.

Responses to a GAO questionnaire from 683 enlisted men and junior officers indicated they had the ability and desire to participate in the program and that the program had not received adequate publicity either on the installations or in the communities.

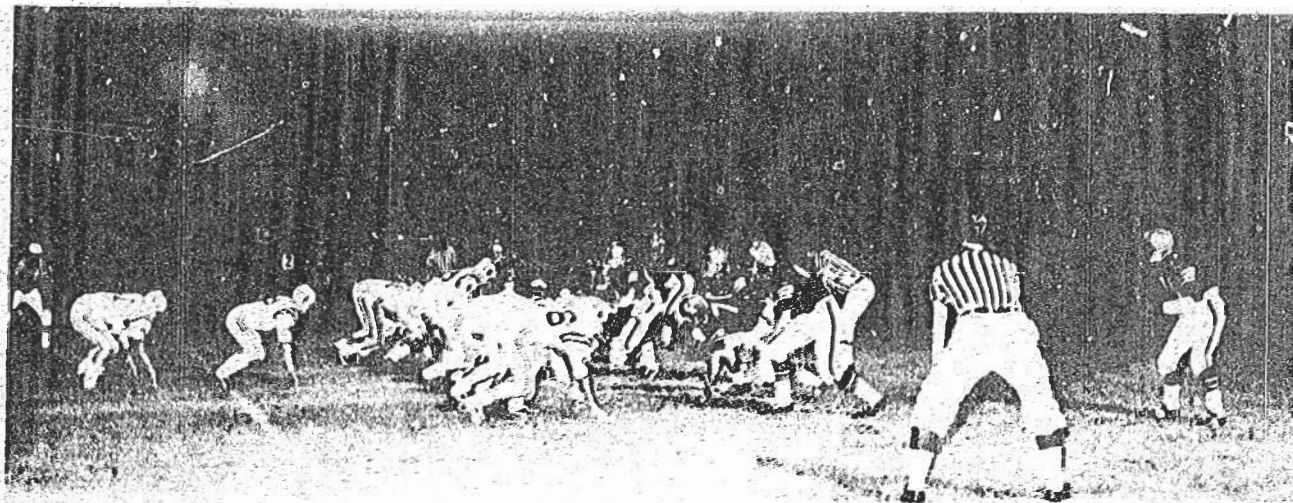
The program had no legislative authority, and we recommended that the Secretary of Defense obtain legislative approval for the program. We also recommended specific actions to correct program weaknesses and to improve its benefits. (B-176807, May 20, 1974.)

Uniformed Services Savings Deposit Program

We reported to the Chairman, House Committee on Appropriations, on the review he

asked us to make of the Uniformed Services Savings Deposit Program. The primary objective of the program was to encourage military personnel overseas to save more money and thereby favorably affect the gold flow problem. Interest at 10 percent was paid on money deposited by or for military members stationed in foreign countries. Fund withdrawals by participants overseas were to be made only when their or their dependents' health or welfare was in jeopardy.

We reported that a number of problems existed in the program. Emergency withdrawals occurred at a high rate, and in a number of cases, withdrawals exceeded the participants' account balances. Deposits in excess of the maximum allowable had been made, and some participants redirected allotment funds from



Engineers of the 618th Engineer Company at work on high school athletic facilities and the final result—the football field.

other savings programs to this 10-percent interest program. With respect to the latter, it appears that if allotments had not been redirected, they would have been deposited in other savings programs and would not have been spent on foreign economies.

Only 15 percent of eligible enlisted members and 40 percent of eligible officers participated in the program. Overall program participation amounted to less than 19 percent of the eligible military personnel.

After learning what our review disclosed, the Committee reduced the fiscal year 1974 Defense appropriation request for the program by \$1.5 million and recommended that, except for the accounts of military members missing in action, the program be terminated by June 30, 1974. The Senate Appropriations Committee agreed with the House actions, and the Department of Defense terminated the program as recommended. Estimated annual recurring savings of \$25.8 million should result from this program termination. (B-159854, Feb. 7, 1974.)

Efforts to Recharacterize Military Discharges Because of Drug Involvement

Responding to a request from Congressman John M. Murphy, we reviewed the Department of Defense's special efforts to reconsider discharges under other than honorable conditions given on or before July 7, 1971, to service members because of drug involvement. We reported to the Congress that veterans who had received such discharges were experiencing problems in obtaining employment and vocational training or education and in discontinuing their drug dependence.

As of December 31, 1972, 3,591 former service members (or about 55 percent of the number estimated to have received other than honorable discharges during the period January 1, 1966, to June 30, 1971) had applied for discharge recharacterization consideration. Of this number, 1,426 discharges were upgraded, 1,036 remained unchanged, and 1,129 applications were still under review.

Department of Defense officials believed their efforts to publicize the recharacterization program had been successful. However, many former service members, as well as individuals who directed and staffed a sizable number of

drug treatment centers in three major metropolitan areas, either were uninformed about the program or lacked adequate knowledge to counsel those for whom the program was initiated.

Further, the Department's basic policy statement on the program permitted varied interpretations by military departments implementing the policy. This led to inconsistencies in the policies and practices followed by the military departments and appeared to result in inequitable treatment to applicants.

Our report contained recommendations for improving the recharacterization program. The Department accepted a number of these recommendations. (B-173688, Nov. 30, 1973.)

Adverse Action and Appeal Systems

A report to the Congress discussed our review of the Civil Service Commission's adverse action and appeal systems. Under these systems, Federal civilian employees can appeal various adverse actions taken against them by management, such as certain suspensions or removals from work and furloughs without pay. The three levels of appeal are (1) agency appellate systems, (2) Commission regional appellate offices, and (3) the Commission's Board of Appeals and Review.

We reported that the propriety of and need for agency appeal systems were questionable because of problems associated with inadequately trained hearing officers, excessive time required to process appeals at the agency level, and duplicate effort involved in hearings by both the agencies and the Commission.

Employees were concerned that the adverse action and appeal systems were unduly management-oriented. A major factor leading to this concern was that most employees were not granted hearings until after penalties were imposed. We also observed needs for (1) Commission appellate offices to have authority to mitigate penalties and (2) the Commission to restructure its appellate organization.

Our report contained recommendations for improving the operation and administration of the systems. The Commission concurred in our recommendations and indicated that action was under way to implement them. Moreover, the issue of timing of the hearing was the subject of

proposed legislation in the Congress at June 30, 1974. (B-179810, Feb. 5, 1974.)

Incentive Awards Program

We reported to the Congress the results of our review of the Incentive Awards Program for Federal employees. During fiscal year 1972, the Government granted over \$33 million for 133,731 performance awards (lump-sum special achievement awards and quality increases). About \$4.6 million was granted for 56,606 employee suggestions. The Civil Service Commission reported measurable benefits of \$315 million related to special achievements and adopted suggestions; benefits related to quality increases were not measured.

Performance awards were not as effective as they could have been. Of more than 1,900 randomly selected employees, 56 percent indicated the program had not motivated them to do a better job, and 67 percent believed favoritism was shown in granting cash performance awards. It appeared that this lack of confidence occurred because:

- Cash performance awards had been used inconsistently.



Miss Ona M. Noble, receiving a cash award for making a beneficial suggestion; deputy director David P. Sorano; and director Forrest R. Browne.

- Program administrators were confused about the circumstances under which each type of award could be granted.
- Many employees were not told why specific awards were granted.
- About one-fourth of Federal civilian employees were not eligible for quality increase awards.

Employees generally had more confidence in suggestion awards than in performance awards. However, employee participation in the suggestion portion of the program could have been increased had it been more actively promoted and if suggestions had been processed promptly.

We recommended to the Chairman, Civil Service Commission, a number of actions that would improve the operation and management of the program and increase its credibility among Federal employees. The Commission responded promptly to implement the recommendations. (B-166802, Nov. 1, 1973.)

Other Programs

Personnel and Other Costs Reduced by Consolidating Reserve C-130 Units

Our review of the staffing and equipping of Reserve C-130 aircraft units was the subject of a report to the Congress. The total-force concept, a central part of the U.S. national security strategy, provides that Reserve Forces units will be structured like active forces units.

Active squadrons are equipped with 16 C-130 aircraft. At the time of our review, each of 28 Reserve squadrons was equipped with 4 to 8 aircraft, and there was no plan to provide more than 8 aircraft to each squadron. We estimated that \$27 million could be saved annually by reducing the 28 Reserve squadrons to 14 squadrons and equipping them like active squadrons. About \$24 million of the savings would result from reduced personnel requirements. We therefore recommended that the necessary action be taken to reduce the number of Reserve C-130 squadrons in a manner consistent with the total-force concept.

The Department of Defense partially implemented our recommendation by consolidating two squadrons at each of three locations. This

action resulted in the Department reducing its fiscal year 1975 budget submission by nearly \$2 million and reducing fiscal year 1976 and subsequent years' submissions by almost \$2.5 million. The Department advised us that further squadron consolidations would have to await the results of an ongoing study. (B-158626, Feb. 20, 1974.)

Department of Health, Education, and Welfare Automated Personnel Information Systems

We reported to the Secretary of Health, Education, and Welfare on our survey of the automated personnel management information systems of his Department. Our report stated that there were numerous difficulties and shortcomings in the Department-wide system, the Personnel Data System. Officials of the Department and its agencies also cited objections to and deficiencies in that system, including lack of confidence in the system, errors in the data files, and inaccurate reporting. We concluded that procedures for auditing and editing the system's data were not adequate to assess accuracy.

An undetermined number of nonstandard, noninterfacing personnel management information systems existed among the Department's agencies. The independent development and maintenance of these systems led to duplicate development time and operating costs. For example, the Social and Rehabilitation Service and the Office of Education have their own systems, which cost about \$40,000 to operate during fiscal year 1972. The data elements in these systems duplicate the elements contained in the Personnel Data System.

Further, we identified certain difficulties with the Terminal Data Collection Service, a proposed extension of the Personnel Data System.

Departmental officials informed us that our recommendations for dealing with the difficulties and shortcomings highlighted above were being considered. (B-164031(3), July 27, 1973.)

Ration Supplement Program For Vietnamese Servicemen

A report was sent to the Secretary of Defense on our review of the Ration Supplement Pro-

gram for the Armed Forces of the Republic of Vietnam. Under this 3-year program, the U.S. Government provided food for Vietnamese servicemen at an estimated cost of \$87 million. The program objectives were to provide an adequate diet for Vietnamese servicemen and, consequently, improve their morale and welfare. During the first year, the United States was to provide all the food. The Vietnamese were to provide 30 percent during the second year and 70 percent during the third year.

We reported that food provided by the United States during the first year contributed significantly to the program objectives. However, the program fell short of its objectives during the second and third years primarily because the Vietnamese Government was unable to make its planned contribution of food. We also reported that the program suffered from lack of adequate and realistic planning prior to its implementation and from ineffective management.

During our review, we made several recommendations regarding the management and operation of the program. These were implemented by the Military Assistance Command, Vietnam, and resulted in estimated savings to the United States of about \$13 million. The program was to be terminated by March 31, 1974, and the Department of Defense informed us that if it were reinstated, every consideration would be given to the matters discussed in our report. (B-159451, Dec. 3, 1973.)



Vietnamese servicemen receive monthly issue of food from the Ration Supplement Program.

Audits in Process

At the close of the year, 87 audits were in process. They involved the wide spectrum of Federal personnel and compensation matters, including:

White-collar pay systems—a study of the desirability of subdividing into occupational groups the various white-collar salary schedules under which more than 1.3 million Federal employees are paid.

Blue-collar pay system—an examination of selected aspects of the process used to establish pay rates for more than 500,000 Federal blue-collar employees.

Upward mobility—a review of the manner in which agencies plan and implement upward mobility programs for Federal employees and the monitorship of these programs by the Civil Service Commission.

Service academies—a multiphased review, requested by a number of Member of Congress, at the five service academies (Army,

Navy, Air Force, Coast Guard, and Merchant Marine) to determine (1) why some cadets drop out, (2) academy operating costs and how they compare with the costs of other ways of training officers, and (3) whether cadets are trained the way the services want them trained.

Manpower requirements a study and comparison of the methods used by Federal departments and agencies to determine and assess requirements for civilian employees.

Military commissaries at the request of several Members of Congress, a review to evaluate the reasonableness and application of criteria used by the Department of Defense to establish and continue operating military commissaries in the continental United States.

Military recruiting a review of the military services' recruiting activities, including (1) the management of recruiters and financial resources, (2) the recruit quality and entrance test requirements, and (3) the advertising program used by the services in their recruiting efforts.

These completed reports are listed in appendix 5. The number and types of reports completed are shown in the tabulation on page 97.

Assistance to the Congress

About 220 man-years of the professional Washington and field staff resources were applied toward direct assistance to the Congress in fiscal year 1974. This represented about 40 percent of all work done on this division's assignments. The assistance provided included (1) investigations and reviews undertaken at the specific request of congressional committees and Members of Congress, (2) staff assistance to committees (see app. 8), (3) commenting on pending legislation (see ch. 3), (4) presenting testimony at committee hearings (see app. 6), and (5) discussing work plans and audit findings with the staffs of congressional committees.

The division worked on 289 congressional requests in fiscal year 1974. At the close of the fiscal year, 95 such requests were open.

Many requests for assistance, in addition to the completed reports issued to congressional committees or Members of Congress shown in the tabulation on page 97, were satisfied with issuance of informal reports either orally or by correspondence not classified as reports. In addition, seven statements were prepared for testimony before congressional committees or subcommittees.

Department of Health, Education, and Welfare

Overview of Programs Being Audited

The Department of Health, Education, and Welfare had a budget authority of \$101.9 billion and an estimated budget outlay of \$93.8 billion for fiscal year 1974 to be used for health, education, and income security programs for the general population.

Health Programs

Federal outlays for health for fiscal year 1974 were estimated at \$30.3 billion, or about 11 percent of the total Federal budget. These funds are

CHAPTER NINE

MANPOWER AND WELFARE

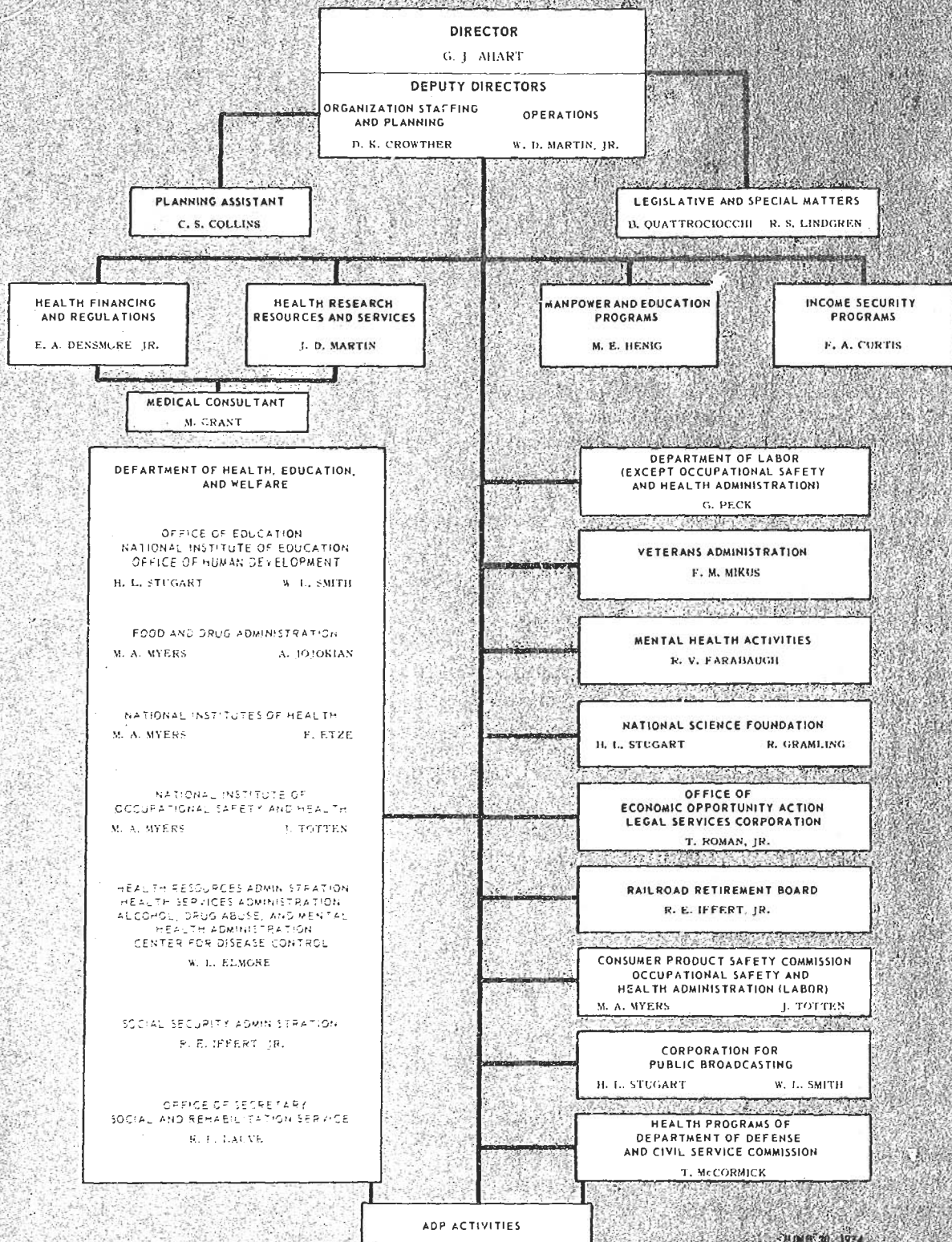
Responsibilities

The Manpower and Welfare Division is responsible for auditing manpower, health, education, and income security operations and programs administered by the Department of Health, Education, and Welfare; the Department of Labor; the National Science Foundation; the Office of Economic Opportunity; the Consumer Product Safety Commission; ACTION; the Corporation for Public Broadcasting; health programs of the Department of Defense and the Civil Service Commission; the Railroad Retirement Board; and the Veterans Administration. The director of the division is Gregory J. Ahart and Dean K. Crowther and William D. Martin, Jr. are the deputy directors. An organization chart of this division appears on the following page.

Audit Reports

During fiscal year 1974, 17 reports in this area of responsibility were submitted to the Congress and 54 were submitted to specific committees or Members of Congress on reviews made at their request. In addition, 25 reports were sent to department or agency officials.

MANPOWER AND WELFARE DIVISION



4/19/74

	Reports submitted to				Total
	Congress	Congressional committees	Members of Congress	Agency officials	
DEPARTMENTS:					
Health, Education, and Welfare	9	10	15	8	42
Labor	2	6	8	5	21
Defense (medical programs)	2	2	-	3	7
Others	-	1	-	-	1
INDEPENDENT AGENCIES:					
Equal Employment Opportunity Commission	-	-	1	-	1
National Science Foundation	-	-	-	1	1
Office of Economic Opportunity	2	-	3	4	9
Veterans Administration	2	3	5	4	14
Total	17	22	32	25	96

for (1) increasing health resources, such as health research, health manpower, training and education, construction of medical and health facilities, (2) providing programs for health and medical services, such as Medicare and Medicaid, and (3) providing programs for prevention and control of health problems, such as consumer safety, communicable disease control, and occupational safety. In addition and included in the preceding categories, special impact programs are provided, such as drug abuse prevention, family planning, venereal disease control, and nursing home improvement.

Education

Total public and nonpublic expenditures for education are estimated at \$88.7 billion for school year 1973-74. Federal outlays for education-related programs in fiscal year 1974 are estimated at \$13.8 billion. Within the Federal segment of the education budget, HEW's Education Division—composed of the Office of Education and the National Institute of Education—accounts for about \$5.2 billion, or 38 percent.

The Education Division administers about 130 Federal programs, designed to promote equal educational opportunity for all children and youths, to encourage changes to improve the educational system, and to support research and development on major educational problems.

Income Security Programs

Total Federal income security benefits were estimated to exceed \$115 billion in fiscal year 1974. These were for (1) cash benefits, such as social security, Federal employee benefits, and veterans benefits, (2) in-kind benefits, such as food stamps, health care, and housing, and (3) tax transfers for benefits to the aged, veterans, welfare recipients, disabled, and the working mothers.

Following are summaries of some reports which were issued as a result of our work on these programs.

Health Resources, Services, and Mental Health

Progress and Problems in Providing Health Services to Indians

Indian health—although substantially improved since the Department assumed responsibility for Indian health care in 1955—was still worse than that of the general population. Our report to the Congress discussed needs that have not been met in such areas as alcoholism and alcohol abuse; maternal and child health; otitis media; tuberculosis; venereal disease; and environmentally related diseases, such as infectious hepatitis.

Indians die of tuberculosis at a rate about four times that of the general population, and

otitis media—inflammation of the middle ear—has been the number one reported disease among Indians, especially children, since 1964. Our report included several recommendations to improve the delivery of health services to Indians.

The Department agreed with most of our recommendations and reported actions taken or planned to implement them. We reported that further action is required in certain program areas involving maternal and child health, otitis media, and tuberculosis. (B-164031(2), Mar. 11, 1974.)

Impact of Comprehensive Health Planning in Selected Areas

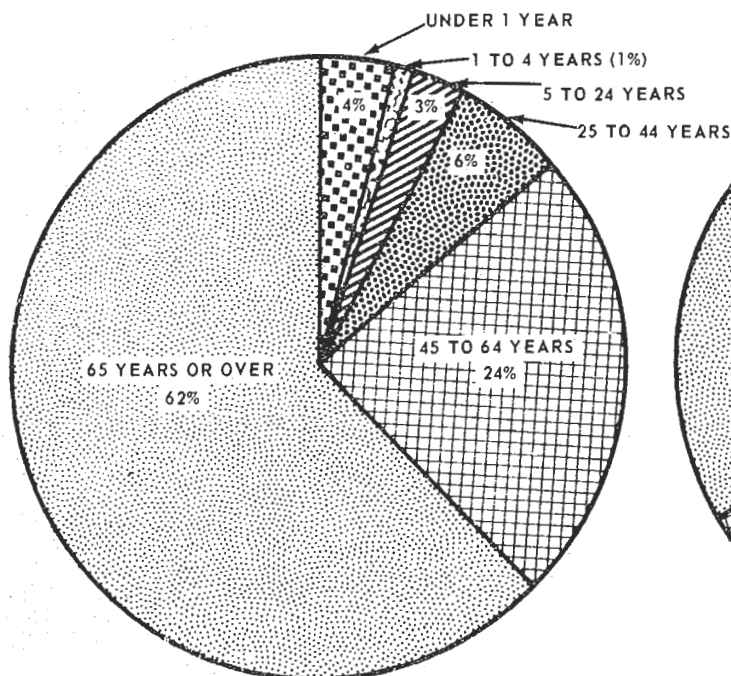
In our report to the Congress on comprehensive health planning carried out by State and

areawide agencies in three States, we concluded that the agencies had a beneficial impact on the health care delivery system mostly by (1) reviewing and commenting on federally financed projects for delivery of health services, (2) reviewing and approving proposed health facility construction projects, and (3) reacting to health problems brought to their attention by various sources rather than through a systematic planning process.

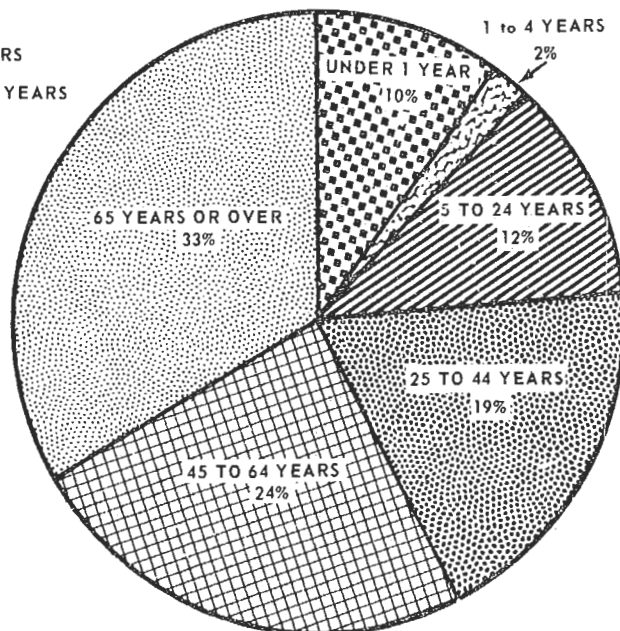
We recommended that the Secretary of HEW direct the development of legislative or administrative action to alleviate such problems as difficulties in raising required matching funds, lack of adequate staffs, selection and participation of volunteers in planning activities, proper relationships between State and areawide agencies, and lack of an implementation process for developed recommendations.

DISTRIBUTION OF DEATHS BY AGE DURING 1971

U.S. TOTAL POPULATION



INDIAN



The Department concurred and said it was working to alleviate the problems noted and to develop a significant legislative proposal. (B-164031(2), Apr. 18, 1974.)

Prevention and Control of Disease

Status of Communicable Disease Control Efforts

The Center for Disease Control assists State programs to control communicable disease directly through grants and indirectly through in-house and other research. We reviewed programs covering about 25 percent of the Nation's total population to decide if Federal control programs could be improved.

In our report to the Congress, we discussed the incidence of (1) venereal diseases, particularly gonorrhea which has increased to epidemic proportions, and (2) tuberculosis, which still accounts for two-thirds of deaths caused by all communicable diseases. We commented also that immunization for a variety of communicable diseases was below medically necessary levels.

The Department agreed with our recommendation that it foster more economic procurement of vaccines by encouraging the States to (1) use the Center's centralized procurement system and (2) accept vaccines supplied by the Department instead of financial assistance. HEW indicated that our recommendation for periodic reviews of results being achieved under gonorrhea control projects might not be appropriate for measuring the effectiveness of the projects. (B-164031(2), June 10, 1974.)

Testimony before Congressional Committee

In February 1974 we testified before the Subcommittee on Public Health and Environment, House Committee on Interstate and Foreign Commerce, on the results of our review of the community mental health centers program.

Audit Work in Process

Audit work in process at June 30, 1974, included audits of the effectiveness of (1) federally supported rat control programs, (2) formula grant programs for comprehensive

public health and maternal and child health services, and (3) financial administration of grants and contracts with a family planning organization.

In addition, the Health Maintenance Act of 1973 (Public Law 92-322) requires the Comptroller General to evaluate and audit the operations of at least 50 Health Maintenance Organizations; to evaluate the economic impact on employers of including HMOs in health benefits programs; and to evaluate and compare the operations and health impact of HMOs by categories and as a group compared to other forms of health delivery. Because of the scope and complexity of these and closely related evaluations, we anticipate that GAO will be involved in this work for a number of years.

Food and Drug Administration

Supervision Over Investigational Use of Selected Drugs

At the request of the Chairman, Subcommittee on Reorganization, Research and International Organizations, Senate Committee on Government Operations, we reported on FDA's supervision over selected investigational new drugs. FDA is responsible for monitoring the drug's safety and efficacy during clinical (human) tests. We reported that (1) FDA failed to halt human tests after receiving indications that certain of the drugs were unsafe, (2) drug companies did not always report adverse drug reactions occurring in animal studies to FDA promptly, and (3) FDA did not require necessary patient followup in several instances after receiving such reports.

We recommended that FDA (1) make a written determination that a drug's benefits outweigh the possible risks of its experimental use before allowing clinical tests to begin or continue when serious safety questions concerning testing drugs in humans arise, (2) institute a program to insure prompt reporting of animal studies, and (3) establish patient followup policies and requirements.

The Department concurred in our recommendations and advised us that it had started actions to implement them. (B-164031(2), July 23, 1973.)

FDA's Handling of Reports on Adverse Drug Reactions

FDA is responsible by law for regulating and insuring that drugs involved in interstate commerce are safe and effective. Advising the public and doctors of adverse reactions caused by drugs is a fundamental part of this responsibility. To identify information on adverse drug reactions and to assist in drug regulation, FDA created an adverse drug reaction reporting system. FDA's monitoring unit is to develop sources of adverse drug reaction reports and to collect, analyze, centrally store, and forward the information to FDA's regulatory divisions. These divisions are responsible for taking needed action to regulate marketed drugs.

We reported to the Congress that the system was not adequately used to regulate drugs. Some medical officers in the regulatory divisions (1) did not use it, (2) did not know it existed, or (3) were uncertain whether FDA had the burden of proving whether a specific drug caused adverse reactions. Also, the system was deficient in that the monitoring unit (1) received only a limited number of adverse reaction reports, (2) did not always obtain additional information needed to evaluate reports received, (3) did not store centrally all information available within FDA, and (4) did not send complete information to the regulatory divisions and did not send it on a systematic basis.

We made a number of recommendations to improve the system and its use as an aid in drug regulation. The Department agreed with our recommendations and outlined several actions which it had taken or planned to take to improve the system and its use. (B-164031(2), Mar. 7, 1974.)

Audit Work in Process

Audit work in process at June 30, 1974, included reviews of FDA's (1) program for regulating and controlling the manufacture of diagnostic products, (2) implementation of the Fair Packaging and Labeling Act, (3) monitoring of clinical investigations of new drugs, (4) program for regulating sanitation conditions in restaurants, and (5) radiological health programs.

National Institutes of Health

Federal Loans and Scholarships to Health Professions Students

We reported to the Congress that the objectives of the Health Professions Student Assistance Program to alleviate expected shortages of doctors, dentists, and other health professionals were not being met. The program was expected to improve the quality of students, encourage graduates to practice in shortage areas, and increase the proportion of students from low-income families.

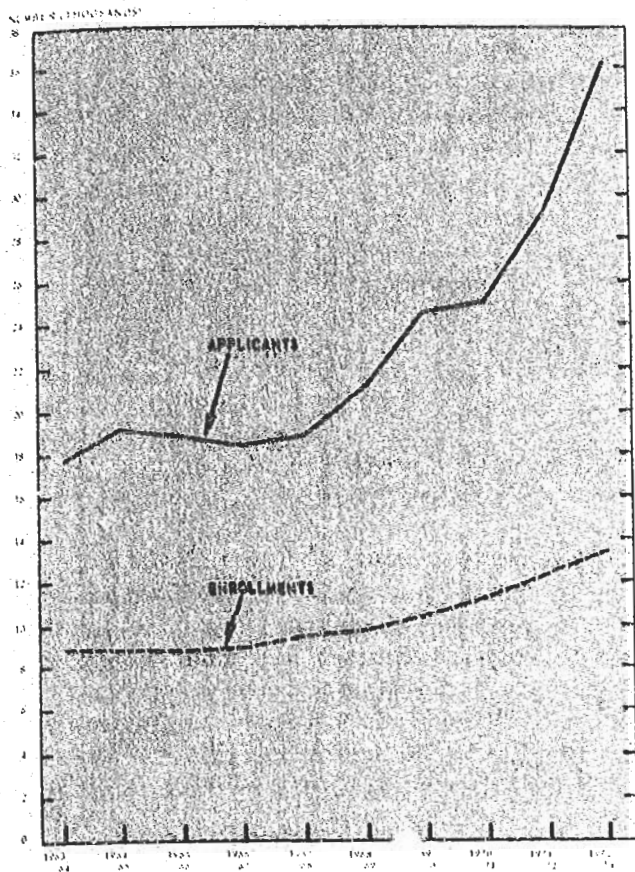
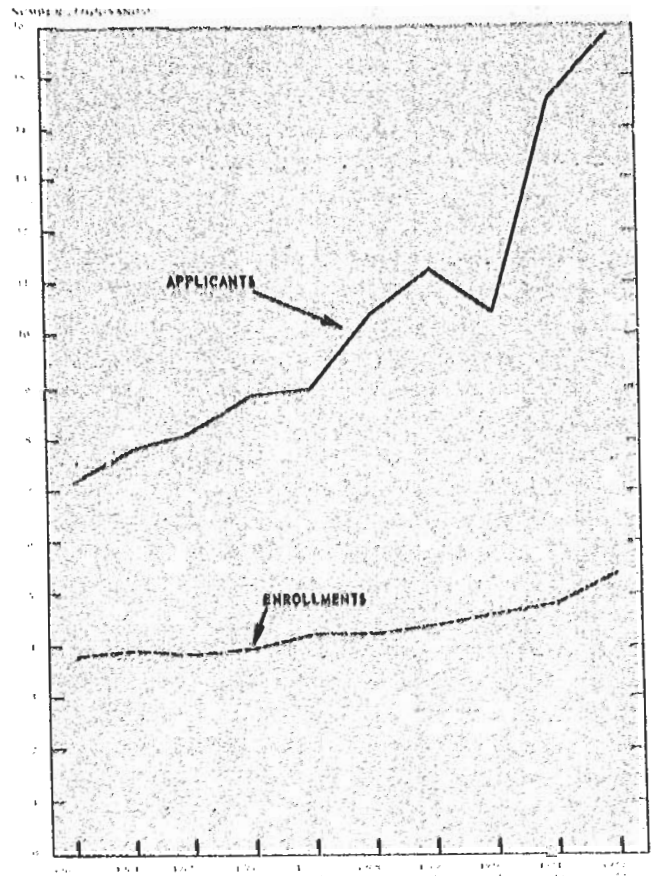
We recommended that the program goals be accomplished through other existing Federal programs, such as Federal assistance in construction of teaching facilities, federally insured loans, and the Shortage Area Scholarship Program. If the Congress decided to continue the program, we offered suggestions to improve its effectiveness. These included (1) combining scholarship funds with loan funds, (2) providing loans at interest rates that are comparable to those available to the Government in view of the high-income potential of the students, (3) increasing the number of health professions students from low-income families, and (4) coordinating the various Federal programs providing aid to health professions students. In addition, we cited weaknesses in the administration of the program and made recommendations for improvement.

The Department subsequently announced plans to improve the program's administration and agreed that the program has not had much impact in influencing doctors and dentists to practice in shortage areas. HEW disagreed, however, with our views on the program's impact on increasing the number and improving the quality of health professions students.

On May 29, 1974, we testified on our report before the Subcommittee on Public Health and Environment, House Committee on Interstate and Foreign Commerce, which was considering legislation to extend the program. (B-164031(2), May 24, 1974.)

Audit Work in Process

At June 30, 1974, audit work in process included reviews of kidney disease treatment, methods to reduce the incidence of posttransfusion hepatitis, NIH's policies and procedures

MEDICAL SCHOOL APPLICANTS
AND ENROLLMENTSDENTAL SCHOOL APPLICANTS
AND ENROLLMENTS

regarding research, and Federal efforts to protect the public from cancer-causing chemicals.

Educational Opportunities

Educational Laboratory Research and Development Center Programs Need to be Strengthened

We reported to the Congress that the institutions of higher education and nonprofit organizations participating in the laboratory and research and development center programs could have been more effective. The organizations involved could not show that most of the new educational products and practices that they developed met desired objectives or were readily and economically available for classroom use.

We reported that the programs could have been more effective had the organizations (1)

stated product objectives in terms of specific educational changes, (2) strengthened evaluation procedures to determine product effectiveness for both the short and long term, and (3) demonstrated the marketability of the proposed products. The National Institute of Education could improve the programs by setting standards for evaluating and monitoring the evaluation processes used by the research organizations and by developing alternative means of disseminating products.

The Department agreed with our recommendations and stated that actions were either being planned or taken to carry them out. (B-164031(1), Nov. 16, 1973.)

Problems of the Upward Bound Program

We reported to the Congress that, although the Upward Bound program might be motivating

students to enroll in college, the Office of Education does not know how effective the program has been in achieving its goal of equipping low-income, disadvantaged students with the academic skills and motivation necessary for success in college. Available data indicates that the program apparently has not achieved this goal.

Contrary to HEW guidelines, the Office of Education did not develop specific, measurable objectives of improving academic skills and increasing motivation. The program's management information system was not providing program managers with the data needed to develop, plan, and evaluate the program.

Projects were not required to (1) develop comprehensive need assessments on all students, including motivation levels, (2) design a curriculum to meet identified needs, and (3) periodically measure progress made in meeting these needs.

We also reported that the program's monitoring system should be strengthened to insure that all projects operate in accordance with national intent and that the Department's regional offices should insure that projects select students in accordance with guidelines and document the basis used.

The Department generally agreed with our recommendations and outlined actions to carry them out. (B-164031(1), Mar. 7, 1974.)

Administration of Student Financial Aid Programs

At the request of the Chairman, Special Subcommittee on Education, House Committee on Education and Labor, we reported on the Guaranteed Student Loan, the National Direct Student Loan, the College Work-Study, and the Supplemental Educational Opportunity Grants programs.

Generally, financial aid officers at educational institutions and loan offices at lending institutions we visited administered the programs in accordance with program regulations and guidelines and awarded aid on the basis of individual student need. However, aid was occasionally awarded on the basis of other criteria, such as student sex, marital status, age, participation in athletics, and academic ability.

We also reported that applications submitted by educational institutions often did not show

student need environments of the requesting institution. HEW regional review panels did not always identify and make appropriate adjustments to these applications.

We recommended that HEW develop guidelines and instructions for financial aid officers that will preclude individual student characteristics and other factors from affecting the award of aid. We also recommended that HEW study alternatives for improving the process through which educational institutions receive allocations of student aid funds. (B-164031(1), Apr. 4, 1974.)

Supply and Demand for Teachers and Implications for Federal Programs

We reported to the Congress that the Federal Government had initiated extensive financial assistance programs for college students during the early 1960s to meet the growing need for elementary and secondary school teachers but that these assistance programs may now be contributing to teacher surpluses.

There is no central source for identifying the programs affecting the teaching profession. Also, complete and consistent data about teacher supply and demand is not available.

We conducted a survey of teacher supply and demand at selected school districts, colleges of teacher education, and all 50 State departments of education. The survey showed a general surplus of elementary and secondary school teachers with the surplus varying among geographic areas and teaching subject fields. Some school districts reported a need for additional teachers in such fields as education of the physically or mentally handicapped and vocational education but lacked suitable applicants.

The organizations surveyed cited lack of adequate counseling in the colleges and universities and a lack of communication within the education community as major causes of the surplus. Suggested remedies for the situation included retraining teachers and changing curriculums to better meet the needs of prospective employers.

The Department agreed in our recommendations and stated that corrective actions would be taken. (B-164031(1), Mar. 6, 1974.)

Audit Work in Process

At June 30, 1974, we were examining (1) Federal programs for education of the handicapped, (2) reading projects funded under title I of the Elementary and Secondary Education Act of 1965, (3) the Follow Through program, (4) the Bilingual Education program, (5) selected aspects of the Impact Aid program, (6) the Adult Basic Education program, (7) federally funded library support programs, (8) the Federal program for strengthening developing institutions, (9) career education activities, (10) vocational education programs, (11) the National Institute of Education's Experimental Schools program, and (12) paperwork requirements placed on State and local educational agencies by Office of Education programs.

Office of Human Development**Assistance to the Congress**

In April 1974 we provided an oral and video tape briefing to staff members of the House Committee on Education and Labor and the Senate Committee on Labor and Public Welfare on the results of our ongoing review of Project Head Start. The briefing was given to assist the committee staffs in their deliberations on legislation to extend Project Head Start's authorizing legislation before it expired on June 30, 1974.

Medicaid Program

The estimated number of persons receiving medical assistance under the Medicaid program was 23.5 million in 1973 and 27.2 million in 1974 and is expected to be 28.6 million in 1975. HEW made grants to States for medical assistance totaling \$5 billion in 1973 and \$5.6 billion in 1974 and has requested \$6.6 billion for medical assistance grants in fiscal year 1975.

Administration Improvements Needed to Provide Medicare Benefits for Welfare Recipients

We reported to the Congress on section 1843 of the Social Security Act which provides authority to enroll recipients of cash payments under public assistance programs or those entitled to medical assistance under Medicaid in the supplementary medical insurance program estab-

lished under Medicare. This program covers physician's services and a number of other medical and health benefits, in addition to those covered by Medicare's hospital insurance or by Medicaid. Premiums paid by or for enrollees in the supplementary program are matched by Federal funds.

As of December 1971, about 2 million enrollees under section 1843 were participating in the supplementary insurance program. Since the program began it had experienced major administrative problems resulting in (1) not all eligible persons under section 1843 being enrolled, (2) some States receiving overpayments for premiums that should have been paid entirely by the States, and (3) premiums being paid for persons several months after they became ineligible.

The Department generally agreed with our recommendations to improve the program. (B-164031(3) Aug. 14, 1973.)

Implementation of the Illinois Early and Periodic Screening, Diagnosis, and Treatment Program Under Medicaid

At the request of Representative Ralph H. Metcalfe, we reported on the administration of the Early and Periodic Screening, Diagnosis, and Treatment program in Illinois under its Medicaid program. The Illinois program was late in starting, primarily because the Department did not issue regulations for more than 2 years after the program became a required service. The late start delayed the identification and treatment of physical and mental problems in many children. (B-164031(4), Mar. 12, 1974.)

Testimony at Hearings

On June 11, 1974, we testified before the Special Studies Subcommittee, House Committee on Government Operations, on our review of firesafety in nursing facilities under Medicare and Medicaid. The review, which was made at the request of the Subcommittee Chairman, was directed principally to (1) validity of the construction classifications of the facilities as "fire resistive" and "protected noncombustible" and (2) verification of compliance with the requirements established by HEW for the issuance of waivers to the automatic sprinkler requirement of the 1967 Life Safety Code. The Life Safety Code is promulgated by the National Fire Protection Association.

We testified also on the results of HEW reviews of Life Safety Code enforcement with respect to all skilled nursing facilities which were then participating in Medicare and Medicaid.

Our testimony included data and information concerning various Life Safety Code deficiencies found in our review and in that made by the Department. A full report on our review was being prepared for the Subcommittee at the close of the fiscal year.

Other Reports

In a report to the Secretary of Health, Education, and Welfare we informed him that States were continuing to expend significant amounts of Medicaid funds for drugs FDA classified as ineffective and possibly ineffective. We recommended that he issue regulations to prohibit such payments.

Additional work, the results of which were informally reported, was completed during fiscal year 1974 for congressional committees and Members of Congress. These reports included an evaluation of certain aspects of the administration of the Medicaid program in Prince William County, Virginia, for Congressman Stanford E. Parris (Virginia) and an evaluation of provisions for the mentally retarded under Medicaid for Senator Jacob K. Javits (New York).

Audit Work in Process

At the close of the fiscal year, we were completing reviews of (1) home health care under Medicare and Medicaid, (2) nursing home compliance with Federal health and safety requirements, (3) controls over Medicaid Health Maintenance Organizations in California, (4) implementation by States of Medicaid Management Information System, and, (5) reimbursement to hospitals for Medicaid inpatient services. Other major reviews in process were (1) simplified method for determining eligibility of the medically needy, (2) evaluation of Medicaid Health Maintenance Organizations costs, and (3) effects of Medicaid on delivery of health services to the medically indigent.

Income Security Operations

Vending Operations on Federally Controlled Property

At the request of the Chairman, Subcom-

mittee on the Handicapped, Senate Committee on Labor and Public Welfare, we obtained operating data on vending operations at federally controlled locations and determined whether blind persons were receiving preference in operating vending stands at such locations as required by the Randolph-Sheppard Act enacted in 1936.

We reported that, with respect to State agency operations, the program was carried out differently from State to State. The quality and quantity of services provided to participating blind persons varied. HEW had not developed minimum standards of program operations for State agencies. Officials recognized the need for providing program guidelines or standards and for making more evaluations of State agency operations but said these actions could not be undertaken because HEW lacked the necessary personnel.

On vending operations at Department of Defense and Postal Service installations and other federally controlled property, among other things, we reported that (1) few blind vending operations were on military installations, (2) most vending operations at postal facilities were near work areas and were controlled by employee associations although blind vendors were generally limited to operating in some post office lobbies, and (3) blind vendor operations were more prevalent in other federally controlled buildings than at Postal Service or Defense installations, although certain activities compete with the blind vendor program at these locations.

In November 1973 we testified before the Subcommittee on the results of our review and provided comments regarding provisions under consideration for amending the Randolph-Sheppard Act. (B-176886, Sept. 27, 1973.)

Effectiveness of Project FIND

At the request of the Chairman, Senate Special Committee on Aging, we reported on Project FIND, a campaign to contact and enroll eligible elderly citizens in food stamp and commodity distribution programs.

We reported that an increase in enrollments for Federal food assistance programs did occur in late 1972 and early 1973; however, not all the increase could be attributed to Project FIND. In

addition, the elderly identified as needing other services consisted of a very small percentage of those contacted. When such cases were identified they were referred to the local agencies which provided such assistance.

We noted various Project FIND problems. Among the factors affecting the project's success were incorrect eligibility information in brochures mailed to the elderly residing in some States, limited training provided to volunteers, and a lack of effective coordination between volunteers and food assistance office staff.

Problems of the type encountered during the project could be reduced in future similar projects by (1) better advance planning, (2) establishment of reasonable time frames for completion, and (3) development of project monitoring and evaluation procedures during the planning stage. (B-164031(3), Apr. 5, 1974.)

Developmental Disabilities Program

At the request of the Chairman, Subcommittee on the Handicapped, Senate Committee on Labor and Public Welfare, we provided extensive information on the operation and administration of the Developmental Disabilities Services and Facilities Construction Act of 1970. The information was used by the staff in drafting legislation for extending the program. (B-164031(3), Jan. 23, 1974.)

Other Reports

Other reports covered such matters as (1) inquiring into vocational rehabilitation program management in one State and (2) advising of improper delegations of authority concerning programs of the Administration on Aging.

Audit Work in Process

As of June 30, 1974, we were working toward completion on reviews concerning (1) an evaluation of the child welfare program, (2) the effectiveness of the child support program, (3) the adequacy of HEW's quality control over the Aid to Families With Dependent Children Program, (4) reimbursement to States for costs associated with public assistance programs, and (5) the reliability and use of data published by the National Center for Social Statistics.

Medicare Programs

The Medicare program provides, for eligible persons aged 65 and over, (1) hospital insurance for inpatient hospital services and post hospital care in skilled nursing care facilities or in the patient's home, and (2) a supplementary insurance to cover physician's services. For fiscal year 1974, Medicare had a funding level of about \$9.5 billion and covered about 20 million aged persons.

Improving Solicitations for Claims Processing Proposals

At the request of the Chairman, Subcommittee on Intergovernmental Relations, House Committee on Government Operations, we reported on the procurement policies and practices in subcontracting for electronic data processing services by an insurance company which pays Medicare claims in two States under contract with the Social Security Administration.

We reported that sound and competitive procurement practices were not followed by the contractor in developing specifications or in soliciting and evaluating proposals. Factors which would normally be used to evaluate the proposals and their relative weights were not adequately disclosed and some were changed or not used without notifying the offerors. Also, changes in subcontract terms and conditions were negotiated with the successful offeror without giving the other offerors the opportunity to respond.

We recommended that offerors be advised of (1) the evaluation criteria which will be used to evaluate their proposals, (2) the precise weights which will be given to price and total costs, and (3) the method of computing the cost factors, over and above the quoted prices. The Department agreed with our recommendations. (B-164031(4), Aug. 2, 1973.)

Testimony

We testified in September 1973 before Subcommittee No. 4, House Committee on the Judiciary, on the results of our review on compliance with the antidiscrimination provision of the Civil Rights Act by hospitals and other facilities under Medicare and Medicaid.

Our testimony provided updated information

on matters contained in our report on compliance with the antidiscrimination provision. (B-164031(4), July 13, 1972.)

We testified that most hospitals, skilled nursing facilities, and nursing homes participating in Medicare and Medicaid in the four major metropolitan areas where we made our review were in compliance with title VI of the Civil Rights Act of 1964. We noted that, although discrimination in providing health services to minorities might not be totally absent, it did not exist in an overt form subject to objective analysis and detection.

In summary, we reported that (1) an apparent dual health care system continues to exist, (2) HEW had taken action on one of the four areas where our report noted it had planned to take action, (3) HEW had increased its compliance monitoring activity at the institutional level and decreased its activity at the State and local level, and (4) the incidence of complaints against specific institutions had not materially increased.

Other Government Health Programs

During fiscal year 1974 we reviewed Department of Defense health programs and the Federal Employees Health Benefits Program administered by the Civil Service Commission. During the fiscal year, Defense spent about \$2.5 billion for the provision of direct and indirect patient care to members of the military services, retirees, and military dependents. The Federal Employee Health Benefits Program provides health care insurance coverage for about 3 million enrollees and 5 million dependents. Government employees contributions to various insurance plans amounted to about \$1.6 billion in fiscal year 1974.

Need to Improve the Procurement and Supply of Drugs in the Federal Government

We reported to the Congress several ways in which the Department of Defense, the Veterans Administration, and other Federal agencies could improve their activities relating to the procurement and supply of drugs. We recommended to these agencies that there was a need for (1) greater coordination of Federal drug procurement activities, (2) specifications and central management in procuring drugs, (3) a uniform

reporting system for locally purchased drugs, and (4) improved coordination of quality assurance activities. The agencies involved expressed agreement with our findings and have started actions to carry out our recommendations. (B-164031(2), Dec. 6, 1973.)

On February 20, 1974, the Comptroller General testified before the Subcommittee on Monopoly, Senate Select Committee on Small Business, on our work relating to the procurement of, and reimbursement for, prescription drugs by the Federal Government.

Eliminate Reuse of Catheters and Guidewires in Vascular Studies

We reported to the Secretary of Defense that some military hospitals were reusing disposable catheters and guidewires in vascular studies and that DOD should establish guidelines concerning the appropriate use of these devices. In April 1974 the Assistant Secretary of Defense for Health and Environment issued a policy that such devices should be used only once and then discarded to avoid potential infections and other health problems. (B-161475, Mar. 14, 1974.) A similar report was sent to the Administrator of VA who took immediate action to insure that the practice of reusing disposable catheters and guidewires would be discontinued. (B-133044, Mar. 14, 1974.)

Hospital Charges to Military Dependents for Inpatient Health Care

The Civilian Health and Medical Program of the Uniformed Services provides civilian medical care benefits to dependents of service members and retirees. The Department of Defense had not, since 1956, increased its charges to military dependents for inpatient health care. In October 1973 we met with Department representatives to discuss the need for increasing the daily charges and were informed that an increase was warranted and was being discussed within the Department. Subsequent to our inquiries, the daily charge was increased from \$1.75 to \$3.50 per day on the basis of military pay increases between 1966 and 1973.

In a report to the Secretary of Defense, we noted the Department's recent actions and also pointed out that the Department's minimum

hospital charge of \$25 to military dependents treated in civilian facilities had not been increased since 1956. We, therefore, recommended that the appropriateness of the \$25 charge be studied and, if warranted, the Congress be given suggested legislative changes to increase it. The recommended study was initiated and subsequently, a DOD official said an increase was justified and legislative changes were being prepared. (B-133142, Apr. 10, 1974.)

**Uniform Plan of Health Insurance for
Federal Employees who Retired Before July 1, 1960**

We reported to the Congress that the Aetna Life Insurance Company premiums for the Uniform Plan, under the Retired Federal Employees Health Benefits Program, were unnecessarily high and were not reduced to levels showing the cost of benefits provided. As a result, the Plan accumulated reserves in excess of the amounts needed to protect the interests of the Plan and Aetna. Also, benefits of the Plan and those under Medicare overlapped. We made several recommendations to the Chairman of the Commission relating to improvements needed in the Plan and also suggested that the Congress consider legislative changes to reduce the impact of the overlap between the Plan and the Medicare program. (B-164562, June 12, 1974.)

Other Reports

At the request of the Chairman, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, we reported on the conditions and operations of the Brooke Army Medical Center in San Antonio. We also reported to the Secretary of Defense on management improvements needed in the Civilian Health and Medical Program of the Uniformed Services in the European area.

Assistance to the Congress

During fiscal year 1974 we provided data to the Subcommittee on Retirement and Employee Benefits, House Committee on Post Office and Civil Service, on the costs of physician's services and hospital care under the Federal Employees Health Benefits Program, which the Subcommittee used in hearings.

Department of Labor

Federal manpower programs are intended to influence the quality and composition of the work force by increasing the skills and employment opportunities of individuals in the work force, or those who desire to be in it but who are vocationally unprepared or face other barriers. With the passage of the Comprehensive Employment and Training Act of 1973 and the movement toward decentralized and decategorized manpower programs under a form of special revenue sharing, the Department anticipates expending over \$2 billion under the new act to provide about 592,000 man-years of training and employment.

The Department is also responsible for enforcement of Executive Orders Nos. 11246 and 11375, issued in 1965 and 1967, which prohibit discrimination in employment on the basis of race, creed, color, sex, or national origin and require Government contractors, subcontractors, and construction contractors to take "affirmative action" to insure that equal employment opportunity is provided.

During the year audit work in this area was directed primarily at activities of the Manpower Administration and the Employment Standards Administration.

Public Employment Programs of the Emergency Employment Act of 1971

In fiscal year 1974 we completed our eighth and ninth of a series of reports over a 2-year period initiated at the request of the Chairman, Subcommittee on Employment, Poverty, and Migratory Labor, Senate Committee on Labor and Public Welfare. These reports were on the operation of public employment programs in selected rural and urban areas and on the progress of agents in permanently placing participants in nonsubsidized jobs and revising hiring requirements.

Program agents generally selected their jobs on the basis of public service needs and urban agents generally exceeded the national average in hiring participants who were minority members or were classified as disadvantaged. A considerable portion of participants employed by urban agents were former agency employees.

Most of the agents used little of the funds programed for supportive services, including training. The urban areas used the funds to prevent a decrease in services while the rural areas provided additional public services.

Although program agents were able to help many participants move into nonsubsidized jobs, the agents and the Department had to make more intensive efforts if this major objective of the act was to be reached.

Many agents had or were in the process of revising some hiring requirements. The majority of revisions were intended to change unreasonable educational requirements, waive or eliminate written tests, or modify existing civil service systems to more easily accommodate enrollees' transition to permanent, nonsubsidized jobs. (B-163922, Aug. 1, 1973 and Mar. 29, 1974.)

Restructured Neighborhood Youth Corps Out-of-School Program in Urban Areas

In 1969 we reported to the Congress on the Neighborhood Youth Corps out-of-school program and questioned the need for it because of the availability of other similar programs. In January 1970 the Department of Labor restructured this program and in 1973 we reviewed the implementation of 5 new projects in Birmingham, Cleveland, Philadelphia, San Antonio, and San Francisco.

Because the Department had not set specific goals or measurement standards, it was difficult to tell whether the restructured program was successful in meeting its new objectives. The five projects varied widely in program thrust, the types of services offered, and the manner in which services were performed.

We made a number of recommendations that the Department agreed with, including establishing goals for measuring project success, preparing employability plans specifying how enrollee needs will be met and periodically evaluating enrollee progress. (B-130515, Apr. 2, 1974.)

Reemployment Assistance for People Affected by Aerospace and Defense Cutbacks

We reported to the Congress on a reemployment program authorized in 1971 when an estimated 75,000 to 100,000 engineers, scien-

tists, and technicians were unemployed. The Department allocated \$42 million for retraining, job search, relocation grants, and skill conversion studies.

We pointed out that the program was reasonably successful, particularly in preparing skill conversion studies which identified industries and public service areas that have potential for new job creation for former aerospace and defense workers in the immediate or near future. Included in our recommendations to the Department was that in any such program in the future, the Department should develop a plan which would provide for giving high priority to the use of skill conversion studies and automatically implementing a monitoring system. (B-133182, Dec. 5, 1973.)

Testimony

On April 30, 1974, we testified before the Subcommittee on Readjustment, Education, and Employment, the Senate Committee on Veterans' Affairs, regarding the Department of Labor's program to provide special employment assistance for Vietnam era veterans. Testimony concerned mandatory job listing requirements, employment services, the reporting system, and unemployment compensation.

On May 7, 1974, we testified before the Special Subcommittee on Labor of the House Committee on Education and Labor concerning the Service Contract Act of 1965, as amended. We discussed minimum wage determinations for clerical and other office employees. We also discussed the manner of determining the interpretation of "locality" under section 2(a) of the act for wage determination purposes when place of performance of the services is not ascertainable at the time the bids are invited.

Equal Employment Opportunity Commission

Our audit work at the Equal Employment Opportunity Commission during fiscal year 1974 was directed primarily toward obtaining information on the impact of the 1972 amendments to title VII of the Civil Rights Act of 1964 on

the organizational structure and program operations of the Commission. The Chairman, Subcommittee on Labor, Senate Committee on Labor and Public Welfare, requested the information to assist the Subcommittee in carrying out its oversight responsibilities. The Chairman, Subcommittee on Fiscal Policy, Joint Economic Committee requested similar information. The results of our review were presented to both Subcommittees in a series of staff briefings during May 1974.

Audit Work in Process

Audit work in process as of June 30, 1974, included a pilot study to develop an evaluation design for measuring the effectiveness of the Commission in eliminating discriminatory employment practices.

Occupational Safety and Health Programs for Employees

The provisions of the Occupational Safety and Health Act of 1970 are carried out by the Occupational Safety and Health Administration within the Department of Labor, and the National Institute for Occupational Safety and Health in HEW. OSHA has responsibility for establishing and enforcing safety and health standards for about 5 million private industry establishments employing about 60 million people. NIOSH's major mission is research for developing criteria for use by OSHA in establishing safety and health standards to protect employees from toxic substances and harmful physical agents.

At the request of the Chairman, Senate Committee on Labor and Public Welfare, we reported on (1) OSHA's dissemination of safety and health standards and administration of the small business loan program authorized in the act and (2) NIOSH research activities and progress in developing criteria for safety and health standards.

Better Dissemination Needed of Safety and Health Standards to Businesses

OSHA promulgated its initial occupational safety and health standards in May 1971. We

reported to the Committee on Labor and Public Welfare that copies of the standards and the numerous subsequent revisions had not been printed in sufficient quantities to meet the needs of businesses required to comply with the act. OSHA also experienced delays and problems in disseminating the printed material, which further limited its ability to inform the affected businesses of their responsibilities.

Most of the problems OSHA encountered can be attributed to the fact that (1) it was a newly created agency, (2) it did not have an adequate data base on which to estimate the number of copies of standards required to meet the needs of affected businesses, and (3) the OSHA staff was inexperienced at such large undertakings. (B 163375, Dec. 13, 1973.)

Small Business Loans for Occupational Safety and Health Improvements

The 1970 act authorized the Small Business Administration to provide financial assistance through loans and loan guarantees to small businesses who would suffer substantial economic injury in complying with the safety and health standards issued under the act. OSHA provides assistance to SBA in determining loan eligibility. We reported to the Senate Committee on Labor and Public Welfare that (1) SBA had not defined the term "substantial economic injury" nor had it established policies and procedures outlining how loan processing officers should decide if the applicant would suffer economic injury, (2) SBA and OSHA were not following prescribed policies and procedures in processing and approving some loans, and (3) intensified promotional activities by OSHA and SBA increased the number of loans made from 8 in the first 14 months of operation to 56 during the next 14 months.

SBA and OSHA agreed to take the corrective actions that we suggested. We also suggested that the Committee consider amending the act to allow OSHA to make consultative visits to small businesses applying for a loan.

Development of Standards for Toxic Substances and Harmful Physical Agents Found in Workplaces

We reported to the Senate Committee on Labor and Public Welfare that standards,

estimated by NIOSH officials, for 1,000 to 2,000 of about 25,000 toxic substances and harmful physical agents need to be developed and recommended to the Secretary of Labor. As of June 1973 NIOSH had developed and recommended standards for only 6 toxic substances and harmful physical agents and anticipated future output of only 20 recommended standards per year.

This slow progress has been due to the magnitude of the task, limited funding, and restrictions on personnel staffing levels and the average grade level within NIOSH. Progress toward the needed 1,000 to 2,000 recommended standards will not be achieved until NIOSH's resources are expanded to be more equal with the magnitude of the task. (B-163375, Sept. 28, 1973.)

Office of Economic Opportunity

Our audits at the Office of Economic Opportunity during fiscal year 1974 identified (1) weakness in the financial and program controls of selected community action agencies, (2) problems with their use of experts and consultants, and (3) a need for better use of physicians and dentists in comprehensive health centers funded by OEO and HEW. We also reported to the Congress on the limited impact on the target area of one of the economic development programs.

Physicians and Dentists Were Underused in Health Centers

In a report to the Congress we pointed out that physicians and dentists were being underused in comprehensive health centers funded by OEO and HEW. Causes of this underuse include: overstaffing due to unrealistic estimates and the failure to reduce staffing after it became clear the estimates were wrong, the large number of appointments which patients missed, and the unpredictability of patients visiting the centers without appointments.

We reported that neither the professional medical and dental organizations nor OEO and HEW have established standards of acceptable productivity. Reluctance to set such standards was because physicians and dentists might regard

such standards as an infringement on their practice of medicine.

HEW officials agreed to move toward strengthening its center management information reporting system to provide detailed data to associate productivity levels with other aspects of center operations. (B-164031(2), Apr. 9, 1974.)

OEO's Use of Experts and Consultants

Pursuant to a request from Senator James Abourezk, we furnished information regarding OEO's hiring of experts and consultants, the work hours for these experts and consultants, the ability of OEO employees to obtain employment with other Government agencies, OEO's hiring policy, and the employment history of the then Acting Director of OEO.

We reported that OEO employed some experts and consultants in regular full-time positions which could have been held by regular civil service employees. OEO records showed that some of the experts and consultants were assigned duties which might be considered to violate an April 11, 1973, court decision which stated that the intended termination of OEO was illegal and in excess of statutory authority.

Both OEO and the Civil Service Commission reviewed OEO's use of experts and consultants. As a result, a number of experts and consultants were terminated while others were converted to temporary appointments. (B-130515, Sept. 6, 1973.)

Financial and Program Controls of Selected Community Action Agencies

OEO funds Community Action Agencies under title II of the Economic Opportunity Act of 1964, as amended, although it delegates some programs to other agencies. Federal agencies should require grantees to exercise adequate controls to insure that funds, property, and services are used effectively and properly.

We reported to OEO on weaknesses in financial controls that were found principally in the areas of payroll, travel, procurement, property management, and maintenance of basic accounting records. Inadequacies in program controls included: (1) program objectives were stated too

generally, (2) program goals were not sufficiently quantified, (3) program accomplishments were not adequately reported, and (4) in-house evaluations were not always made, were inadequate, or were not available for use.

Federal agencies operating the program stated that our observations on financial and program controls would assist them in future dealings with Community Action Agencies. (B-130515, Aug. 23, 1973.)

Economic Development Programs in Bedford-Stuyvesant, Brooklyn, New York, Under the Special Impact Program

We reported to the Congress on Special Impact programs which were designed to have a major impact on unemployment, dependency, and community tensions in urban areas with large concentrations of low-income residents or in rural areas having substantial migration to such urban areas.

We concluded that, after more than 5 years of Federal funding, the program has had a visible but limited impact on Bedford-Stuyvesant. The program created some job opportunities, initi-

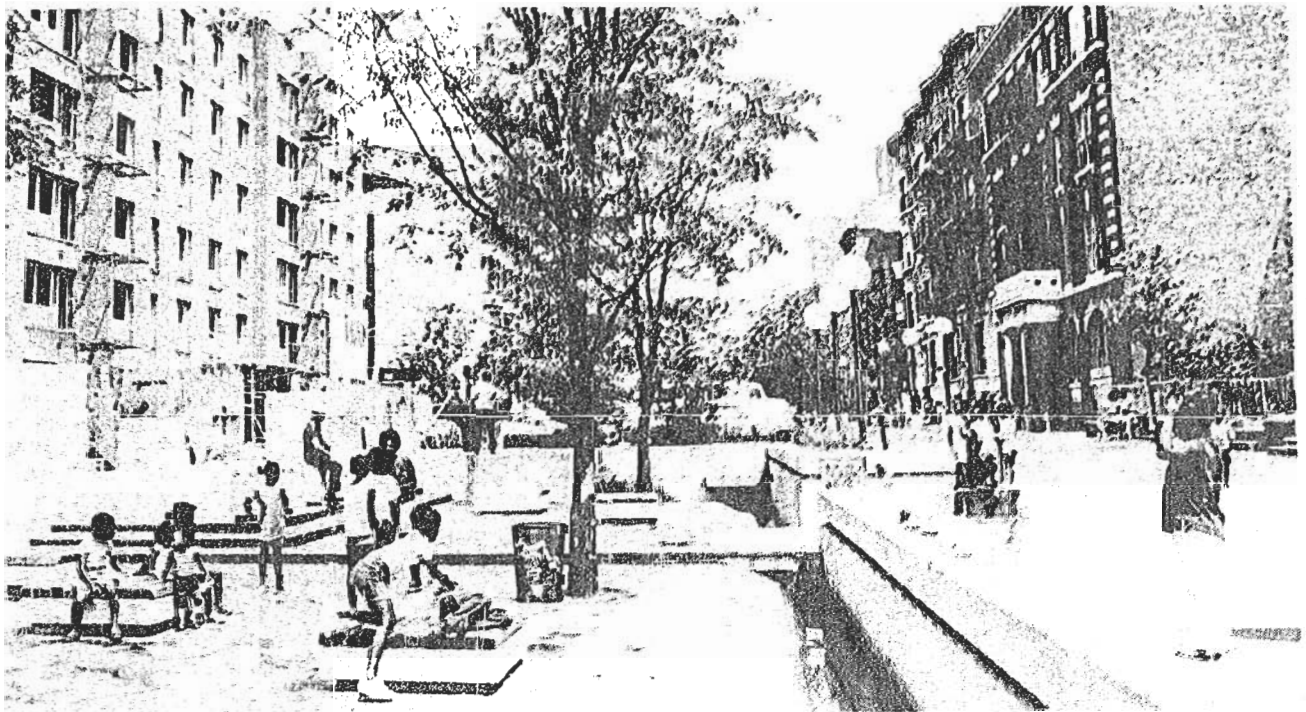
ated housing developments, and identified and found solutions to local problems. However, the program fell short of its program goals in areas relating to the development of minority-owned businesses and in attracting outside industry to create jobs for residents.

OEO and the Department of Commerce agreed that the report should be useful to Commerce in determining the future strategy of the Bedford-Stuyvesant program, if administration of the Special Impact Program is transferred to Commerce. (B-130515, Aug. 20, 1973.)

Audit Work in Process

The President's fiscal year 1975 budget contained no request for direct appropriations to the Office of Economic Opportunity and provided for transferring certain of its programs to other Federal agencies. Funds are provided in the fiscal year 1975 budget of these Federal agencies for continuing these programs. Consequently, we have scaled down our audit work at OEO.

Audit work in process at the end of fiscal year 1974 did include reviews of individual OEO



Superblock Program — Bedford Stuyvesant, Brooklyn, New York

grantees made pursuant to requests of congressional committees or Members.

ACTION

During fiscal year 1974 we began our first major audit effort at ACTION, an independent agency that came into being July 1, 1971, bringing together a number of volunteer programs sponsored by the Federal Government (e.g. Peace Corps, VISTA, Foster Grandparents, etc.). Our work is being directed toward providing information to the Congress and the public regarding ACTION's progress since July 1, 1971.

Audit Work in Process

At June 30, 1974, we were reviewing ACTION's accomplishments in testing and developing new volunteer programs; developing and providing opportunities for more part-time volunteers; bringing together programs appealing to younger Americans with those appealing to older Americans so that the skills of each could be brought to bear on specific problems; opening the doors to a fuller exchange of ideas and experiences between volunteers from overseas and domestic programs; opening new channels to use the abilities of business and professional volunteers in areas other than those provided through the Small Business Administration; and providing a more effective system for recruiting, training, and placing VISTA volunteers.

Veterans Administration

Our work at this agency during fiscal year 1974 was directed primarily to (1) assessing the closed circuit television systems in VA hospitals, (2) identifying needed improvements in certain VA hospital laboratory service activities and specialized medical treatment programs, (3) documenting the medical complications incurred due to delays in transferring patients to VA spinal cord injury treatment centers, (4) identifying improvements needed in VA's efforts to assist recently discharged veterans, (5) assisting a congressional subcommittee, (6) responding to requests from the Congress, and (7) conducting

reviews of VA's health, education, and income security functions.

Medical Care for Veterans With Spinal Cord Injury

In a report to the Congress we pointed out that spinal cord injury patients, particularly servicemen, were not being transferred to VA specialized treatment centers as soon as possible or within 30 days, to reduce medical complications.

We reported that spinal cord injury patients were detained at military hospitals for administrative processing and VA had done little to advise non-Federal hospital officials on availability or need to promptly obtain specialized care.

Records of 177 patients admitted to 4 spinal cord treatment centers showed that only 24 arrived at the centers within 30 days of injury.

We recommended that the VA Administrator (1) require VA hospitals to justify in writing all cases taking more than 30 days to transfer patients, (2) work with the military to expedite transfer of patients, and (3) inform non-Federal hospital officials and veterans of the medical advantages and availability of specialized care.

VA agreed with our recommendations and planned to use them. The Department of Defense agreed to revise military procedures to expedite transfers. (B-133044, Mar. 20, 1974.)



A VA physical therapist instructs a paraplegic in the operation of a hand-controlled automobile.

Effectiveness of Laboratory Service Could Be Improved

In a report to the Administrator, we pointed out that, although users were generally satisfied with test results, VA's laboratory program providing services in support of health care could be improved by (1) coordinating blood bank activities with the military to take advantage of available volunteer blood when needed, (2) determining present electron microscope requirements on the basis of program objectives for diagnostic and training applications, and (3) developing a method for informing hospitals of tests available throughout the VA system in its general reference laboratories.

The Administrator agreed with our recommendations and stated that VA would act to increase program effectiveness. (B-133044, Nov. 13, 1973.)

Improvement Needed in Specialized Medical Programs

We reported to the Congress that VA has allowed hospitals to establish and operate specialized medical service programs—super-voltage therapy, kidney transplants, hemodialysis—although many are underused and duplicate existing facilities.

We reported that VA could improve the management and operation of its specialized medical programs and recommended that the agency establish, maintain, and periodically review criteria and guidelines for development of specialized programs, enforce the criteria and guidelines, and provide information necessary to periodically evaluate the programs' effectiveness.

VA agreed with our recommendations and commented on actions taken and planned to carry them out. (B-133044, June 19, 1974.)

Veterans Benefits

We reported to the Administrator on the way VA had carried out its mandate to assist recently discharged veterans, especially the educationally disadvantaged. We concluded that the results of VA's contact and assistance efforts could be improved by more fully coordinating these efforts with those of other Federal, State, and local agencies and with veterans organizations. (B-114859, Jan 7, 1974.)

Assistance to the Congress

At the request of the Subcommittee on Housing and Urban Development, Space, Science, Veterans of the Senate Appropriations Committee, we provided information to the Subcommittee on certain areas of VA's budget, for the Subcommittee's use during hearings on VA's fiscal year 1975 budget.

At the request of the Senate Committee on Veterans' Affairs we provided information on (1) the extent of certain benefits available to educationally disadvantaged veterans and (2) the impact of certain provisions of the Vietnam Era Veteran's Readjustment Assistance Act of 1973, Public Law 92-540.

Audit Work in Process

At the close of the fiscal year we were reviewing the psychiatric treatment program, alcohol treatment program, and drug treatment program; recruitment and retention of professional staff; pharmacy service; and prosthetic appliances. We also had ongoing studies of VA's educational assistance and on-the-job training programs for veterans, the equity and consistency of veterans' disability ratings, and cost and time overruns on selected VA hospital construction contracts.

CHAPTER TEN

RESOURCES AND ECONOMIC DEVELOPMENT

Responsibilities

The Resources and Economic Development Division carries out our audit work at the Department of Agriculture, Housing and Urban Development, the Interior, and Transportation; the Department of the Army, Corps of Engi-

neers (civil functions); the Atomic Energy Commission; the Environmental Protection Agency; the Tennessee Valley Authority; and various commissions, boards, and councils. It is also responsible for our audit activities involving interrelationships among all Federal departments, agencies, and programs concerned with natural resources, the environment, and economic development.

Henry Eschwege is director of this division, and Baltas E. Birkle, Philip Charam, and Max Hirschhorn are deputy directors. An organization chart appears on the following page.

Audit Reports

During fiscal year 1974, we completed 19 reports to the Congress and 71 reports to committees or Members of Congress in response to their requests. We also submitted 24 reports to department or agency officials. A list of these reports is included in appendix 5. The following tabulation shows the numbers and types of reports relating to each department and agency.

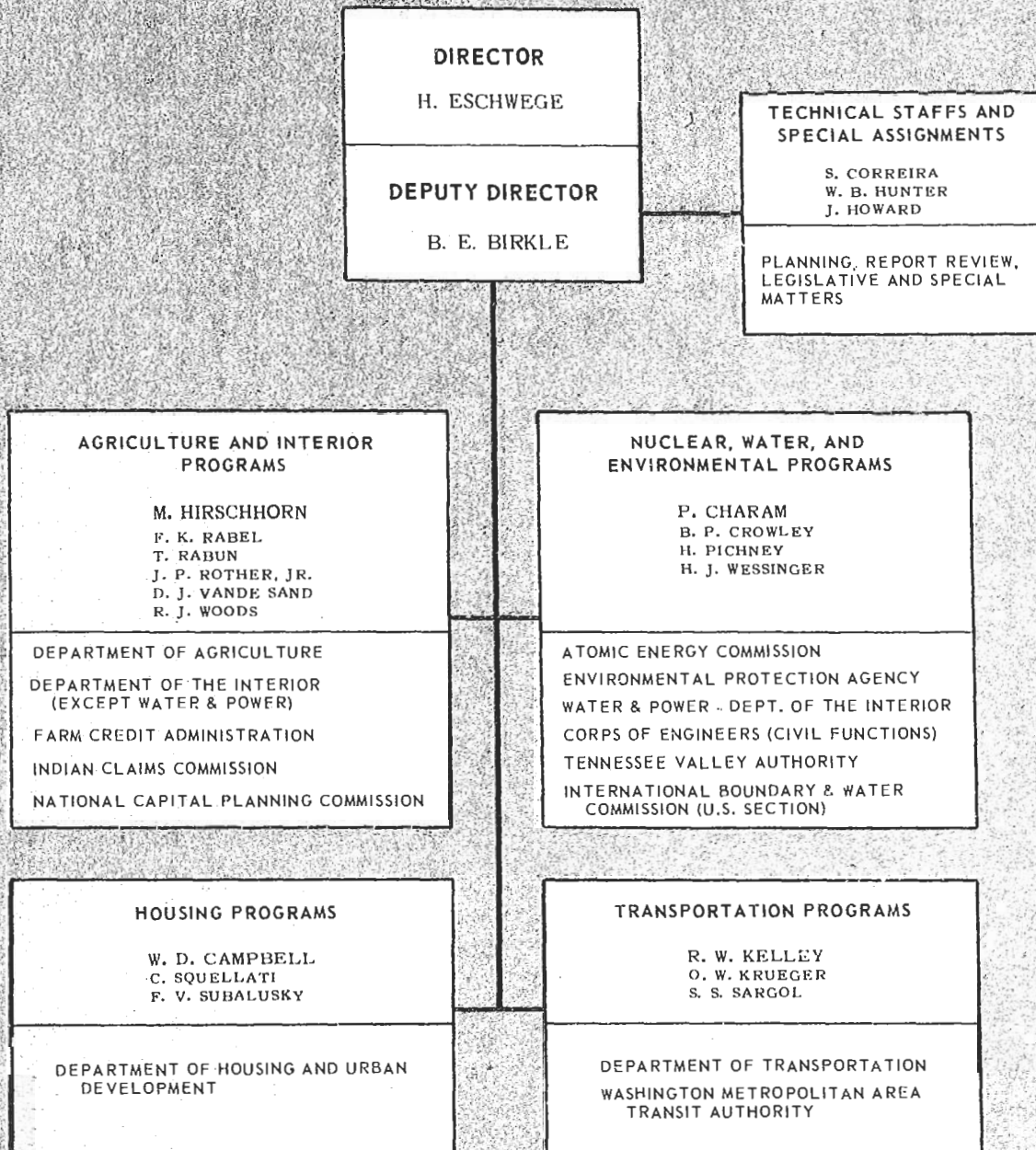
Assistance to the Congress

About 182 professional Washington and field staff man-years were applied to direct assistance

Reports submitted to

	Congress	Congressional committees	Members of Congress	Agency officials	Totals
Departments:					
Government-wide and multiagency	3	2	...	...	5
Agriculture	5	9	2	3	19
Army (Corps of Engineers) .....	...	4	6	...	10
Housing and Urban Development	4	6	12	6	28
Interior	1	6	6	4	17
Transportation .....	...	1	7	4	12
Independent agencies:					
Atomic Energy Commission	2	1	2	6	11
Environmental Protection Agency	3	1	3	1	8
Organizations outside the Federal Government:					
National Railroad Passenger Corporation .....	...	2	...	...	2
Washington Metropolitan Area Transit Authority	1	...	1	...	2
Total	19	32	39	24	114

RESOURCES AND ECONOMIC DEVELOPMENT DIVISION



JUNE 30, 1974

to the Congress in fiscal year 1974. This represented about 43 percent of all work done on this division's assignments. Direct assistance to the Congress included (1) making reviews or obtaining information specifically requested by congressional committees and Members of Congress, (2) furnishing staff assistance to committees (see app. 8), (3) assisting in drafting comments on pending legislation (see ch. 3), (4) preparing for and presenting testimony at committee hearings (see app. 7), and (5) discussing work plans and audit findings with the staffs of congressional committees.

During the year we completed work on over 200 requests received from congressional committees and Members of Congress; at the end of the year, we were still working on about 100 such requests. Many of the requests were satisfied informally by means of oral reports or correspondence. In some cases, where the requested work related to areas already being reviewed, the requests were satisfied by furnishing copies of reports issued to the Congress. Twelve requests were satisfied by preparing statements for and presenting testimony before congressional committees or subcommittees.

Government-wide and Multiagency Activities

Although many of our fiscal year 1974 audits involved activities common to a number of Federal agencies, most of them are included in the discussions of work relating to the agencies having the principal responsibilities for the activities involved. The findings in five reports on Government-wide or multiagency activities are summarized below.

Research and Demonstration Programs to Achieve Water Quality Goals: What the Federal Government Needs to Do

In January 1974, we reported to the Congress on our review of Federal research and demonstration programs related to prevention and control of water pollution to determine if they were producing the results necessary to help clean up the Nation's waterways. The 1972 amendments to the Federal Water Pollution

Control Act directed the Comptroller General to study and report on Federal research and demonstration programs to find new ways to make the waters of the United States cleaner.

We concluded that these Federal programs had contributed to improving the quality of some of our waterways, but that

- much more remained to be done to achieve national water quality goals established by the Federal Water Pollution Control Act Amendments of 1972,
- at current funding levels, it was doubtful that the 1985 national goal of eliminating the discharge of pollutants into navigable waters would be met, and
- both management and coordination of Federal research and demonstration programs needed to be improved.

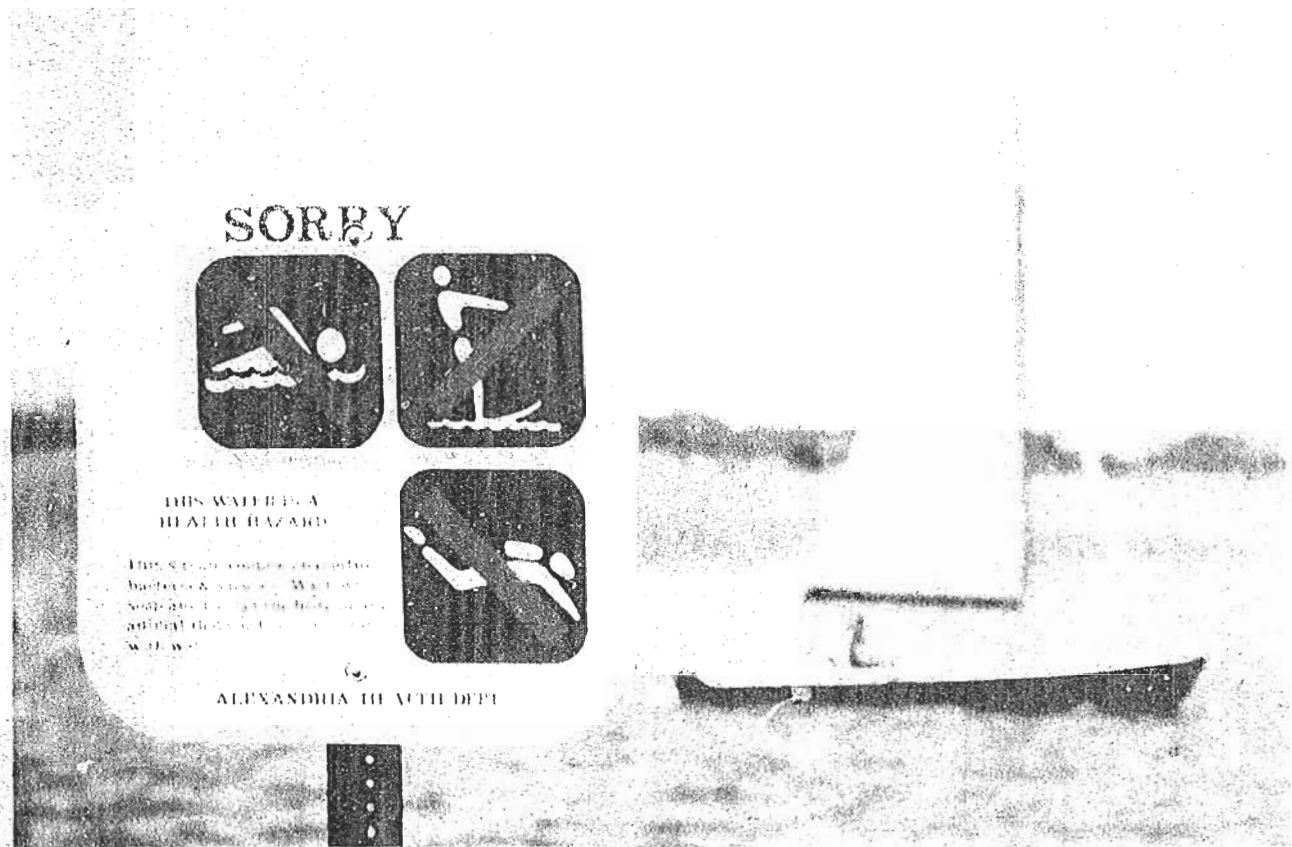
We recommended that the Environmental Protection Agency prepare a strategy to carry out its research and demonstration requirements under the 1972 amendments, estimate the amount of money needed to meet these requirements, and present this information to the Congress. We also made several recommendations to the agency and the Office of Management and Budget aimed at improving the management and coordination of water pollution programs. EPA generally agreed with our recommendations. (B-166506, Jan. 16, 1974.)

In February 1974, we testified before the Subcommittee on Environmental Pollution, Senate Committee on Public Works, on the results of our Federal water pollution research and development work. (B-166506, Jan. 16, 1974.)

Efforts to Control Water Pollution Caused by Acid Drainage from Mines

In August 1973, we reported to the Conservation and Natural Resources Subcommittee, House Committee on Government Operations, on our review of Federal and State efforts to control water pollution caused by acid drainage from mines.

We concluded that, until more Federal and State funds were made available for the development of additional technology and for an action program to systematically identify and control acid drainage from abandoned mines, only limited progress could be made toward reducing



Warnings on the polluted Potomac River, Alexandria, Virginia.

pollution caused by discharges of acid into the Nation's streams, rivers, lakes, and ponds. (B-177011, Aug. 14, 1973.)

Need to Increase Use of Wood Felled on Federal Forest Land

Each year the Department of Agriculture's Forest Service and the Department of the Interior's Bureaus of Land Management and Indian Affairs sell standing timber to purchasers who are required to cut designated trees in timber sale areas. The purchasers that decide which felled wood to remove, leave large volumes of economically usable timber in the sale areas. This often caused delays in planting new trees, created serious fire hazards, caused air and water pollution, and led to cost increases in various forest management practices.

We recommended in our report to the Congress that the agencies (1) modify timber sale procedures to require removal of all economically usable wood, (2) establish methods

and procedures which recognize economic and environmental benefits to the Government from increased use of felled wood, and (3) identify where local processing facilities are inadequate to insure optimum use and explore Federal assistance in increasing timber processing capabilities.

The Forest Service agreed with these recommendations and, in October 1973, advised us that it had revised its (1) regulations to require sale-approving officers to insure, among other things, that timber sale contracts require complete use of the timber as may be obtained with available technology and (2) timber sale contract forms to require removal of usable portions of felled trees.

Interior cited several problems and conditions which it believed would have to be considered in implementing the recommendations with respect to land held by the Bureau of Land Management. It also said that the recommendations might not be fully appropriate for Indian-owned land. (B-125053, July 30, 1973.)



Acid drainage from mine near Rico, Colorado.

Need to Salvage Dead or Damaged Trees

We reported to the Congress that, although Forest Service and Bureau of Land Management policies placed high priority on minimizing waste by harvesting usable timber from trees killed or damaged by insects, diseases, fire, wind, and other elements, only a small portion of the trees killed or damaged annually on the agencies' lands were being salvaged. Such trees, if promptly salvaged, are as good as, or better than, some live trees for making lumber, plywood, and other products.

In April 1974 the Forest Service advised us that, in line with our recommendations, it had made a commitment to increase sale offerings of dead, dying, or damaged material; it had set a tentative national goal for fiscal year 1975 of harvesting 900 million board feet of such material; and it had suggested ideas on simplifying sale procedures and techniques to its field offices.

The Bureau of Land Management stated that it would continue to seek methods to harvest

dead and dying timber to the maximum extent possible and, as we recommended, would consider use of sale preparation, contracting, and contract administration procedures tailored for timber salvage when successfully developed by the Forest Service. (B-125053, Oct. 5, 1973.)

Federal Agencies' Impact on Production and Marketing of Meat

At the request of the Subcommittee on Livestock and Grains, House Committee on Agriculture, we provided a report summarizing information obtained from 15 agencies within Agriculture and 16 other Federal agencies on their objectives, programs, activities, and responsibilities concerning the Nation's meat production and marketing system.

We prepared the report as a source of reference to (1) the public service activities which the Federal Government provides to facilitate, improve, strengthen, and support the operation of the system and (2) the Federal regulatory activities which are intended to protect the system by imposing controls, limitations, or restrictions which set minimum standards of conduct for both production and marketing or to prevent the structural form of the system from impeding competition. (B-136888, Mar. 25, 1974.)

Department of Agriculture

The Department of Agriculture through its 20 constituent agencies and about 88,000 employees administers a wide variety of programs. These include programs to (1) strengthen the agricultural economy through price-support and production-control activities and through research and other activities designed to make production and marketing more efficient, (2) improve nutrition through family food assistance programs, child nutrition programs, and nutrition research and education, (3) protect the environment through land, water, and forest conservation activities, and (4) make rural areas a better place to live and work through rural development and extension activities. The Department's budget authority for carrying out these and other activities during fiscal year 1974 was about \$12 billion.

Forestry and Conservation Activities

Need for Intensive Reforestation and Timber Stand Improvement Programs

The growing demand for lumber and the increasing pressure to use productive timberland for other multiple-use purposes add to the need for accelerated reforestation and timber stand improvement work on the estimated 18-million-acre backlog of national forest land.

We reported to the Congress that this backlog had persisted for many years because (1) funds collected from timber purchasers to reforest harvest areas were limited, (2) appropriations were not sufficient to both offset deficits in the collections and reduce the backlog, and (3) special legislation authorizing additional appropriations had not been used. Also, the Forest Service's land inventory data and fund allocation procedures did not insure optimum use of available funds.

We recommended that the Secretary of Agriculture include in subsequent annual reports on reforestation needs, submitted to the Congress in accordance with a 1972 act, information on timber stand improvement needs, progress toward meeting these needs, and progress in improving land inventory data and fund allocation procedures. We also presented for consideration by the Congress three possible methods for increasing funds to accelerate reforestation and timber stand improvement.

The Forest Service agreed with our recommendations and said it was taking action to implement them. (B-125053, Feb. 14, 1974.)

Food and Nutrition Activities

Special Supplemental Food Program

Public Law 92-433, approved September 26, 1972, established a pilot program of cash grants to States to provide supplemental foods to pregnant or nursing women and to infants and children up to 4 years of age determined to be nutritional risks because of inadequate nutrition and income. The act required that we submit to the Congress a preliminary evaluation of the program by October 1, 1973.

We reported that no projects had been started and that people working in the fields of nutri-

tion and maternal and child health had told us that (1) the Food and Nutrition Service's planned 6-month evaluation of participants would not provide a basis on which to decide if the program should be continued or expanded, (2) the Service's plans did not allow enough time for training local staffs to take uniform measurements, and (3) it was questionable whether an evaluation of the program's effects on mental development of the infants, as called for in the legislative history, would be possible in any study of this kind. We said that pending legislation to extend the program for 1 year could be beneficial in terms of increased program participation and more meaningful evaluation data.

The Food and Nutrition Service told us that it recognized the problems inherent in the time available for medical evaluation, that controversy existed among medical researchers regarding measurement of mental development, and therefore, that it supported the pending legislation.

On November 7, 1973, Public Law 93-150 was approved which extended the program. This law also requires us to submit to the Congress an interim report by October 1, 1974, and a final report with recommendations regarding continuation of the program by March 30, 1975. (B-176994, Sept. 28, 1973.)

Marketing and Consumer Services

Administration of Intrastate Meat Plant Inspection Programs

Under the Wholesome Meat Act of 1967, States must maintain inspection and sanitation requirements on intrastate meat plants equal to those on federally inspected meat plants. The Department assumes inspection responsibility for plants in States that do not comply with this requirement.

We reported to the Congress that the Animal and Plant Health Inspection Service needed to (1) improve and clarify its criteria for rating sanitation and other conditions at intrastate meat plants and (2) develop definitive standards and criteria for determining whether State programs are comparable to the Federal program and when a State should be notified that its plants may be designated for Federal inspection. Also administrative costs could be reduced and

other benefits could result if the Department reviewed State-inspected meat plants on a statistical sampling basis to determine if State inspection and sanitation requirements are equal to Federal requirements.

The Department issued a directive, effective January 1, 1974, to implement our recommendations. (B-163450, Nov. 2, 1973.)

Commodity Exchange Authority and Commodity Futures Trading

In an interim report to the Congress on our review of the Commodity Exchange Authority we recommended that, because of the unprecedented growth of commodity futures trading, the need to instill full public confidence, and the need to remove any appearance of conflict of interest, the Congress establish an independent agency separate from the Department to regulate all futures trading. We also recommended the enactment of several amendments to the Commodity Exchange Act to provide for more effective regulation of futures trading.

To correct administrative weaknesses, we recommended that the Secretary of Agriculture direct the Commodity Exchange Authority Administrator to (1) give exchanges a time limit to implement the regulation on self-enforcement of trading rules, to list penalties if deadlines are not met, and to aggressively monitor the exchanges' enforcement programs, (2) establish standards for exchanges' enforcement of financial requirements and state penalties to be imposed for failure to meet the standards within a specific period, (3) investigate trade practices to seek out abusive practices on a planned high-priority basis, (4) regularly review adequacy of or need for speculative trading and position limits on regulated commodities, (5) consolidate guidance documents on price manipulation investigations and make them available to regional offices, and (6) consider giving exchanges primary responsibility for audits of brokerage firms.

The Commodity Exchange Authority Administrator agreed in general with these recommendations, but disagreed that the exchanges should be given responsibility for audits of brokerage firms because of the specialized nature of such audits and the expense that smaller exchanges might have to incur. We said we would comment further on this matter in our final report. (B-146770, May 3, 1974.)

Testimony at Hearings

In July 1973 we testified before the Subcommittee on Rural Development, Senate Committee on Agriculture and Forestry, on the results of our review of the economic opportunity cooperative loan program administered by the Farmers Home Administration and ways to improve the effectiveness of rural business loan programs authorized by the Rural Development Act of 1972. (B-114873, May 2, 1973.)

We also testified in May 1974 before the Senate Committee on Agriculture and Forestry on our interim report on the Commodity Exchange Authority and on commodity futures trading. (B-146770, May 3, 1974.)

Audit Work in Progress

At June 30, 1974, we were continuing our review of commodity futures trading and were reviewing the possibility of the Government's assuming insured warehousing risks; the impact of Federal programs on a 12-county rural area in South Dakota; the procedures and policies of Federal departments and agencies in locating offices and facilities in rural areas; the special supplemental food program for women, infants, and children; and the summer feeding program for children.

Department of the Army Corps of Engineers (Civil Functions)

The civil functions of the Corps of Engineers relate principally to the control and development for beneficial use of water resources in the United States, Puerto Rico, and the Virgin Islands. The functions include engineering, design, construction, and operation and maintenance of navigation projects; beach erosion control projects; flood control projects; multiple purpose projects, including those with power installations; and recreation facilities at completed projects. The Corps employs about 28,500 people in carrying out its civil functions, and for fiscal year 1974, the Congress appropriated about \$1.5 billion for these functions.

Problems of Coal Mining Near Federal Reservoir Projects

At the request of Congressman Henry S. Reuss, Chairman, Conservation and Natural Resources Subcommittee, House Committee on Government Operations, we reviewed the problems associated with coal mining near eight Federal reservoir projects.

At one Corps' project—Fishtrap in Kentucky—extensive mining had adversely affected the project and had hindered its ability to provide the planned benefits. At four other projects, the potential for similar problems existed.

The major problems caused by extensive coal mining were sediment in waters, deterioration of water quality by acid mine drainage, and degradation of esthetic and environmental aspects of the projects.

Additionally, the Corps instructions regarding the development of mineral resources within project boundaries were inadequate to protect the projects' environment.

The Corps has started action to implement our recommendations that it (1) revise its regulations to provide guidance to protect project purposes when minerals are developed, (2) establish a system to monitor the development of mineral rights, and (3) take action to correct the mining operation problems at Fishtrap and to protect the project from further adverse effects. (B-177092, Oct. 2, 1973.)

On October 25, 1973, we testified before the Subcommittee on Conservation and Natural Resources, House Committee on Government Operations, on the matters discussed in our report.

Improvements Needed to Equally Consider Wildlife Conservation with other Features of Water Resource Developments

We reported to the Chairman, Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries, on the manner in which



Sediment buildup where a tributary enters Fishtrap Reservoir.

Federal agencies were implementing sections 2 and 3 of the Fish and Wildlife Coordination Act. The act provides that wildlife conservation receive equal consideration and be coordinated with other features of water resource developments licensed or funded by the Federal Government.

Generally, wildlife conservation has not been considered equally with other features of the 28 water resource developments covered by our review. As a result, such developments have often resulted in loss of areas for wildlife use.

The roles and responsibilities of the water resources development and wildlife agencies need to be clarified to avoid duplicating efforts and overlapping responsibilities and to achieve effective use of the agencies' limited resources. Also, there is a need for wildlife and development agencies to establish criteria for coordinating the nature, extent, and justification of the wildlife mitigation or enhancement measures that should be taken on water resource developments. (B-118370, Mar. 8, 1974.)

On June 26, 1974, we testified before the Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries, regarding the matters covered in our report.

Audit Work in Process

Our work in process at June 30, 1974, included reviews of the methodology used by the Corps and other Federal agencies in computing benefit-cost ratios for water resources projects, national attempts to reduce losses from floods by planning for and controlling the uses of flood-prone lands, and the progress and problems involved in protecting beaches and shorelines.

Department of Housing and Urban Development

The Department of Housing and Urban Development administers programs relating to (1) housing production and mortgage credit, (2) housing management, (3) community planning and development, and (4) policy development and research. During fiscal year 1974, this



Native condition of Teton River and adjacent wildlife area at the location of proposed access road construction.

department had about 15,075 employees and appropriations totaling about \$3.1 billion to carry out its programs. In addition, \$433 million was appropriated to the President for disaster relief—an activity administered by the Department's Federal Disaster Assistance Administration.

Problems in Homeownership Opportunities Program for Low-income Families

The homeownership opportunities program for low-income families was established in 1968 to help low-income families become homeowners.

We reported to the Congress that

- the program had not attracted a sufficient number of qualified low-income families with homeownership potential,
- many local housing authorities had altered



Piles of excavated material resulting from access road construction below the Teton Dam site. Wildlife officials wanted the road located above the canyon rim to prevent covering the shoreline habitat, destroying fish spawning gravels, and causing downstream siltation in the river.

selection standards to qualify some participants in the program, many families accepted in the program did not have homeownership potential and had not accepted homeownership responsibilities, with the result that routine maintenance generally had not been performed and properties had been vandalized, local housing authorities or homebuyer associations had failed to provide adequate homeownership training, and various other factors had hindered the accomplishment of program objectives.

We recommended that the Secretary evaluate the significance of these problems and either (1) discontinue the program or (2) strengthen the program to insure that the objectives are achieved.

The Department said that it did not have enough experience to make a definite decision on the program's effectiveness, but that it would continue its evaluations so it could make a final decision on continuing the program. (B-171630, Mar. 27, 1974.)

Improvements Needed in The Overall Management Of HUD-Held Multifamily Mortgages

If the mortgagor on a HUD-insured multifamily mortgage defaults, the mortgagee may assign

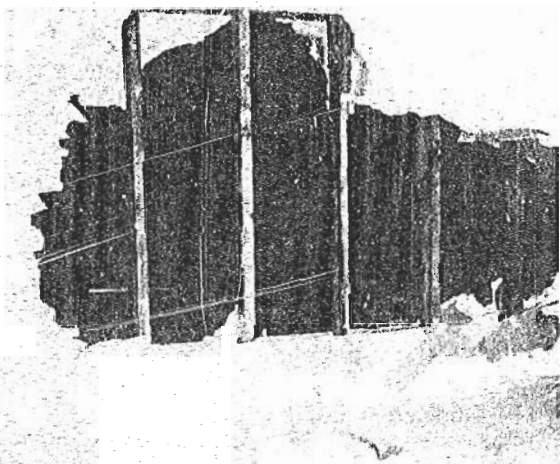


Damaged kitchen and appliances at HOPLIF Community Center, Raleigh.

the mortgage note to HUD and collect insurance benefits. The Department may hold the mortgage and give the mortgagor an opportunity for reinstatement, or it may proceed with acquisition of the property title through foreclosure. As of March 31, 1973, the Department held mortgages for 1,098 multifamily projects with outstanding principal balances of about \$1.2 billion.

We reported to the Chairman, Legal and Monetary Affairs Subcommittee, House Committee on Government Operations, that our review of selected activities of 15 projects had disclosed problems that would result in substantial future losses unless corrected. Controls over the receipt and disbursement of project funds had been inadequate, the Department had not adequately monitored the financial activities of defaulted projects, and workout arrangements had been allowed to continue long after it had become apparent that they were not successful. Also, because there were no specific factors which field offices consistently considered in determining whether to foreclose a mortgage loan, foreclosure generally had been a last resort resulting from the project owner's complete disregard of his financial obligation.

We recommended that the Department provide uniform guidance to its field offices for the management and monitoring of multifamily projects and require its officials to discontinue



Large gaping holes in interior walls at HOPLIF Community Center, Raleigh.

workout arrangements and seek other alternatives when it becomes apparent that the arrangement will not achieve timely reinstatement. (B-114860, Mar. 14, 1974.)

Observations on Housing Allowances and the Experimental Housing Allowance Program

In 1972 the Department began implementing one of the largest social experiments ever undertaken in the United States—the Experimental Housing Allowance Program. The program, which was authorized by the Housing and Urban Development Act of 1970, was intended to provide low-income families with housing allowances to help them rent housing of their choice in existing standard housing units.

We evaluated this program, analyzed other similar programs, and provided the Congress with this information and observations on the costs and likely effects of a national housing allowance program.

Because the impact of a direct cash assistance program is unknown and because of the great cost involved—estimated to range from \$7 billion to \$10 billion annually—we recommended that the Congress, in considering future legislation authorizing a national housing allowance program, wait until the Experimental Housing Allowance Program is complete and more information is available on the likely impact of the program. Also, because the sites selected for the program were average or above average in terms of both housing quality and vacancy rates, we recommended that the Congress require the Department to provide assurances that the results achieved are representative of what might occur at other locations which have low housing quality and low vacancy rates. (B-171630, Mar. 28, 1974.)

Need to Provide Greater Insurance Protection to Flood-Prone Communities

We reported to the Congress that improvements were needed in the National Flood Insurance Program administered by the Federal Insurance Administration. The objectives of the program are to provide flood insurance and to encourage adoption of land-use and control measures by flood-prone communities.

Responses to questionnaires we sent to a sample of nonparticipating communities indicated that many communities were not aware of the program. Maximum benefits were not available to some participating communities because the Federal Insurance Administration had not been able to review and approve the communities' flood plain studies or had not monitored the implementation of land-use and control measures by participating communities.

The Administrator agreed that improvements in these areas were needed and took action to implement our recommendations. (B-178737, July 19, 1973.)

Testimony at Hearings

We testified in July 1973 and March 1974 before the Legal and Monetary Affairs Subcommittee, House Committee on Government Operations, concerning the status of insurance funds of the Federal Housing Administration.

We testified also in July 1973 before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing, and Urban Affairs, on Senate bill 2169, which provides for the direct financing of low-income housing programs under sections 235 and 236 of the National Housing Act.

We testified in March 1974 before the Legal and Monetary Affairs Subcommittee, House Committee on Government Operations, on the findings, conclusions, and recommendations in our March 14, 1974, report on HUD's management of its acquired multifamily mortgages. (B-114860, Mar. 14, 1974.)

Audit Work in Process

Audit work in process at June 30, 1974, included reviews of the Department's programs for new communities, leased housing, and operating subsidies.

Department of the Interior

The Department of the Interior's activities include the administration of over 500 million acres of Federal land and trust responsibilities for approximately 50 million acres of land,

mostly Indian reservations; the conservation and development of mineral and water resources; the promotion of mine safety and efficiency; the conservation, development, and use of fish and wildlife resources; the coordination of Federal and State recreation programs; the preservation and administration of the Nation's scenic, historic, and recreation areas; the reclamation of arid lands in the West through irrigation; and the management of hydroelectric power systems. The Department is also concerned with the social and economic development of the territories of the United States and of the Trust Territory of the Pacific Islands and administers programs providing services to Indians and Alaska natives.

During fiscal year 1974 the Department's 21 agencies had a work force of about 50,000 and a budget of about \$1.7 billion.

Need for Better Construction Cost Data for the Garrison Diversion Unit

We reported to the Conservation and Natural Resources Subcommittee, House Committee on Government Operations, that the Bureau of Reclamation had not followed its procedures for controlling and estimating total Federal obligations for the Garrison unit, a multipurpose water resources development project being constructed in North Dakota. As a result, the Bureau probably underestimated, from about \$42.1 million to about \$66.1 million, the total Federal obligation to be incurred. Since the Bureau may have to adopt an alternative plan to settle a water quality dispute with Canada, the Bureau should formally advise the Congress of the dispute and its possible effects on project costs. (B-164570, May 15, 1974.)

California's Central Valley Project Proposed Power Rate Increase

We reported to the Conservation and Natural Resources Subcommittee, House Committee on Government Operations, on the reasonableness of 11 contentions made by opponents of a power rate increase of 51.6 percent proposed by the Department of the Interior to be charged customers of the Bureau of Reclamation's Central Valley Project in California—a large multipurpose water resources project.

We stated that four of the contentions had merit. These involved the procedures used by the Bureau in preparing rate and repayment studies, and the need for using updated hydrology studies. In making the rate and repayment studies, the Bureau had planned to avoid a deficit in any year of the repayment period and to have a surplus at the end of the period; it had not planned to capitalize replacement costs. If the Bureau were to change its procedures to recognize these matters, the studies would show need for a rate increase substantially lower than the 51.6 percent increase proposed by the Department. (B-125042, Nov. 19, 1973.)

On January 22, 1974, we testified before the Conservation and Natural Resources Subcommittee, House Committee on Government Operations, on the information in our report.

Implementation of the Federal Coal Mine Health and Safety Act of 1969

At the request of Representative Ken Hechler, we reviewed the progress made by the Department of the Interior's Bureau of Mines in implementing the Federal Coal Mine Health and Safety Act of 1969. The review was concerned with updating information and statistics we had presented in a 1971 report.

Effective July 16, 1973, the Department transferred the responsibility for enforcing the act from the Bureau of Mines to its newly established Mining Enforcement and Safety Administration.

The Bureau made progress in 1971 and 1972 in carrying out the safety and health inspections and other activities required under the act and in monitoring the actions taken by the mine operators. To obtain full compliance with the statutory provisions, however, continuing efforts by the Bureau were needed, especially in making certain types of health inspections, obtaining operator compliance with certain self-inspection requirements, and making semiannual reviews of roof control and ventilation plans. (B-170686, July 5, 1973.)

Later in the year, in testimony before the Conservation and Natural Resources Subcommittee, House Committee on Government Operations, we provided (1) information on the matters discussed in our report to Representative Hechler and (2) updated information on

matters discussed in July 1972 report to the Subcommittee on assessment and collection of penalties under the act.

Indian Affairs

In response to requests by committees or Members of the Congress, we reviewed and prepared a number of reports on aspects of Federal programs for Indians. These reports provided information on such matters as:

- Funds for Federal programs which benefited Indians during fiscal years 1972 and 1973. (B-114868, July 11, 1973.)
- Coal leases entered into by the Navajo and Hopi Indian Tribes with utility and coal companies. (B-177079, Jan. 29, 1974.)
- New Navajo construction activities on the Navajo and Hopi joint-use area. (B-114868, Mar. 4, 1974.)
- Land leases on the Fort Hall Indian Reservation. (B-114868, May 31, 1974.)

Audit Work in Process

Our audit work in process at June 30, 1974, included reviews of (1) the construction and environmental problems in building the Garrison Diversion unit--a multi-purpose water resources development project in North Dakota, (2) the procedures for establishing fair and equitable repayment rates for irrigation projects, (3) the financial statements and practices of the south-eastern Federal power program, (4) the need for modernizing the Mining Law of 1872 to encourage the development of minerals on Federal land, (5) the Federal efforts to assure the availability of nonfuel under the Mining and Minerals Policy Act of 1970 mineral resources, and (6) the economic development efforts on Indian reservations.

Department of Transportation

The Department of Transportation is responsible for developing national transportation policies and programs for providing fast, safe, and efficient transportation. The Department has 104,000 employees--68,000 civilian employees and 36,000 U.S. Coast Guard personnel. About

49,000 of the civilian employees are used to operate and maintain airport and airway systems. The principal expenditures of the Department are payments to States, municipalities, and other recipients under programs for the construction and improvement of highways, airports, and mass transit systems. The Department's total expenditures amounted to about \$9 billion in fiscal year 1974.

Our reviews completed during the fiscal year, which were undertaken principally in response to requests by committees or Members of the Congress, related to such matters as the growth and resources of the Federal Aviation Administration, Federal requirements for electronic equipment on general aviation aircraft, Federal funds provided for airport development, and Federal Highway Administration progress in establishing procedures for States in requesting financing of mass transportation projects under the Federal-Aid Highway Act of 1973.

Potential for Reducing Highway Deaths and Injuries

In line with recommendations in our May 1972 report to the Subcommittee on Investigations and Oversight, House Committee on Public Works, and in our March 1973 testimony before the Subcommittee on Transportation, House Committee on Public Works, the Federal-aid Highway Safety Act of 1973 authorized \$375 million from the Highway Trust Fund to improve high-hazard locations and to eliminate roadside obstacles. This program has the potential of annually reducing highway deaths by about 1,450 and highway injuries by about 22,000.

Audit Work in Process

At June 30, 1974, we were reviewing the costs of airport equipment and facilities required by the Federal Aviation Administration, the actions taken by that Administration in response to flight safety recommendations made by the National Transportation Safety Board, the procedures established by Federal Agencies to insure that public views are effectively obtained and considered in planning and developing projects, the Coast Guard's progress in establishing

vessel traffic systems for ports and harbors, and the effectiveness of the National Traffic Safety Administration's automobile safety program.

Atomic Energy Commission

The Atomic Energy Commission is responsible for the development, use, and control of nuclear energy for military and civilian purposes. Its programs include the development of nuclear reactors for civilian, military, and space use; safety research; and basic and applied research and development in the biological, medical, physical, environmental, and engineering sciences.

AEC licenses and regulates the civilian uses of nuclear materials and facilities to insure that their use does not endanger the public health and safety, environmental quality, or national security and are consistent with the antitrust laws.

AEC's annual operating expenses are about \$2.5 billion. Most of its work is performed in Government-owned facilities under contracts with industrial and educational or other non-profit organizations. At the end of fiscal year 1974, these contractors had about 95,000 employees engaged in carrying out AEC programs and about 14,000 employees engaged in constructing AEC facilities. AEC had about 7,400 full-time permanent employees.

Insuring the Safety of Containers Used To Transport Radioactive Materials

We reported to the Congress that AEC had not defined the (1) scope of its reviews of container design, (2) extent of documentation required to support its decisions, and (3) type of expertise required by its review staffs. As a result, the review scope, support documentation, and expertise of the review staff varied significantly among the various AEC organizations.

We made recommendations designed to insure that (1) container designs meet AEC's performance standards, (2) the fabrication of containers conforms with the approved designs, and (3) all contamination problems resulting from the transportation of radioactive materials that might warrant an AEC investigation are reported.

AEC established new regulations and procedures to carry out our recommendations. (B-164105, July 31, 1973.)

Problems in Protecting Special Nuclear Material at AEC Licensee/Contractor Facilities

We reported to the Congress that the physical protection systems were inadequate at two of the three licensee/contractor facilities examined during our review. We identified such conditions as weak physical barriers, ineffective alarm systems, ineffective guard patrols, lack of automatic-detection devices, and lack of a plan of action in the event of a special nuclear material diversion. There were differences between AEC's protection requirements at contractors' facilities and the proposed requirements at licensees' facilities. Improvements were needed in AEC's inspection practices.

AEC generally agreed with our recommendations for improving the inplant physical protection of special nuclear material and said that it had taken or was taking actions to carry them out. (B-164105, Nov. 7, 1973.)

Protecting Special Nuclear Material In-Transit

We reported to the Chairman, Joint Committee on Atomic Energy, that (1) although three large shipments of special nuclear material by AEC licensees/contractors were made in accordance with AEC requirements, the protection of the material was inadequate to prevent or quickly detect a diversion and (2) AEC's lack of authority to predetermine the trustworthiness of drivers and guards involved in transporting special nuclear material was a weakness in the protection system.

Shortly after we began our review, AEC took action to strengthen the protection of special nuclear material in transit. If AEC finds that these new protection methods are inadequate, it should, as recommended by an AEC study group, consider using a Government-operated or Government-controlled system for shipping special nuclear material.

We made no recommendations to AEC but suggested that the Joint Committee on Atomic Energy might wish to consider amending the Atomic Energy Act to give AEC the authority to predetermine the trustworthiness of drivers and guards. (B-164105, Apr. 12, 1974.)

Improper Use of Contractor-Furnished Employees at AEC's Regulatory Organization

We reported to the Chairman, AEC, that AEC's use of 98 contractor-furnished employees to increase its in-house capability in the licensing and regulatory area rather than securing the necessary services through employment was not only improper, but costly—about \$1.8 million more than if Federal employees were used.

AEC agreed that its use of contractor-furnished employees was more costly, but it justified its actions in light of the backlog in licensing applications and the energy requirements of the Nation. AEC terminated the use of 21 of the 98 employees. It plans to keep the remaining employees for their planned 2-year terms. AEC agreed, however, to (1) get authorization from the Congress if AEC decides to extend the terms of these employees or to use additional contractor-furnished employees and (2) take steps to improve administrative controls over the use of these employees. (B-164105, Nov. 1, 1973)

Need to Inform Fertile Females of Potential Radiation Hazards

The National Council on Radiation Protection and Measurements recommended in January 1971 that radiation exposure to the fetus of pregnant women who work with or near radiation not exceed an amount which was one-tenth the amount AEC's standards permitted. AEC's policy has been to adopt the Council's recommendations but, in this instance, over 3 years had elapsed since the Council made its recommendation and AEC still had not adopted it.

In September 1973, AEC requested the Council to reexamine its recommendation because more restrictive exposure limits could be viewed by women's groups as an attempt to establish a discriminatory occupational qualification based on sex. Although AEC officials expect the

Council to reaffirm its recommendation, they said it could take up to 12 months to implement the recommendation if AEC decides to adopt it.

In a report to the Chairman, AEC, we recommended that, when the Council finishes reexamining its previous recommendation, AEC expedite its decision on accepting and carrying out the recommendation. As an interim measure, we recommended that AEC inform all female employees who may be exposed to radiation in its contractor and licensee facilities of the Council's recommendation and the possible adverse effects on offspring.

AEC advised us that it was studying certain administrative, scientific, and legal questions related to carrying out our recommendations and that, upon completion of its study, would promptly consider the action needed based on the studies' conclusions. (B-164105, May 17, 1974.)

Audit Work in Process

Audit work in process at the end of the fiscal year included reviews of AEC's (1) management of radioactive waste and (2) environmental protection program in licensing nuclear power plants.

Environmental Protection Agency

The Environmental Protection Agency's overall mission is to protect and enhance our environment by conducting environmental research, establishing and enforcing environmental protection standards, and providing financial assistance to States and municipalities to construct sewage treatment plants. The agency also underwrites administrative costs of local pollution control agencies and helps finance the cost of local planning for pollution abatement and control.

During fiscal year 1974, this agency spent about \$2.6 billion for environmental protection activities and employed a staff of about 9,200 to administer its programs. These programs related to water, air, solid waste, pesticides, noise, and radiation.

Pesticides: Actions Needed to Protect The Consumer From Defective Products

In the second of a series of reports on the shortcomings of EPA's pesticide program, we reported to the Congress that consumers had not been adequately protected from defective pesticides.

Because of an inadequate program, some pesticides were repeatedly sampled while others were never sampled; in the 3 regions included in our review, about 64 percent of the manufacturers did not have any of their pesticides sampled during a 4-½-year period. The import sampling program also needed improvement.

EPA did not have the capability to test most of the samples it collected—only 19 percent had been tested for safety and 32 percent had been tested for effectiveness. It found, however, that 16 percent of the samples tested for safety and 28 percent tested for effectiveness were defective. Thus the number of unsafe and ineffective pesticides offered for sale to consumers could be significant. In addition, the agency had not normally notified the public when it discovered an ineffective or chemically deficient pesticide, and it had not used the enforcement alternatives of cancelling registrations and recalling products to prevent marketing of repeatedly ineffective pesticides. We also pointed out that the effective life of decomposable pesticides should be determined and shown on labels, and the types of pesticides which have been repeatedly found to be defective, especially disinfectants and rodenticides, should be tested by EPA before being registered.

EPA agreed with our findings and recommendation and said it had already taken steps either to carry out new programs or to change existing programs in line with our suggestions. EPA has started cancelling registrations found to be ineffective and has issued guidelines providing for the prompt public release of information concerning its enforcement activities. (B-133192, May 23, 1974.)

Control of Air Pollution From Stationary Sources

We reported to the Congress that EPA and seven States covered by our review had relied

heavily on voluntary compliance with laws and regulations to control air pollution from stationary sources, such as industrial smoke stacks and municipal incinerators. The States are responsible for carrying out plans to control air pollution and for vigorously enforcing compliance when polluters do not meet clean-air requirements, but the Federal Government assumes this responsibility when the States fail to act. Both levels of Government, however, had been reluctant to enforce air-pollution-control laws and regulations.

The agency agreed that the States had not effectively enforced air-pollution-control laws and regulations but stated that local air-pollution-control agencies had. It stated also that it had begun to implement and enforce national standards. (B-166506, Aug. 23, 1973.)

Need to Insure the Purity and Safety of Drinking Water

In a report to the Congress regarding Federal and State programs designed to insure the acceptable quality of drinking water, we pointed out with respect to the State and local governments that (1) potentially dangerous water was being delivered to some consumers, particularly by small water treatment systems, (2) in many instances, water supply systems had not been tested as frequently as recommended by guidelines issued by EPA, (3) over half of the interstate carrier water systems reviewed had not been inspected by the States in 1972, (4) EPA had not always reclassified water supplies promptly from "approved" to "provisionally approved" when deficiencies were noted during inspections, and (5) the Federal Government did not have a formal program for monitoring the quality of bottle water.

The agency generally agreed with our recommendations for improving its administration of the interstate carrier water supply program. (B-166506, Nov. 15, 1973.)

Audit Work in Process

Audit work in process at June 30, 1974, included reviews of EPA's (1) implementation and administration of the Federal Water Pollution Control Act Amendments of 1972, (2)

research programs to determine the harmful effects of air pollution on man and ecology, and (3) program to register pesticides to make sure that they are safe and effective.

National Railroad

Passenger Corporation (AMTRAK)

AMTRAK—a private, for-profit corporation created by the Congress to operate and revitalize intercity rail passenger service—uses the facilities of 13 railroads to provide service to 44 states and the District of Columbia. It has a work force of about 5,400 and operates 208 trains a day on some 26,000 route miles. AMTRAK received Federal financial assistance through grants and loan guarantees from the Department of Transportation. AMTRAK began operations on May 1, 1971, and lost \$451 million through March 31, 1974.

During the fiscal year, we completed reviews of some of AMTRAK's operations for the Subcommittee on Transportation and Aeronautics, House Committee on Interstate and Foreign Commerce.

Need to Improve Reservation, Information, and Ticketing Service

We interviewed 1,900 AMTRAK passengers concerning reservations on 340 train trips in June and July 1972. About 60 percent of these passengers commented on their difficulties in getting train information, making reservations, and obtaining tickets.

At two of AMTRAK's major reservation offices (Chicago and New York), about 30 percent of customers' telephone calls during an 8-week period in the summer of 1972 were not completed because of insufficient telephone equipment and personnel.

Unserviceable cars frequently were removed from trains, and cars with different capacities were substituted. Without prompt notification of such changes, AMTRAK reserva-

tion and ticket offices were uncertain of the train's capacity and sold space on the basis of the smallest car. As a result, many AMTRAK trains operated with vacant coaches or sleeping spaces, although there had been many requests for those accommodations. Space was also underused because of no-shows. Reservation offices did not enforce AMTRAK's reservation cancellation policy.

AMTRAK took a number of actions to improve passenger service and said it believed its new system would eliminate many of the problems experienced in 1972. However, AMTRAK did not expect to achieve full benefits from the new system until it was completely operational in late 1974. (B-175155, Aug. 22, 1973.)

Causes of Extensive Delays Of AMTRAK Trains

Trains had fallen far short of AMTRAK's objective of arriving at their destinations on time 90 percent of their trips. Overall, one of every four trains was late in 1972 and one of every three trains was late in the first half of 1973. This poor performance did not generate public confidence in the reliability of AMTRAK's trains and tended to discourage riders, decrease revenues, and increase costs.

Most AMTRAK train delays were caused by track conditions and maintenance work, freight train interference, locomotive and passenger car malfunctions, awaiting arrival of other passenger trains, and servicing at stations. AMTRAK's contracts with the railroads for trackage and train operations did not require the railroads to meet the 90 percent ontime objective and needed to be amended to include reasonable, definitive, and enforceable ontime performance standards and to clearly fix the responsibilities of contracting parties.

AMTRAK stated that negotiations were underway with the railroads to amend the contracts to provide performance standards, incentives, and penalties. As an initial result, on April 3, 1974, AMTRAK worked out a new arrangement with the Penn Central Railroad that included a provision for incentives and penalties in determining the amount of compensation AMTRAK will pay to the railroad. (B-175155, Dec. 28, 1973.)

Washington Metropolitan Area Transit Authority

The Washington Metropolitan Area Transit Authority was created in 1967, by an interstate compact between Maryland, Virginia, and the District of Columbia authorized by Public Law 89-774, approved November 6, 1966. The Authority's primary function is to plan, develop, finance, and operate the Washington Regional Rapid Transit System, commonly called METRO. The Authority receives Federal assistance in constructing METRO through appropriations, guarantees of its revenue bonds, and interest subsidies from the Department of Transportation. The estimated cost of METRO is about \$3 billion. Passenger service is scheduled to begin in June 1975.

Improved System of Reporting METRO's Costs and Construction Progress

We reported to the Congress that the cost and construction status reports prepared by the staff of the Authority had not provided a complete

picture of the METRO project. Reports submitted to the Authority's board of directors had not included estimated cost increases for work not yet under contract, amounting to about \$232 million as of June 1973, and operational delays of several months that were known to the staff. The inclusion of these estimates in status reports would have alerted the board to the need for planning to obtain the additional funds or to consider if alternatives were available. The Federal Government and participating local governments also need such information since they will be called upon to finance increased costs or accept reduction in service.

On March 21, 1974, the board passed a resolution that the METRO reporting system be expanded to provide quarterly status reports containing comparisons between original and total current cost estimates and planned and actual progress. The first such report was issued on May 2, 1974. This report forecast an increase of over \$480 million in the cost of METRO.

On April 2, 1974, we testified at hearings before the House Committee on the District of Columbia on this matter. (B-141529, Mar. 13, 1974.)

Columbia Government; the Small Business Administration; the United States Postal Service; certain regulatory agencies; the legislative and judicial branches; and various other agencies and commissions. It is also responsible for audit work related to Federal, State, and local inter-governmental relations. This division is under the supervision of Victor L. Lowe, director, and John D. Heller, deputy director. An organization chart appears on the following page.

CHAPTER ELEVEN

GENERAL GOVERNMENT OPERATIONS

Responsibilities

The General Government Division is responsible for audit work at the Departments of Commerce, Justice, and Treasury; the District of

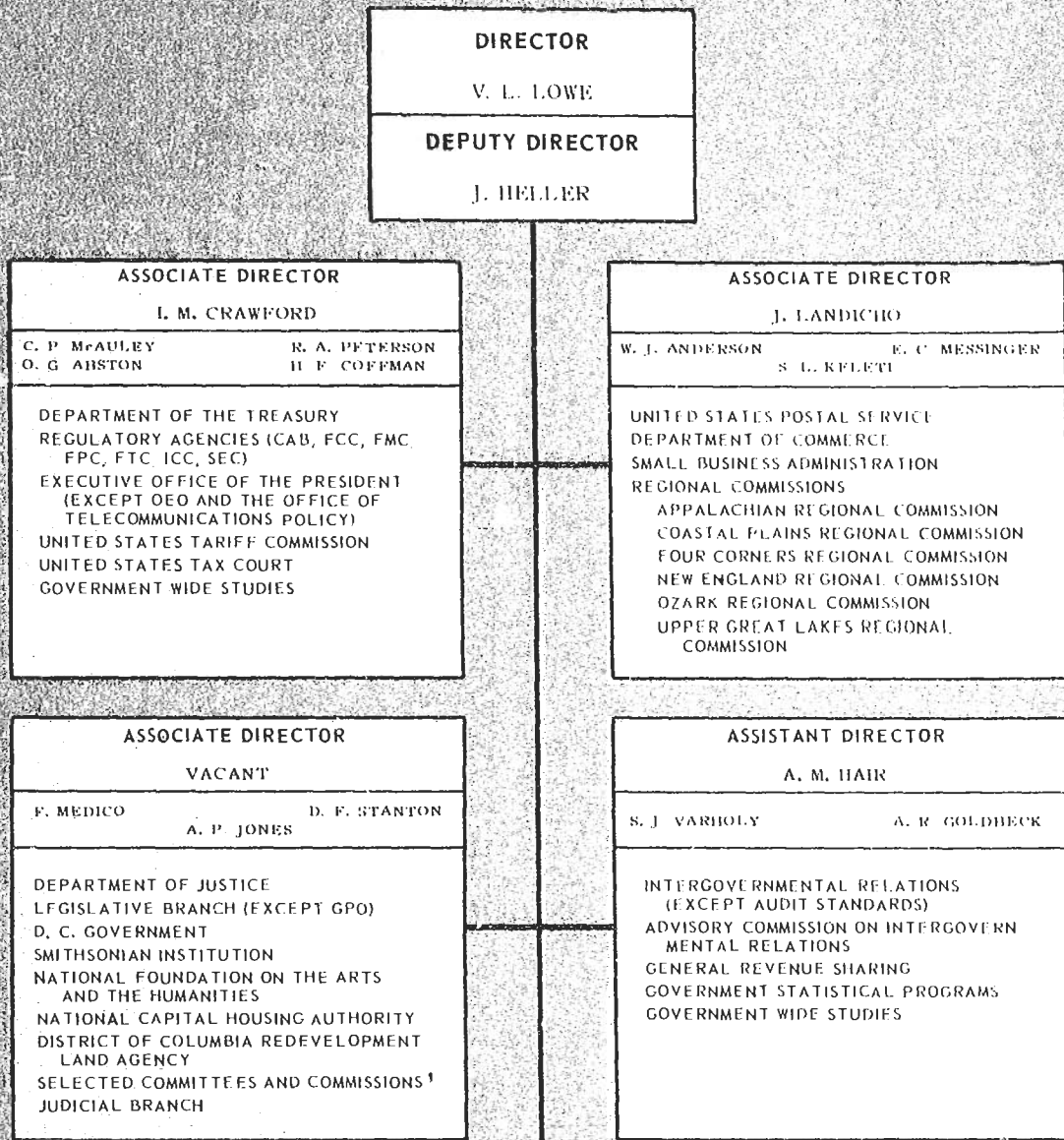
Audit Reports

During fiscal year 1974, 92 reports relating to this area of responsibility were submitted to the Congress—17 to the Congress, 30 to congressional committees, 37 to Members of Congress, and 8 to officers of the Congress on activities of the legislative branch. We also sent 27 reports to department or agency officials. A list of these reports is included in appendix 5. The numbers and types of reports completed are shown in the following tabulation.

The rest of this chapter summarizes the principal audit work completed in these departments and agencies during the year and in process at the end of the year.

	Reports submitted to					Totals
	Congress	Congressional committees	Members of Congress	Officers of Congress	Agency officials	
Departments:						
Commerce .....	...	1	2	...	3	6
Justice	5	6	1	...	5	17
Treasury	2	1	7	...	1	11
Independent agencies:						
Appalachian Regional Commission .....	...	...	1	...	...	1
District of Columbia Government	1	...	3	...	6	10
Executive Office of the President	1	...	1	...	...	2
National Foundation on the Arts and the Humanities .....	...	...	1	...	...	1
Securities and Exchange Commission .....	...	...	2	...	...	2
Small Business Administration	1	4	1	...	...	6
Smithsonian Institution .....	...	...	1	...	...	1
United States Postal Service	2	13	11	...	10	36
Multiagency	2	1	4	...	...	7
Legislative branch	3	4	...	8	1	16
Judicial branch .....	...	...	2	...	1	3
Total	17	30	37	8	27	119

GENERAL GOVERNMENT DIVISION

¹ Selected Committees and Commissions

Committee for the Preservation of the White House
Federal Advisory Council on Regional Economic Development
Joint Commission on College
National Visitor Facilities Advisory Commission
Permanent Committee for the Oliver Wendell Holmes Devise

ADMINISTRATIVE TECHNICAL STAFF

R. L. HART
O. D. McDOWELL

W. L. RUSS
D. C. PULLEN

PLANNING, REPORT REVIEW,
LEGISLATIVE, SPECIAL STUDIES,
CONGRESSIONAL COMMITTEE ASSIGNMENTS

JUNE 30, 1974

Department of Commerce

In carrying out its primary statutory mission to foster, promote, and develop the foreign and domestic commerce of the United States, the Department of Commerce had about 34,000 employees at the beginning of fiscal year 1974, and its budgeted expenditures for that year amounted to about \$1.5 billion.

Audit work in process at June 30, 1974, included reviews of efforts to revitalize the fishing industry by developing new fisheries from underused fish resources, an evaluation of fishery resource management programs, and a review of Federal programs related to marine science activities and oceanic affairs.

Department of Justice

The chief functions of the Department of Justice are to enforce the Federal laws; represent the Government in legal matters; help State and local governments reduce crime; confine, support, and rehabilitate Federal offenders; administer the immigration and naturalization laws relating to the admission, exclusion, deportation, and naturalization of aliens; and control narcotics and dangerous drug abuse. The Department has about 49,000 employees and its projected expenditures were about \$1.9 billion during fiscal year 1974.

Our audits at the Department of Justice concerned principally law enforcement assistance, rehabilitation of Federal offenders, narcotics and dangerous drugs, and entry and deportation of aliens. A large part of our work was done in response to congressional requests.

Law Enforcement Assistance

Development and Use of Computerized Criminal History Information

At the request of the Chairman, Subcommittee on Constitutional Rights, Senate Judiciary Committee, we reported on the development and use of a nationwide computerized criminal history information system. The system is operated by the Federal Bureau of Investigation and supported by the Law Enforcement Assistance Administration through the funding of State systems.

Data was not available to indicate how computerized criminal history information had been used and questions regarding the extent of information which should be retained in the FBI's or States' computers had not been specifically resolved by the Attorney General. Both FBI and LEAA either funded, or sought to develop, telecommunications system capabilities to allow State and local criminal justice agencies to exchange administrative messages more effectively.

We reported that the Federal Government needs to decide what the national policy should be regarding development of computerized criminal history information systems and to what extent the segments of the criminal justice community and appropriate Federal Agencies should participate in policy development. (B-171019, Mar. 1, 1974.)

Assessing Results of Projects to Reduce Crime

One purpose of LEAA is to encourage the development of new and innovative projects to fight crime; but without information on whether such projects work, determining if funds have been spent effectively is not possible.

We reported to the Congress that evaluations of four types of projects—alcohol detoxification centers, youth service bureaus, group homes for juveniles, and drug-counseling centers—were inconsistent and did not provide sufficient data to allow LEAA and the States to make objective decisions regarding project success.

We recommended that the agency and the States establish uniform program goals, information reporting systems, and evaluation methods for each type of LEAA-funded program.

Although LEAA has taken steps to improve its evaluations, these actions were not adequate to provide the Congress with needed accountability for Federal funds spent by States. Therefore, we recommended that the cognizant legislative committees further discuss the matter with Department officials. (B-171019, Mar. 19, 1974.)

Rehabilitating Inmates of Federal Prisons

In a report to the Congress we concluded that the Bureau of Prisons has made progress in developing educational, vocational, and related programs for rehabilitating Federal offenders but, in relation to the total problem, this progress has been limited, because:

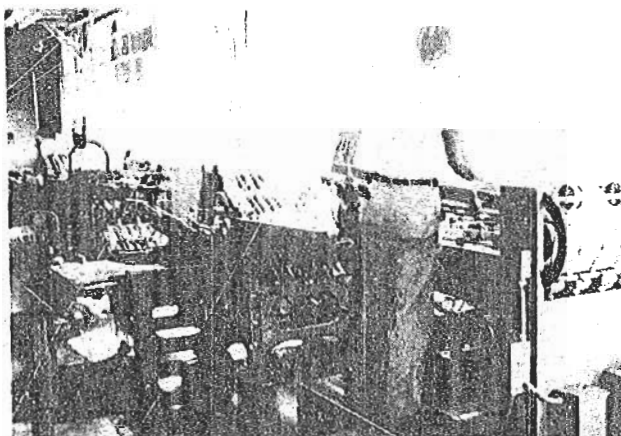
- Available rehabilitation programs were not fully used because inmates were not motivated to improve themselves.
- Shortages of psychiatrists, psychologists, and social caseworkers prevented treatment for some inmates needing help.
- Inmates had only limited opportunities to learn marketable skills.
- Vocational programs were limited by availability of Federal Prison Industries, Incorporated, funding.
- Sufficient emphasis was not placed on preparing inmates for jobs.

The Department of Justice generally agreed with our findings and conclusions concerning the deficiencies noted and told us that the recommendations to correct the deficiencies are being carried out as resources are made available. (B-133223, Nov. 6, 1973.)

Federally Supported Attempts to Solve State and Local Court Problems

We reviewed LEAA grants designed to solve State and local court problems in California, Colorado, Illinois, Massachusetts, New York, and Pennsylvania. During fiscal years 1969-73, the States had allocated about \$180 million of LEAA funds to programs to improve court procedures and systems.

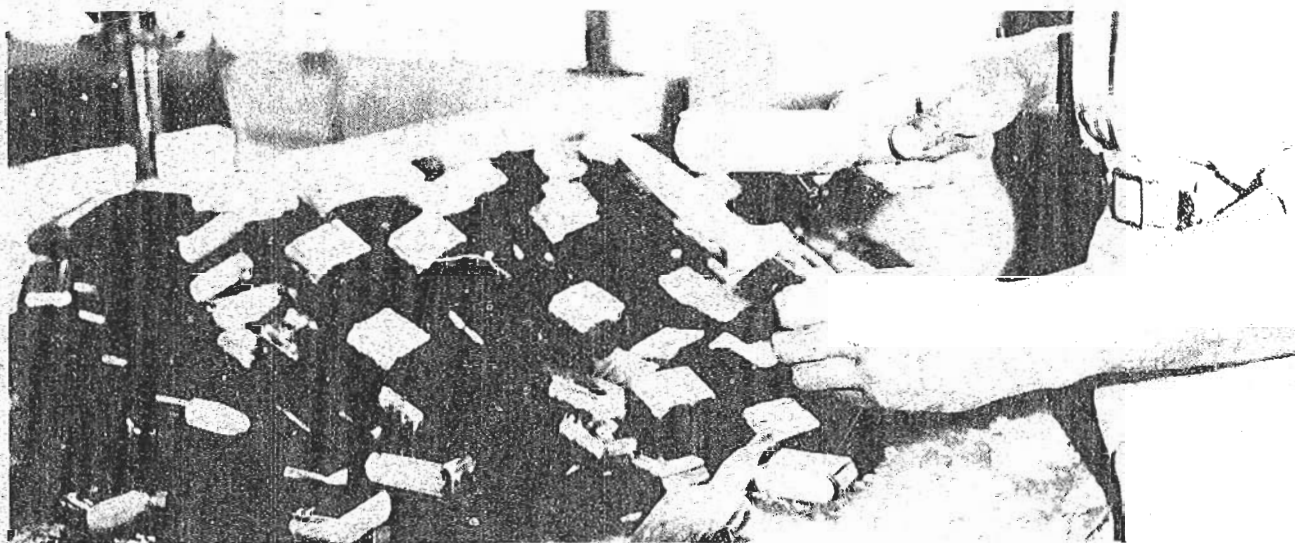
We reported to the Congress that problems in developing LEAA-supported State plans and in



Folding machine operator, FPI print plant—Lompoc Correctional Institution.

providing technical assistance limited the abilities of States and LEAA to improve court systems. LEAA had not made sure that its grants for State court improvement programs were directed to causes of the most serious problems.

We recommended that LEAA require States to develop plans with specific goals, provide States with evaluation criteria, adequately staff its regional offices, determine the effectiveness of organizations receiving LEAA funds, and insure that court statistical reporting systems are developed and the results of projects funded are made available to the States.



Attaching brush handles, FPI brush industry—Leavenworth Penitentiary.

The Department of Justice generally agreed with our recommendations and either started or planned to implement them. (B-171019, May 8, 1974.)

Audit Work in Process

Audit work in process at June 30, 1974, included reviews of (1) the pilot cities program established and funded by LEAA, (2) the Law Enforcement Education Program, (3) progress in determining types of approaches which work in the criminal justice system, (4) the need to improve the long-term impact of the LEAA grant program, (5) the operations of halfway houses for adult offenders, (6) Federal efforts to prevent or reduce juvenile delinquency, and (7) Federal, State, and local use of criminal history information.

Drug Abuse Control

The primary responsibility for Federal drug abuse enforcement and control programs lies with the Drug Enforcement Administration, although several other Federal agencies are involved, including the U.S. Customs Service, the U.S. Immigration and Naturalization Service, and the State Department. During fiscal year 1974, the Drug Enforcement Administration had about 2,200 agents and compliance investigators and a \$112 million budget to identify and disrupt the sources of narcotics and dangerous drugs through various enforcement and regulatory activities.

Dangerous Drugs

The abuse of dangerous drugs—including barbiturates, amphetamines, and such hallucinogens as LSD—has become a serious problem.

The Drug Enforcement Administration established some programs for identifying and investigating illicit sources of dangerous drugs. These programs have brought about arrests of national and international drug traffickers and have closed illicit dangerous drug laboratories. Weaknesses in several areas, however, have limited the programs' effectiveness. The agency needs to increase

- enforcement efforts which have been relatively low in comparison to heroin enforcement,
- efforts to control production and smuggling through Mexico, and

- the effectiveness of its program for controlling the ingredients used in manufacturing illicit dangerous drugs.

The Department of Justice stated that dangerous drug enforcement had received a lesser priority until early 1973 because the entire Federal community had emphasized heroin as the primary drug problem and because dangerous drug enforcement is a new and highly innovative endeavor. Therefore, it could not provide definite comments on our recommendations without further analysis. (B-175425, June 7, 1974.)

Difficulties in Immobilizing Major Narcotics Traffickers

A program to immobilize major narcotics traffickers and to stop the flow of drugs into the United States was started by the Bureau of Narcotics and Dangerous Drugs and was continued by its successor agency, the Drug Enforcement Administration.

We reported to the Congress that obstacles in arresting the selected major traffickers were: (1) they did not personally handle illicit drugs, (2) they lived or operated outside the United States where the Bureau activities and authority were limited, or (3) their cases were not being investigated due to lack of informants, intelligence, and/or Bureau resources. Other factors were: (1) some individuals had been erroneously identified as major traffickers, (2) written plans for investigation were lacking, and (3) better coordination between the Bureau and other Federal law enforcement agencies was needed.

Also, arrested narcotics traffickers were not being effectively immobilized because, for the most part, they were (1) released on bail for long periods and thus were free to continue their operations, (2) sentenced to short prison terms which tended to negate the deterrent effect of prosecution, (3) acquitted after trial or had their cases dismissed because of inadequate development or presentation of cases, or (4) permitted to plead to a reduced charge and thus immobilized for a much shorter period of time than might have been the case if processed further.

We made several recommendations to the Attorney General. The Department of Justice agreed with our findings and said individual recommendations that had not already been implemented were being studied to determine their feasibility. (B-175425, Dec. 21, 1973.)

Audit Work in Process

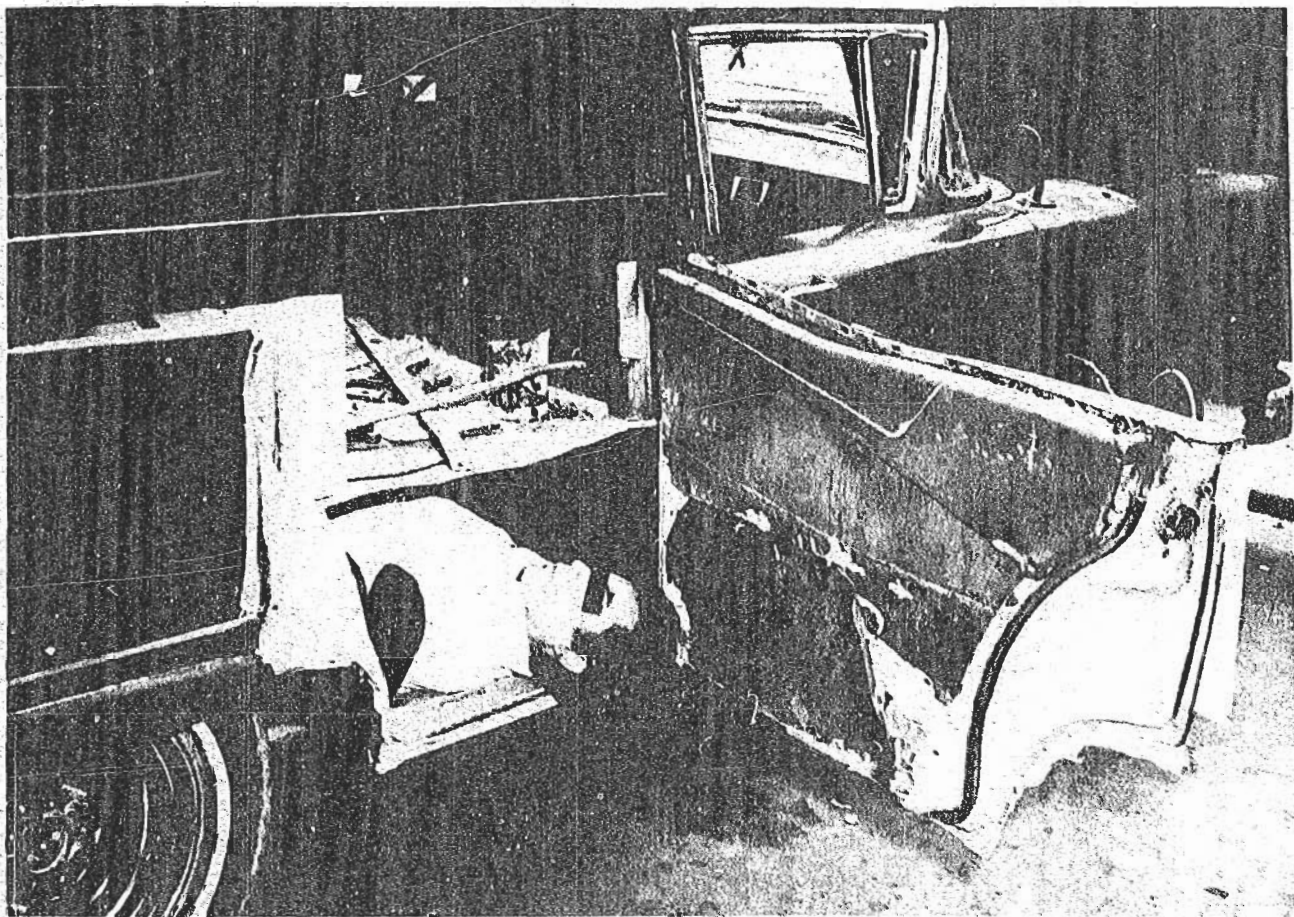
At the Drug Enforcement Administration, audit work in process at the end of fiscal year 1974 included reviews of (1) efforts to stop the flow of drugs from and through Latin America and (2) Federal efforts to control the abuse and diversion of methadone.

Immigration and Naturalization**The Illegal Alien Problem**

At the request of the Chairman, Special Studies Subcommittee, House Committee on Government Operations, and Congressman John W. Wydler, we examined problems of the Immigration and Naturalization Service in preventing entry of, locating, apprehending, and expelling illegal aliens. The number of illegal

aliens located by the Service increased from about 200,000 in fiscal year 1968 to about 790,000 in fiscal year 1974.

We concluded in our report to the Congress that the Service did not have the illegal alien problem under control and that the problem had reached severe proportions. We reported that many employers continue to hire illegal aliens for jobs even after repeated Service visits to discourage such employment, and that, since no Federal law prohibits such employment, sanctions were needed to discourage such hiring. The Service; the Internal Revenue Service of the Department of the Treasury; and the Department of Health, Education, and Welfare agreed with our findings and conclusions and informed us that actions had been or would be taken to carry out our recommendations on the need for coordinating efforts among these agencies to



Hidden compartment of truck used to conceal illegal aliens.

collect taxes from departing aliens and identify illegal aliens applying for or receiving welfare assistance.

We also recommended that the Senate favorably consider House bill 982 passed May 3, 1974, which would make it unlawful to hire illegal aliens. (B-125051, July 31, 1973.)

Need for Improvements in Management of the Immigration and Naturalization Service

At the request of the Chairman, Legal and Monetary Affairs Subcommittee, House Committee on Government Operations, and Congressman John W. Wyder, we examined certain management operations of the Immigration and Naturalization Service.

We recommended that the Attorney General have the Service (1) establish a plan to increase effectiveness of the record system in providing accurate data for followup on aliens who overstay their permitted time, (2) study the feasibility of periodically reissuing Mexican border crossing cards, explore alternatives to periodically reissuing the cards, and initiate a system for more effective monitoring of Mexican aliens allowed to extend their visits, (3) examine its procedures for requesting fingerprint searches on illegal aliens to eliminate searches which serve no useful purpose, (4) revise the alien address report forms to allow use of excess forms from year to year and evaluate the management benefits of yearly filings of address reports, (5) request illegal aliens to pay their transportation cost on Service-owned buses which could result in considerable savings to the Government, and (6) require aliens to pay the postage on alien address reports.

The Service agreed with our findings and conclusion, and actions have been or will be taken to carry out our recommendations. Requiring that aliens pay the postage on alien address reports resulted in estimated savings for calendar year 1974 of \$346,000 for postage and \$248,000 which would have been charged by the U.S. Postal Service for special handling fees. (B-125051, Aug. 14, 1973.)

Audit Work in Process

Audit work in process at June 30, 1974, included reviews of the foreign student program and newly arrived immigrants receiving welfare.

Registration of Foreign Agents

Administration of Foreign Agents Registration Act of 1938, As Amended

At the request of the Chairman, Senate Committee on Foreign Relations, we reported on certain aspects of the Foreign Agents Registration Act of 1938, as amended, and the administration of the act by the Department of Justice.

We recommended that the Attorney General (1) establish a system which would bring all foreign agent files up to date and require that filings be made on time, (2) review supplemental statements to identify and revise all questions which confused the registrants, to reduce or eliminate the high incidence of insufficient responses, and (3) assess the Registrations Section's needs and establish a review system to insure that the registration and enforcement activities of the Department are carried out effectively. (B-177551, Mar. 13, 1974.)

Special Assistance to the Congress

At the request of the Subcommittee on Constitutional Rights, Senate Judiciary Committee, we developed information to assist the Subcommittee in conducting hearings and drafting legislation to guarantee the security and privacy of criminal history information.

We briefed the Subcommittee on Equal Opportunity, House Committee on Education and Labor, on Federal efforts to coordinate juvenile delinquency programs. Subsequently, we provided information to the Subcommittee to help in drafting proposed legislation intended to replace the expiring juvenile delinquency legislation.

At the request of the Chairman, Subcommittee on Crime, House Judiciary Committee, we briefed the Subcommittee on the Operations of LEAA and the results of our work there. Because of a reorganization of Subcommittee responsibilities, the Subcommittee on Crime had gained oversight responsibility for LEAA activities and our briefing provided assistance to the Committee in assuming its oversight role and planning future hearings.

The Indian Affairs Subcommittee, House Committee on Interior and Insular Affairs, requested projected cost estimates for a proposed

Indian Trust Counsel Authority. The Subcommittee used this data in marking up proposed legislation which would, under one alternative, establish a Government agency as opposed to combining certain functions of the Departments of Justice and Interior in one office.

We have briefed the House Judiciary Committee, Subcommittee on Immigration, Citizenship and International Law, and the House Committee on Government Operations, Subcommittee on Legal and Monetary Affairs, on a continuing basis concerning alien and illegal alien problems. The Committees held hearings on these matters and are continuing to follow up on alien activities of the Immigration and Naturalization Service.

Department of the Treasury

Our audit work at the Department of the Treasury during the year was concerned principally with the activities of the Internal Revenue Service and the Office of Revenue Sharing.

Internal Revenue Service

The Internal Revenue Service was responsible for collecting taxes of about \$273.6 billion in fiscal year 1974. Through its taxpayer service program, IRS assisted about 35 million taxpayers who came to IRS locations for information and assistance or requested information by telephone. During the year, IRS used 27,000 of its employees to audit 2.5 million tax returns.

Our review efforts at the Internal Revenue Service have been materially hampered, and in some cases terminated, because of the continued refusal by that agency to grant us access to records necessary to effectively review IRS operations and activities. We have been given access to individual tax returns only when the return was needed in connection with another matter in which we were involved or when we made reviews at the request of the Joint Committee on Internal Revenue Taxation. Otherwise we have been denied records requested for reviews of IRS operations. The reviews of IRS conducted at the request of the Joint Committee have been made pursuant to an arrangement whereby GAO and the Joint Committee

agreed on certain priority matters involving the administration of the internal revenue laws.

Collection of Taxpayers' Delinquent Accounts

The Internal Revenue Service had an inventory of 659,227 taxpayers' delinquent accounts representing assessments of about \$1.9 billion as of June 30, 1972. Operating in the capacity of agents of the Joint Committee on Internal Revenue Taxation, we reviewed IRS' handling of 1,096 delinquent taxpayers accounts—of which 670 were being pursued for collection and 426 were classified as uncollectible. We reported to the Joint Committee that IRS had effectively collected taxpayers' delinquent accounts; taxpayers were treated equitably; and procedural safeguards in classifying a taxpayer's delinquent account as uncollectible insure that collection action is not prematurely suspended.

We reported also that IRS statistics were inflated by multiple assessments, included assessments for marijuana taxes although these assessments are traditionally uncollectible, and were inflated by invalid delinquent accounts.

We recommended that the Joint Committee initiate legislation to establish interest rates on deferred estate tax payments which would be closer to the Government's cost of borrowing funds, deny credit toward social security benefits when such taxes are not paid on self-employment income, and exclude from discharge through bankruptcy taxes assessed within 3 years before a bankruptcy petition is filed. (B-137762, Aug. 9, 1973.)

Audit Work in Process

The Joint Committee on Internal Revenue Taxation requested GAO, acting as an agent of the Joint Committee, to make extensive studies of IRS audit and taxpayer service activities. During the year, we began six separate reviews of these activities.

Office of Revenue Sharing

Revenue Sharing

The State and Local Fiscal Assistance Act of 1972, commonly called the Federal Revenue Sharing Act, provides for distributing about \$30.2 billion of Federal funds to State and local

governments over a 5-year period, beginning January 1, 1972. The act also provides that the Comptroller General review the work done by the Treasury and the State and local governments to enable the Congress to evaluate compliance operations under the act.

A total of almost \$15 billion in revenue sharing funds had been distributed to the 50 State governments and to over 58,000 local governments by June 30, 1974.

Most of our work on this program involved studies of the operations of the program among State and local governments. We also conducted several reviews of specific aspects of the program in response to requests from Members of Congress.

Use and Impact of Revenue Sharing

We reported to the Congress on the status and uses of \$1.7 billion in revenue sharing funds distributed to 250 selected local governments through June 30, 1973. These governments—124 cities, 116 counties, and 10 townships—received 55 percent of the \$4.4 billion paid to all local governments as of that date.

Of the \$1.4 billion appropriated by the 250 governments, about two-thirds was for operating and maintenance expenses and one-third for capital outlays. About three-fourths of the governments were using their funds in a manner which had reduced or was expected to reduce local tax pressures; there was evidence that revenue sharing had promoted citizen participation in local affairs; the funds had a variety of effects on the level of services delivered by the governments; and there was evidence that revenue sharing had encouraged some intergovernmental cooperation.

We reported that because of the inherent nature of revenue sharing (1) an objective identification and measurement of the extent to which specific tax levels, programs, or groups of citizens benefited from revenue sharing would be extremely difficult and (2) the effectiveness of the act's restriction on the direct uses of the funds was doubtful. (B-146285, Apr. 25, 1974.)

Earlier in the year we reported to the Congress the results of our review of the uses and effects of \$1.7 billion in revenue sharing funds received by the 50 State governments and the District of Columbia for calendar year 1972. (B-146285, Aug. 2, 1973.)

Testimony at Hearings

We testified in June 1974 before the Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, on the results of our completed reviews of the Revenue Sharing Program and our plans for further reviews of the program.

Work in Process

As of June 30, 1974, we had several reviews in process. These included (1) a review of the criteria used to establish eligibility for revenue sharing, (2) a study of alternatives to the present system for public disclosure of the use of the funds, and (3) an evaluation of the tax data used in the formula to allocate revenue sharing funds to local governments.

District of Columbia Government

The District of Columbia Government is responsible for the operation of a city having the characteristics of a county government and many of its responsibilities are similar to those of a State. The District employs about 40,000 people and has an operating budget of about \$1 billion. Home rule for the District of Columbia, which was enacted by Congress in 1974, includes the election of certain local officials. The Congress still maintains oversight of the District, including appropriating funds for its operation. Our office continues to be responsible for auditing the operations and accounts of the District Government.

Our more significant District audits during the year concerned public safety, human resources, taxes, education, and manpower productivity. A large part of our work was done in response to requests from committees and Members of Congress.

Better Security Management Needed At Correctional Institutions

In a report prepared at the request of Congressman Stanford E. Parris we reported that:

Contrary to the District's legal office's interpretation of the law that leaves of absence be used to assist the prisoner in the

transition from institutional life to freedom, inmates with many years left to serve before their probable release dates, some as many as 15 to 20 years, were granted such leaves.

Although hundreds of inmates were released each week into the community to attend schools, work at paid jobs, and participate in community activities, the District had no system for finding out what inmates were doing while away from the institutions, nor did it know whether leaves were helping to rehabilitate inmates.

Strengthening of internal security policies and procedures was needed to reduce the number of escapes, to help prevent inmate assaults, and to help restrict contraband, such as weapons and drugs, from getting to inmates.

Improvements in some facilities would also improve security.

The weaknesses in security resulted from inconsistent and ineffective security practices followed at the correctional institutions. Also, there was no system to inform top management when established policies were not followed.

We concluded that management improvements over programs for releasing inmates into the community and tighter security at the institutions were needed to correct security problems.

The Commissioner directed the District's Office of Planning and Management to provide management assistance to the Department of Corrections on matters we brought to its attention (B-118638, June 21, 1974.)

The Senate Appropriations Committee stated in its report on the District's appropriation bill for fiscal year 1975, dated August 1, 1974, that the appropriation increase for the Department of Corrections should be used to alleviate those concerns raised in our report. The Committee also directed the city administration to report on steps taken to improve the situations described in our report in its fiscal year 1976 budget hearings.

Providing Health Services in Outpatient Health Centers

We reported to the Congress that the delivery systems for providing basic health services to

eligible persons in outpatient health centers in the District of Columbia under seven Federal and one District program were uncoordinated and no one organization had authority over all centers. The individual planning resulted in (1) an imbalance in the location of outpatient health centers, (2) comprehensive health services not being provided in many centers, (3) underuse of health services in other centers, and (4) centers following varying practices for maintaining and retaining patients' medical records.

The Commissioner of the District of Columbia told us a task force has been established to prepare a comprehensive action plan to address the problems discussed in our report and to determine what additional authority the District of Columbia requires to effectively carry out the plan.

We reported also that Federal grants which are designated for a specific purpose may lessen the opportunity for localities to develop an effective comprehensive action plan for delivering outpatient health services. Our study may be useful to the Congress in its deliberations on any legislation to consolidate Federal grants for health programs (B-118638, July 31, 1975.)

Audit Work in Process

At June 30, 1974, we were reviewing the feasibility of using manpower productivity and effectiveness measurements for improving the District's use of manpower; the effectiveness of youth service programs and their impact on reducing juvenile delinquency; the need for improving and expanding the resource management system of the District's public schools; the District's urban renewal activities; and certain tax administration matters, including (1) individual income tax compliance, (2) self-assessed taxes, and (3) compliance with State income tax reporting requirements by members of the military service.

Small Business Administration

Administrative Problems of Providing Federal Assistance to Disaster Victims

In response to a request from the Chairman of the Subcommittee on Investigation and Review,

House Committee on Public Works, we reviewed the administrative problems experienced by the Office of Emergency Preparedness (now the Federal Disaster Administration) in helping State and local governments recover from the effects of natural disasters.

Federal disaster assistance generally was timely and had helped disaster-ravaged communities recover from the physical and economic losses caused by large-scale natural disasters. The manner in which this assistance was provided, however, could have been improved. Also, there was a lack of uniformity among Federal Disaster Assistance Programs. For example, Farmers Home Administration loans were subject to a 5-percent rate of interest, but Small Business Administration loans were subject to a 3-percent rate.

We suggested that the congressional committees may wish to consider (1) the feasibility of providing for uniformity among Federal disaster loan programs, (2) the feasibility of assigning to one agency disaster responsibilities which are now allocated among various Federal agencies, (3) whether congressional intent regarding the applicability of local codes, specifications, and standards needs to be clarified, (4) the policy of following State laws in the establishment of fair market value, which permitted the payment of pre-flood value for flood-damaged Pennsylvania properties acquired in disaster-related urban renewal projects, resulting in larger payments to these property owners than to other property owners whose property was not acquired for urban renewal projects, and (5) whether relocation payments for disaster-related projects should include the victim's losses. (B-178415, Nov. 5, 1973; B-167790, Nov. 5, 1973.)

Limited Success of Federally Financed Minority Businesses in Three Cities

We reported to the Congress that federally financed minority businesses have had limited success. Of 443 businesses examined, we identified about 27 percent as failures, about 25 percent as probable failures, about 31 percent as probable successes, and about 17 percent as undeterminable. Although a lack of managerial capability was the sole reason or contributing

reason most noted for failure or probable failure of the businesses, we found that (1) borrowers using loan funds to purchase existing businesses were more successful than borrowers using funds to expand their existing businesses or to start new businesses, (2) unfavorable business locations usually resulted in failure, and (3) businesses with bank loans were more successful than businesses with direct Small Business Administration loans.

Inadequate loan servicing has resulted in ineffective and untimely management assistance. As a consequence, the Administration's management assistance has had little effect on business success.

The Administration and the Office of Minority Business Enterprise, Department of Commerce, have taken steps to develop loan approval criteria and improve the effectiveness of management assistance programs. (B-149685, Nov. 8, 1973.)

Testimony at Hearings

We testified in September 1973 before the Senate Government Operations Committee on a bill to improve the coordination of Federal reporting services (S. 1812).

We also testified in November 1973 before the Subcommittee on Water Resources, House Committee on Public Works, on a bill to provide for disaster assistance (H.R. 7690).

Audit Work in Process

At June 30, 1974, we were reviewing the effectiveness of the Small Business Act section 8(a) program and the effectiveness of the section 502 local development company program.

U.S. Postal Service

The Postal Service delivered about 90 billion pieces of mail in fiscal year 1974. In doing so, the Service employed about 700,000 people, used about 32,000 post offices and 200,000 vehicles. Total revenues were about \$11 billion, including \$1.9 billion in Federal subsidies.

Problems Affecting Mail Service and Improvements Being Made

In a report to the Congress, we consolidated and summarized our observations made while responding to congressional requests from committees and Members of Congress to examine the quality of mail service in various States.

The quality of mail service deteriorated in late 1972 and early 1973 as a result of economy measures taken by the Postal Service. Costs were reduced but at the expense of service. The measures taken included reductions of collection and delivery services and curtailments of Saturday window service. More importantly, however, the Postal Service reduced the size of its workforce through two early retirement campaigns and a hiring freeze.

In addition to the problems connected with economy measures, mail service was affected by sorting errors, unreliable airline transportation, and local employee morale problems.

The Postal Service has initiated actions to deal with these problems and some improvement in service has been observed. (B-114874, Mar. 20, 1974.)

Observations on the Preferential Mail System

Our report to the Chairman, Senate Committee on Post Office and Civil Service, stated that the economic justification for the Preferential Mail System was based largely on a contractor's study for the Postal Service that analyzed two basic types of mail processing equipment and two alternative letter mail processing systems.

Our evaluation of these analyses and of the equipment performance showed that:

- The study overstated the economic advantages of the new type of equipment relative to the type of equipment in use or under development.

- The new type of equipment has not yet been proven in the field.

- The study overstated the advantages of the Preferential Mail System network of about 180 processing centers relative to the less expensive alternative of 588 centers, generally the same as the existing system.

We stated also that mail massing at the 180 processing centers as recommended by the contractor could cause mail service quality to deteriorate.

The Postal Service has deferred implementing the new system until the equipment has been successfully demonstrated. We concluded that, overall, the Postal Service's decision to defer action on the Preferential Mail System was appropriate. (B-114874, Oct. 30, 1973.)

Phaseout of the Corps of Engineers from the Postal Service Construction Program

In a report to the Chairman, Committee on Post Office and Civil Service, we discussed the impact of the Office of Management and Budget decision to phase the Corps of Engineers out of Postal Service major construction programs by June 30, 1974. We stated that the National Bulk Mail System would be 60 to 95 percent complete as of the June 30 phaseout date, and, as such, would be adversely affected to the extent that the phaseout would

- delay completion of the bulk mail system by 3 to 6 months and result in a loss of Postal Service projected operational savings of \$50 to \$100 million,

- incur added costs from a joint Corps/Postal Service management effort,

- disrupt numerous equipment deliveries to the bulk mail facilities, and

- necessitate a reduction in force for about 350 Corps personnel.

On May 30, 1973, we outlined these findings in a letter to the Postmaster General and in a briefing to the staffs of the House Post Office and Civil Service Committee and the House Subcommittee on Postal Facilities, Mail, and Labor Management. On June 28, 1973, the Office of Management and Budget, at the request of the Postal Service, authorized extending the Corps' participation in the bulk mail system until its completion. (B-171594, Oct. 2, 1973.)

Airmail Improvement Program Objectives Unrealized

The objectives of the airmail improvement program are to arrest and reverse the decline in

airmail volume and thus increase revenues by offering improved service. This was the first program for which the Postal Service established overnight delivery standards between designated major cities.

We reported to the Congress that the Service established the program without making a market study to determine whether the program would be economical and that, in view of the continuing decline in airmail volume and the increased costs associated with the improved service, we questioned whether the program objectives will be achieved.

We recommended that the Service:

- Reevaluate the airmail improvement program to determine if it could be modified to better meet customer needs and, in turn, to increase participation or if it should be curtailed.
- Conduct adequate market studies before undertaking service improvement programs to insure that anticipated additional revenues will be sufficient to recover all costs associated with improving the service.

The Service concurred in our recommendations and stated it was examining possible modifications and making surveys to determine customer needs. (B-114874, Aug. 6, 1973.)

Testimony Before Congressional Committees

In testimony given on July 26, 1973, before the Senate Committee on Post Office and Civil Service, we commented on such matters as the quality of first-class mail service, bulk-mail and letter-mail processing systems, and postal construction activities.

We testified before the Subcommittee on Postal Facilities, Mail and Labor Management of the House Post Office and Civil Service Committee on April 30, 1974, concerning the urgency for and the direction of the Service's modernization efforts.

Audit Work in Process

Audit work in process at the end of the fiscal year included reviews of the implementation of the bulk-mail processing system, causes of mis-sent mail, and the system by which costs are

allocated to the various classes of mail. Additional work was being performed at the request of committees and Members of Congress.

Intergovernmental Relations

The General Government Division is responsible for carrying out the principal functions of the Comptroller General and the General Accounting Office relative to strengthening and improving intergovernmental relations between Federal, State, and local governments.

Assessment of Federal Regional Councils

Federal Regional Councils were established to develop closer working relationships between large Federal grant-making agencies and State and local governments and to improve coordination of the categorical grant-in-aid system.

We reported to the Congress that most officials of States and larger units of local governments know about the councils but that representatives of smaller units of local government generally were unfamiliar with them. State and local governments need information on Federal grant-in-aid programs and on the opportunities for securing assistance from the councils.

The councils were impeded from being more effective by such factors as: (1) member agencies' lack of, or variations in, decentralized decisionmaking authority, (2) limits on the authority of council chairmen, (3) division of time and effort by council members, staffs, and task force members between Council and agency affairs, (4) insufficient participation by non-member Federal agencies in council activities, and (5) absence of formalized standards for planning work and reporting progress.

We concluded that, although these factors impeded the councils' effectiveness, they could, within their existing framework, more effectively accomplish their purposes with stronger management direction by the Under Secretaries Group for Regional Operations. The Office of Management and Budget, the Under Secretaries Group, and council chairmen generally agreed and concurred in our recommendations for making the councils more effective.

We testified before the Subcommittee on Intergovernmental Relations, House Committee

on Government Operations, providing additional information on Federal Regional Councils. (B-178319, Jan. 31, 1974.)

Protection of President Nixon at Key Biscayne and San Clemente

As a result of publicity regarding Federal expenditures on President Nixon's two residences, we received letters from Members of Congress expressing a common concern about the magnitude of the total reported expenditures and, with respect to specific expenditures, questioning whether the work performed:

- Related to protection of the President.
- Provided a nonprotective benefit to the President.

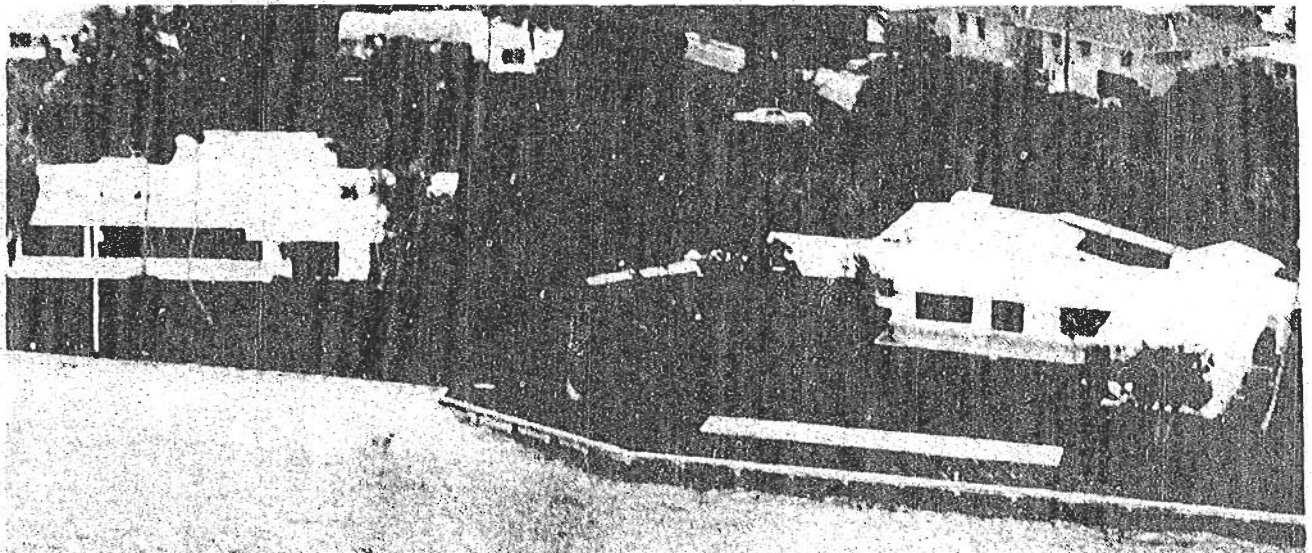
We made a general review of the expenditures for protective purposes at the President's residences at Key Biscayne and San Clemente, noting expenditures for other purposes when appropriate. We reported to the Congress that expenditures by the Secret Service and the General Services Administration at the President's two residences totaled about \$1.4 million. Nearly \$1 million was spent for basic facilities which served a protective purpose and, on balance, did not provide significant benefits to the President apart from protection.

Landscaping done during the construction period at Key Biscayne and San Clemente, taken as a whole, either served a protective purpose or was incident to other protective work. Although the question of how responsibility for the maintenance of landscaping at the President's residences should be divided is not easily answered, it appears that the Government did some landscape maintenance at both residences which should have been done at the President's expense.

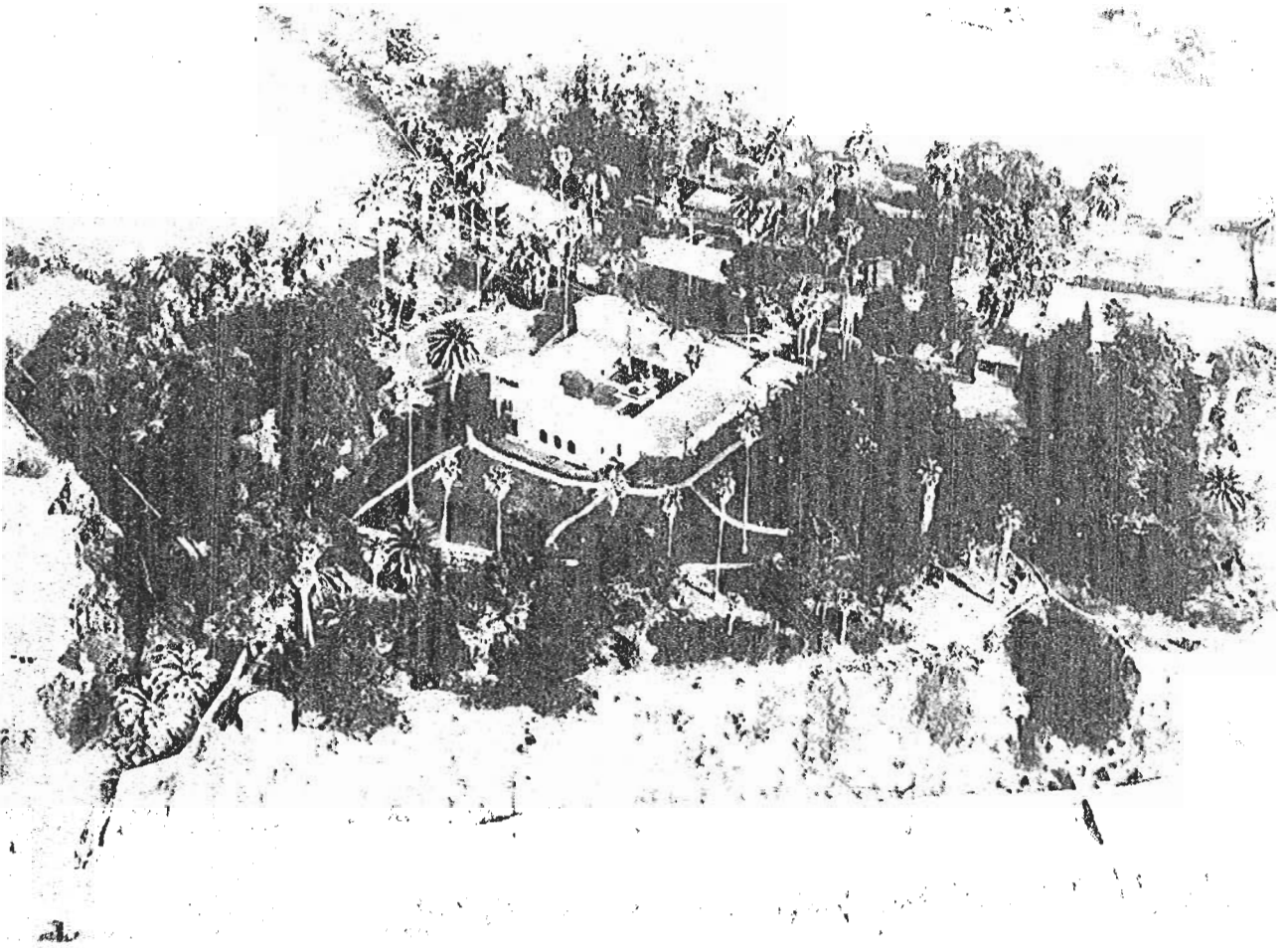
Certain items which served a protective purpose also resulted in nonprotective benefits to the President—which of itself is not a basis for criticism. However, in the case of an electric heating system and two property surveys, other circumstances led us to question whether the Government should have assumed the costs. A few items were intended for purposes other than protection. The Government shared in the cost of a sewer, the justification being that official visitors would be entertained at the residence. The Government should not have participated in this cost.

The arrangement under which the Secret Service was requesting assistance from the General Services Administration in protecting the President had the following weaknesses:

- General Services Administration funds were not directly associated with Secret Service



President Nixon's residence at Key Biscayne—two houses.



President Nixon's residence at San Clemente.

protective activities during the budget preparation and review process.

- A casual attitude in authorizing work was fostered. Because most requests during the construction period were verbal, who made requests or precisely what was requested could not be readily determined.
- General Services Administration was invited to do more than simply execute Secret Service requests, particularly when requests were vague or general.

We recommended that the Congress consider several changes in law to provide better control and accountability, as well as public disclosure, of Federal funds spent at private residences for the protection of Presidents, Vice Presidents, former Presidents, and others. (B-155950, Dec. 18, 1973.)

Legislative Branch

We maintain a professional staff at the Capitol to audit the various revolving funds, other activities of the House and Senate, and private organizations doing business on the Capitol grounds. Our audits of private organizations which conduct activities on Capitol Hill are carried out pursuant to section 451 of the Legislative Reorganization Act of 1970.

Our staff also assists with management, financial, and administrative problems when requested by officers of the Congress. These requests are received virtually every day and require close cooperation with these officials on their immediate problems and on the development of long-range improvements in their operations.

Audit work on the legislative branch included examinations of the following activities:

The Senate:

Senate Recording Studio

The House of Representatives:

The Sergeant at Arms

Finance Office

Recording Studio

Office Supply Service

Property Supply and Repair Service

Office Equipment Service

House Restaurant

House Beauty Shop

Majority Printing Clerk

Minority Printing Clerk

Architect of the Capitol:

Settlement of accounts

U.S. Senate Restaurants

Library of Congress:

Settlement of accounts

Library Services Program of the Card Division

Private organizations:

United States Capitol Historical Society

The expenditures for salaries, mileage, and expense allowances of Senators; salaries of officers and employees of the Senate; clerk hire of Senators; and other expenses of the Senate are audited on the basis of documents submitted to us.

We prepared 16 reports on audits of legislative branch activities during the year. These reports related to activities of the Senate, House, Architect of the Capitol, Library of Congress, and the United States Capitol Historical Society.

On the basis of audits made pursuant to section 451 of the Legislative Reorganization Act of 1970, we reported to the Congress on the financial statements of the Majority Printing Clerk and the Minority Printing Clerk of the House of Representatives and the Capitol Historical Society for fiscal year 1974.

CHAPTER TWELVE

INTERNATIONAL OPERATIONS

Responsibilities

The International Division is responsible for auditing all U.S. Government programs and organizations whose operations involve relationships between the United States and foreign governments. This work includes reviews of U.S. participation in (1) development assistance programs, both bilateral and multilateral, (2) international trade, monetary, and financial activities, (3) Government functions relating to foreign policy and security, and (4) the international aspects of the development of natural resources, overseas support services, and other civil agencies. The audit effort extends to the Department of State, Agency for International Development, United States Information Agency, Overseas Private Investment Corporation, and Export-Import Bank and the international activities of the Departments of Agriculture, Commerce, Defense, and the Treasury.

The director of this division is J. Kenneth Fasick and the deputy director is Charles D. Hylander. An organization chart appears on the following page.

Overseas Operations

Audit coverage of international programs is extended overseas by the staffs of the Far East

Branch, with headquarters in Honolulu, Hawaii, and the European Branch, with headquarters in Frankfurt, Germany. The Saigon Office of the Far East Branch was closed and its responsibilities transferred to the Bangkok Office in December 1973.

During fiscal year 1974, staff members from Washington and the overseas branches conducted audits in 18 countries in Europe and Africa, 12 in the Middle East and South Asia, 16 in the Far East and Southwest Pacific, and 12 in Latin America and other areas.

Audit Reports and Assistance To the Congress

During fiscal year 1974, we completed 73 reports on international programs—21 to the Congress, 18 to committees, 17 to individual Members of Congress, and 17 to agency officials. We spent about 37 percent of our effort on assistance to committees and Members of Congress, including time spent on (1) 35 reports issued in response to formal requests, (2) committee assignments, and (3) other assistance, such as briefings, staff papers, statistics, and background data provided in response to informal requests.

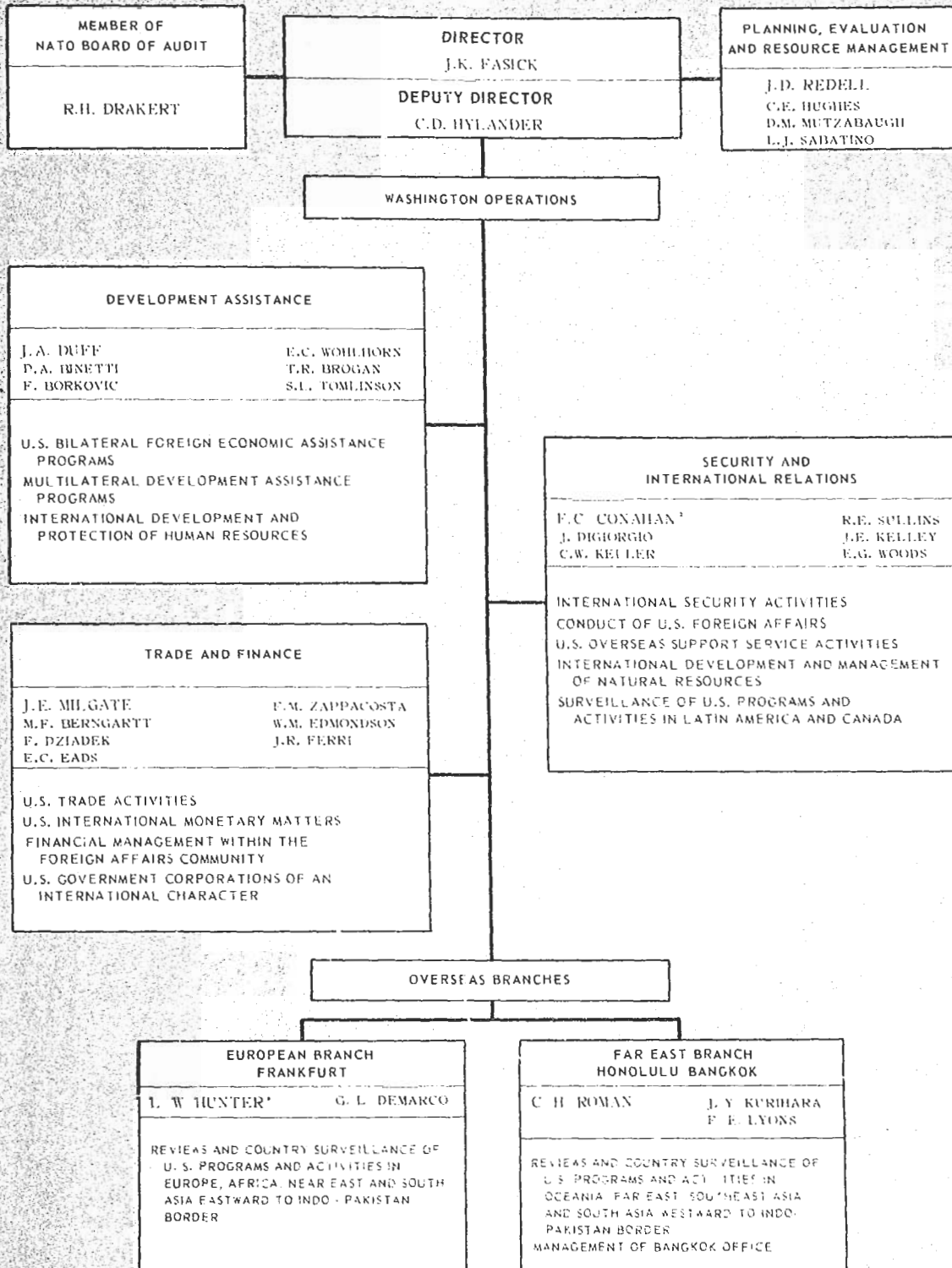
Several of our reports contained proposals for legislative action. In addition, Congress enacted legislation in fiscal year 1974 related to our earlier proposals. (See app. 6.) We also testified eight times during the year before congressional committees on reviews of international programs.

National Defense

Military Assistance and Support of Other Nations

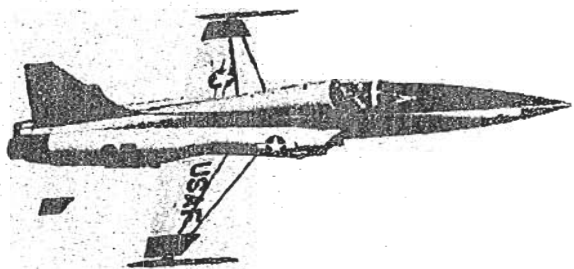
Grants of military assistance have generally declined in recent years, but the total outflow of U.S. arms has risen sharply as a result of increased sales. The total value of defense-related sales and grants from all U.S. sources for fiscal year 1974 was expected to exceed \$12 billion. The effect of an activity of this size on diplomatic relations, balance of payments, Federal budget, overseas representation, and defense industry is obvious.

INTERNATIONAL DIVISION



* Effective August 12, 1974, F.C. Conahan will become Director of the European Branch and L.W. Hunter will become Associate Director of the Security and International Relations Group

JUNE 30, 1974



The F-5E, a fighter aircraft developed exclusively for use in the Security Assistance Program.

During fiscal year 1974, we completed 13 reports on international security programs. The reports covered a wide range of military assistance, such as an evaluation of the effectiveness of our assistance to Korea (one of the primary remaining recipients of grant aid) and special assistance to Israel resulting from the recent Arab-Israeli War and an analysis of the balance-of-payments effect of NATO forces.

Security Assistance to Korea: Accomplishments and Constraints

In recent years Korea has been one of the largest recipients of U.S. military assistance. Most of the assistance is for a 5-year \$1.5 billion modernization program. In June 1974 we reported to the Congress on the effectiveness of this assistance.

Studies had indicated that Korea was financially capable of assuming the cost of operating and maintaining U.S.-provided equipment. We recommended that the Secretaries of State and Defense develop a plan for Korea to assume all operation and maintenance costs and identify a transition period for converting equipment transfers from grant aid to sales. We also made certain proposals for congressional consideration in future authorization and appropriation hearings. (B-164264, July 1, 1974.)

How Ship Transfers to Other Countries are Financed

Over the last 25 years the United States has given, loaned, sold, or otherwise transferred 3,900 naval vessels to other countries. Public Law 92-270, requiring that all expenses be paid by the recipient country or from military

assistance funds, was the most recent ship-loan legislation at the time of our review. However, the Department of Defense excludes repairs and overhauls from its definition of costs associated with the transfers.

We found that the Navy spent (without reimbursement) about \$13 million to overhaul and repair vessels transferred under this legislation. Another \$5 million in equipment, outfitting, and services and an indeterminate amount of small arms and ammunition was also provided without reimbursement.

In our report to the Congress, we recommended that the Secretary of Defense not transfer ships that have recently been overhauled and that, in the case of exceptions, he require the Navy to be at least partially reimbursed by the recipient country or the military assistance appropriation for the cost of such overhauls. We also recommended that the Navy be reimbursed for the costs of outfitting and services associated with ship transfers. (B-163742, June 25, 1974.)

Status of Emergency Security Assistance to Israel

As a result of the 1973 Arab-Israeli War, the Emergency Security Assistance Act of 1973 was passed to provide Israel with \$2.2 billion in assistance to maintain a balance of power in the Middle East.

In a classified report to Representative Harold Runnels, we presented the status of the funding and equipment deliveries under this act and of other U.S. assistance provided to Israel. (B-180356, May 20, 1974.)

Restrictions on U.S. Procurement Activities in Thailand

Because of indications that the Thai Government was restricting U.S. procurement activities in Thailand, we made a review to determine the extent and effect of the lack of competition and reported the results to the Congress.

Thai Government decrees allow the United States to contract only with the Express Transportation Organization of Thailand—a government-owned monopoly—for transportation and stevedoring services at Thai ports. The United States has spent \$86 million on sole-source procurements with this organization since 1966 at rates which we found to be excessive.

We also found other instances in which U.S. firms had been prevented from competing on

U.S. contracts because they were denied access to Thai bases, thus making them unable to perform.

We recommended that the Secretaries of State and Defense attempt to negotiate with the Thai Government a settlement of the sole-source procurement and access-to-bases problems. We suggested that, barring resolution of the problems, the excess costs be considered as assistance to Thailand and funded from foreign assistance appropriations. (B-133258, June 5, 1974.)

The Military Assistance Pipeline

In connection with the 1974 Senate appropriation hearings, we provided a statement for the record on the potential for recouping prior years military assistance obligations. We presented a brief explanation of military assistance funding procedures, the magnitude of obligated but unexpended prior years' funds, selected examples of the transactions involved, and the likelihood of deobligation of these funds (Fiscal Year 1974 Senate Hearings on Foreign Assistance and Related Programs Appropriations, pp. 1572-84.)

Audit Work in Process

Work in process is geared toward the changing makeup of our security assistance; for example, a review of our military activities in Iran (a major purchaser of U.S. defense equipment) and a review of our overseas administration of assistance and sales activities.

U.S. Participation in the North Atlantic Treaty Organization

Congressional and public attention has focused with growing intensity on the financial and political aspects of U.S. obligations to NATO. In addition to the large U.S. balance-of-payments deficit resulting from stationing forces in Europe and efforts to ease the deficit, other factors, such as domestic pressures to reduce defense spending, thawing of United States-Soviet relations, and unilateral policies in the Middle East have placed the United States at odds with its allies.

NATO Balance-of-Payments Deficit

The Department of Defense had stated in congressional testimony that \$4.1 billion of its total NATO expenditures in 1972 and 1973 were offset by other balancing factors, leaving a net balance-of-payments deficit of only \$400 million.

At the request of Senator Harry F. Byrd, Jr., we analyzed the accuracy of the \$4.1 billion figure, and computed the U.S. balance-of-payments deficit to be \$1.7 billion for 1972 alone. (B-156489, Aug. 8, 1973.)

Work in Process

In anticipating an increasing congressional need for timely, comprehensive information on the NATO alliance, we have begun a series of reviews to identify the cost and assess the effectiveness of United States-NATO activities. We are presently looking into U.S. staffing of NATO, military assistance costs to less economically developed NATO countries, and other U.S. costs which might be reduced or shared by the NATO allies.

Economic and Financial Assistance

Multilateral Development Assistance

Much development assistance is provided to developing countries through the international financial institutions, the United Nations System, and other international organizations. The World Bank Group and the regional banks administered a \$4.7 billion lending program in 1973. The agencies of the United Nations System provided about \$1.3 billion worth of assistance. The United States is the largest single contributor of the resources of these organizations.

During the fiscal year we completed two reports on multilateral assistance to Members of Congress, and two additional reports were in process at yearend. We also made considerable progress toward establishing independent review and evaluation systems in the major international development organizations.

**Independent Review and Evaluation Systems
In the International Organizations**

Although the executive branch favors continuing and further expanding multilateral development assistance programs, the Congress has expressed concern over the level of U.S. participation in international organizations and the management of funds by these organizations. In view of this concern, we have spent considerable effort during the past several years to obtain legislation that would assist in establishing an independent review and evaluation system in the international financial institutions and in the United Nations System. This review system would provide an independent and continuous program of selective reviews of all major programs and activities of these international organizations.

In December 1973 the Foreign Assistance Act was amended by Public Law 93-189 to require that the President, acting through the U.S. representatives to the World Bank Group, the Asian Development Bank, and the United Nations System, propose the establishment of an independent review program in each of the organizations. The act also required that statements of auditing and reporting standards be prepared by the Comptroller General of the United States and presented for consideration of the organizations' governing bodies to assist in formulating terms of reference for this independent review system.

In accordance with the provisions of Public Law 93-189, in June 1974 we presented our first statement of auditing and reporting standards to the Secretary of the Treasury for use by the U.S. Executive Director of the World Bank Group in proposing the establishment of an independent review and evaluation system for the Bank Group (B-161470 and B-175281, June 24, 1974). Our current work includes the drafting of auditing and reporting standards for use in proposing the establishment of independent review groups in the Asian Development Bank and the United Nations System.

The value of independent review systems in the international organizations is evidenced by our report in process on the effectiveness of independent and comprehensive audits of the Inter-American Development Bank. The establishment of this independent review system,

Group of Controllers, was initiated by a 1967 Amendment to the Inter-American Development Bank Act. Our current review showed that the Groups since it was created in 1968, has made considerable progress in developing into an effective independent review body to evaluate the management of the Bank's operations.

Social Progress Trust Fund

At the request of the Chairman, Subcommittee on Inter-American Affairs, House Committee on Foreign Affairs, we reviewed the current status of the Social Progress Trust Fund and the uses made of funds appropriated for it.

As of June 30, 1973, the Trust Fund, managed by the Inter-American Development Bank, had net assets of about \$560 million—about \$51 million in cash and liquid assets and \$509 million in outstanding loans. About \$40 million annually is being repaid on these loans.

Since 1965 the United States has not participated directly with the Bank in directing the use of the bulk of these resources, although the United States did specify that these funds should be used for basic Trust Fund purposes. Moreover, since 1965 most Trust Fund resources have not been directed to specific end uses based on a planned program designed to meet priority social development needs of Latin America.

Our review identified a need to reassess current operations and to (1) devise new program(s) to direct Trust Fund resources to specific projects for assisting the priority social needs of Latin America or (2) seek other disposition of these resources in consultation with the Congress, such as using Trust Fund repayments to defray U.S. Government operating expenses. Our report contained recommendations to this effect. The State Department agreed that new approaches could be found to direct the Fund's resources to more productive end uses, and it was attempting to do so. It disagreed, however, with our suggestion that some Fund resources be used to meet U.S. Government operating expenses. (B-161470, Mar. 21, 1974.)

**Conservation Practices Applied
In World Bank Projects**

At the request of Congressman Henry S. Reuss, we surveyed three foreign development



An area of Jengka Triangle, Malaysia, in process of being cleared.

projects involving timber harvesting. The projects, supported by international Bank for Reconstruction and Development (World Bank) loans, were located in Malaysia, Kenya, and Zambia. These loans totaled about \$68.4 million and represented about 50 percent of the projects' estimated costs. Congressman Reuss was concerned with the forest conservation practices being applied.

The Bank in 1970 established an environmental office to review and evaluate every investment project for its potential effects on the environment and public health; however, the Bank is outside our direct audit authority so we do not know how effectively it has carried out this review in recent years. For the three projects we surveyed, which were initiated in 1968 and 1969, the Bank did not conduct formal ecological impact studies or prescribe other specific measures to insure the environmental integrity of the forests. However, the countries themselves were undertaking certain conservation practices to accomplish their objectives. (B-161470, Apr. 4, 1974.)

Audit Work in Process

In 1973 we initiated a comprehensive review of the world food situation. Initially we intend to identify the magnitude of the food problems and the general level of effort being applied to resolve the problems. In subsequent reviews we

will examine whether the programs devised to solve both short-and long-range food problems are adequately designed and effectively administered. We hope to promote an increased awareness of the worldwide food problem and improve program performance.

Bilateral Development Assistance

Many agencies of the U.S. Government participate in administering bilateral development assistance programs. Principal among these is the Agency for International Development which manages U.S. economic assistance programs under the Foreign Assistance Act. Other agencies administering bilateral development assistance programs include the Export-Import Bank, the Peace Corps, and the Overseas Private Investment Corporation.

During the fiscal year, we completed 23 reports on bilateral assistance programs—4 to the Congress, 14 to committees or to Members of Congress, and 5 to agency officials. We also worked on 10 other assignments. Our reports included such topics as legislative expenditure ceilings exceeded in Laos; payment of phantom troops in Cambodia; effectiveness of U.S. assistance to developing countries; U.S. support of International Planned Parenthood Federation; use of SS *Manhattan* as a floating silo during the Bangladesh crisis; information on voluntary foreign aid programs; and problems of war victims in Cambodia, Laos, and South Vietnam.

U.S. Programs in Laos

We reported to the Congress that congressionally imposed limits on U.S. expenditures in Laos were successful in reducing costs, but we found that the fiscal year 1972 ceiling of \$350 million was exceeded by about \$28 million.

The State Department had reported to the Congress that the Department of Defense, the Central Intelligence Agency, and the Agency for International Development spent \$349.8 million on aid to Laos in fiscal year 1972; however, we identified an estimated \$28.2 million in assistance-related expenditures not reported or inadequately reported by the three agencies. If these costs had been reported, the \$350 million ceiling would have been exceeded by \$28 million.

We did find that the ceiling legislation had a definite positive impact on program management. Program management efforts were intensified, expenditures were reduced, and the Congress was given additional information for use in discharging its oversight responsibilities. (B-133003, June 6, 1974.)

Payment of Phantom Troops for the Cambodian Military Forces

At the request of Congressman Michael Harrington, we reviewed certain aspects of the payroll practices of the Cambodian military forces. In 1971 and 1972 the United States provided the local currency equivalent of about \$56 million to support military pay and allowances for the Cambodian military forces. The local currency contribution was generated through sales of commodities provided by the U.S. commodity import and Public Law 480 programs, a cash grant, and the U.S. contribution to the Exchange Support Fund.

Both American and Cambodian officials were aware that corrupt payroll practices existed within the Cambodian military forces, but the exact extent of payments for phantom troops was unknown. However, we estimated that in January 1973 the Forces Armées Nationales Khmères commanders may have drawn the local currency equivalent of \$750,000 to \$1.1 million for phantom-troop pay.

Our report showed that, although U.S.-contributed funds were commingled with Government of Khmer Republic resources and could not be identified as payments to specific troops or units, the availability of such large amounts undoubtedly facilitated corrupt pay practices. An additionally significant factor was the rapid expansion of the Cambodian armed forces from a largely ceremonial force of between 28,000 and 35,000 to over 200,000 in less than 2 years. (B-169832, July 3, 1973.)

U.S. Assistance to the Khmer Republic (Cambodia)

The goals and objectives of U.S. economic and military assistance programs in Cambodia have been related to the military effort in Indochina. During fiscal years 1970-73 the United States provided \$516 million in military and \$216 million in economic assistance to

Cambodia, not including costs of combat air operations.

Our report to the Congress provided information concerning the administration and effectiveness of U.S. economic and military assistance. We reported that military members were not assigned as advisors but were acting beyond their primary function of auditing deliveries. Additionally, while executive branch expenditures probably did not exceed the 1972 ceiling, all costs were not reported.

We also reported that AID requested more money for economic assistance than the country could absorb and that the Cambodian tax policies delayed some commodities from being used in the economy.

We recommended that the executive agencies more fully inform the Congress of the type and organizational level of advisor assistance given to the Cambodian military and provide more complete reports on expenditures for all assistance-related activities. (B-169832, Oct. 10, 1973.)

Development Assistance to Korea

During fiscal years 1968-72, direct U.S. bilateral economic assistance to Korea totaled \$1,194 million and direct military assistance totaled \$2,635 million. Korea benefited also from the substantial U.S. expenditures made to support U.S. military forces in Korea and from additional sums received for sending its troops to Vietnam.

We reported to the Congress that, although U.S. assistance had undoubtedly stimulated Korea's economic expansion, it also may have inadvertently contributed to Korea's economic problems. For example, U.S. concessional aid has helped to make it possible for Korea to get large amounts of nonconcessional credit which has caused Korea's external debt situation to worsen. In addition, subsidization of food and fiber programs has built up Korean demand for imported products, thus adding to its trade gap.

We recommended that the Congress inquire into (1) Department of State and AID plans for terminating the development loan program for Korea and (2) reasons for the increased Public Law 480 program in Korea and uses to which the sales proceeds are being put. (B-164264, July 12, 1973.)

U.S. Grant Support to International Planned Parenthood Federation

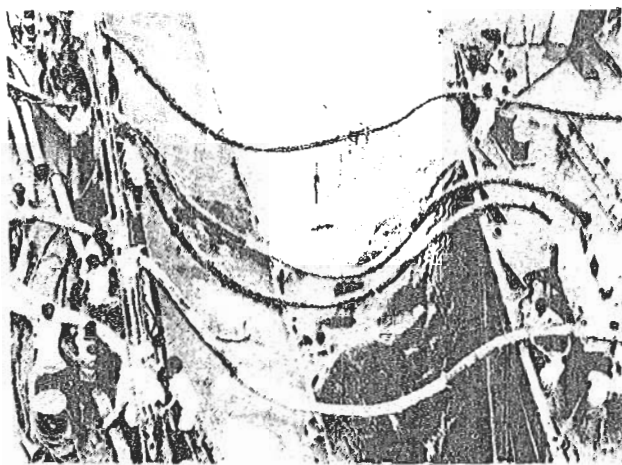
We reviewed the system of management control over \$10 million awarded annually by AID to the International Planned Parenthood Federation.

We found that, by mutual agreement, AID measures Federation performance on the basis of annual reports, audits by the Federation's office in London, and other internal information.

In our report to the Administrator of AID, we recommended that AID assist the Federation in formulating a specific phased plan for effective, timely implementation of management control. (B-173240, Sept. 14, 1973)

Use of SS *Manhattan* as Floating Silo During Bangladesh Food Crisis

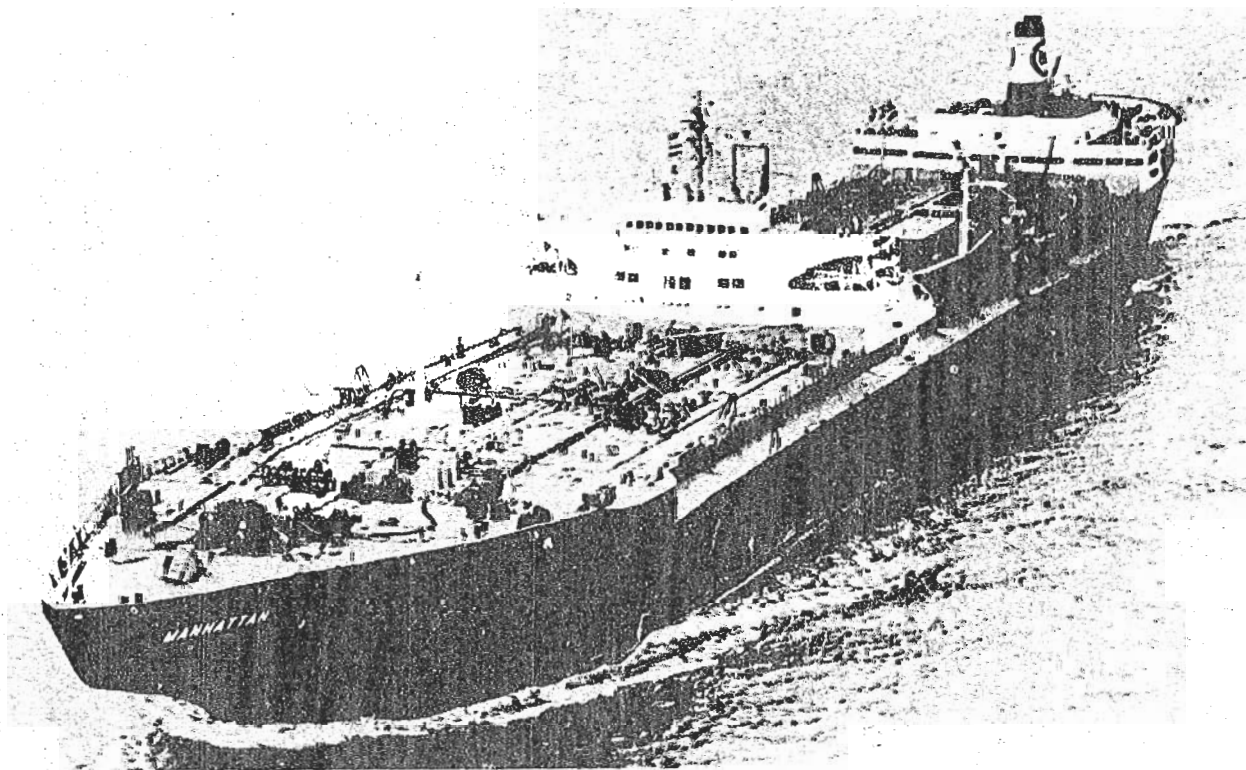
AID chartered the SS *Manhattan* to transport about 66,000 tons of wheat and to serve as a floating silo off the Bangladesh coast because it was the only ship offered that was in position to load wheat at gulf coast ports, was offered at the



The S.S. *Manhattan* offloading foodgrain. The ice armor protection protruding from the side of the vessel damaged several vessels while onloading and offloading grain.

lowest cost per deadweight ton, and was a U.S.-flag ship. Our review was performed at the request of Senator William Proxmire.

The U.N. Relief Operation, Bangladesh, accepted operational responsibility for the ship and AID did not directly monitor the ship's operations.



The SS *Manhattan*, the largest vessel in the U.S. Merchant Fleet, was used as a floating grain silo in the Bay of Bengal.

We noted indications that the charter of the *Manhattan* could possibly have been terminated in mid-September 1972 before the specified termination date of November 12, 1972, which would have resulted in savings of about \$925,000. (B-177521, Oct. 17, 1973.)

Followup Review of Refugee, War Casualty, Civilian Health, and Social Welfare Programs in Laos

The United States provided about \$50 million in assistance to Laos through the Agency for International Development in fiscal year 1973. About \$17 million was for social welfare or humanitarian assistance, including refugee assistance. The refugee programs' goal is to assist war victims in reaching a living standard comparable to that of nonrefugee villagers.

Our report to the Subcommittee on Refugees and Escapees, Senate Committee on the Judiciary, showed that, in the health area, greater emphasis was being placed on traditional public health and preventive medicine programs. However, indigenous medical capabilities are still insufficient to meet public health needs in Laos. (B-133001, June 10, 1974, Secret.)

Educational Assistance to Brazil

We reported to the Congress on the effectiveness of and need for U.S. Assistance to education in Brazil—a country whose foreign exchange reserves at the start of 1973 were about \$4.2 billion. Brazil received about \$187 million in direct and indirect education aid for fiscal years 1965 to 1972.

We observed that the U.S.-supported educational assistance program was not designed to improve inequities in the Brazilian education system; U.S. efforts were directed to solving the basic cause of the shortage in qualified primary school teachers. Brazil had not complied with financial commitments in the U.S. loans requiring increases in its federal resources for education, and planned increases in secondary school enrollment were being adversely affected by school site locations. We also reported that external assistance to Brazil needed improved coordination. Activities and programs provided by some donors in the education sector overlapped, involved duplication or marginal benefits, and supported conflicting objectives.

We recommended that the Secretary of State and the Administrator of AID correct or alleviate identified planning, implementation, and evaluation problems and develop policy guidance on appropriateness of providing U.S. assistance to a country allocating a substantial share of its public education resources to private schools.

We also recommended legislative action that would require the Department of State and AID to identify precisely and objectively that point at which a country, such as Brazil, no longer requires U.S. concessional assistance. (B-133283, July 30, 1973.)

U.S. Government Programs and Activities in Panama

We reported to the Secretaries of State and Defense on our survey of U.S. Government programs and activities in Panama. The survey report contained information and observations on the status and the future direction of U.S. programs and identified problems or issues affecting them.

Our survey noted that the activities of the major U.S. bilateral programs in Panama are closely tied to successful negotiation of the new canal treaty. The canal issue tends to override other considerations that could affect the direction, magnitude, or scope of such activities as the economic assistance program administered by AID. The size and sensitivity of U.S. programs in the Canal Zone will necessitate skillful management to coordinate all U.S. activities affecting Panama. (B-114839, May 22, 1974.)

Audit Work in Process

Reviews in process at the end of the year included work on AID's overhead expense for administering the foreign assistance program, U.S.-owned foreign currencies, grade structure and grade levels in AID, U.S. assistance to Thailand, U.S. funding of public safety and related programs in Vietnam and 17 other countries, and a worldwide review of AID's housing investment guaranty program.

International Trade and Finance

We reviewed and reported on a number of international trade and finance matters, including the results of operations of U.S. corporations

to support U.S. investments in foreign countries and to further the export of U.S. commodities.

We prepared 30 reports on these programs: 10 to the Congress, 11 to committees or Members of Congress, and 9 to agency officials.

The Comptroller General appeared before a joint hearing of the Senate Committees on Commerce and Government Operations in April 1974 to discuss our report concerning U.S. actions needed to cope with commodity shortages. He also appeared before the Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs in April 1974 to discuss the waiver provision of section 2(b)(2) of the Export-Import Bank Act, as amended. We concluded that the waiver provision may be properly exercised only for individual transactions determined by the President to be in the national interest.

In October 1973 we appeared before the Subcommittee on International Finance, Senate Committee on Banking, Housing and Urban Affairs, to present our observations on the management of the Export-Import Bank resulting from our recent reviews and to offer some comments on selected provisions of pending legislation being considered by the Committee.

We also appeared in July 1973 before the Subcommittee on Multinational Corporations, Senate Committee on Foreign Relations, to discuss our report on the management of investment insurance, loan guarantees, and claim payments by the Overseas Private Investment Corporation.

Public Law 93-155, section 812 (Jackson-Nunn amendment), states that the President should seek payments sufficient to offset fully any balance-of-payment deficit incurred by the United States during the fiscal year ended June 30, 1974, as the result of deployment of U.S. forces in Europe in fulfillment of NATO treaty commitments and obligations. Further, the Secretary of Commerce shall, in consultation with the Secretary of Defense and the Comptroller General of the United States, determine this balance-of-payment deficit. An International Division representative and supporting staff are participating in an interagency working group chaired by Commerce in determining the military balance-of-payment deficit.

U.S. Actions Needed to Cope With Commodity Shortages

Many agricultural, industrial, mineral, and raw material commodities have been plagued by shortage problems in the United States and worldwide during 1973 and early 1974.

Commodity shortages in the United States have been accompanied by the highest rate of inflation in more than 20 years, booming agricultural exports, rising mineral and fuel imports, and restricted export of certain commodities.

We concluded the U.S. Government does not have an effective planning, policy analysis, and policy formulation system for basic commodities. We made a series of recommendations to strengthen the executive branch departments, agencies, and policy councils concerned with the commodity policy process.

We said that the Congress, in its legislative deliberations, should consider (1) executive branch agency actions being taken, (2) recommendations for improving agency capability for coping with commodity problems, and (3) need for legislation to establish a centralized mechanism for developing and coordinating long-term policy planning. (B-114824, Apr. 29, 1974.)

Need for Better Identification and Analysis of Nontariff Barriers to Trade

Despite the importance of adequate information, the ultimate results of nontariff barrier negotiations depend largely on the degree of commitment to reducing such barriers demonstrated by foreign countries. Given the reciprocal nature of the internal negotiations, results also depend on U.S. willingness to negotiate comparable concessions on its nontariff barriers.

We recommended that increased efforts be made by the Secretaries of State and Commerce, in consultation with the President's Special Trade Representative, to identify foreign barriers through Embassy, industry, and other available sources. Embassies should be kept informed of broad policy and specific developments to facilitate these efforts. (B-162222, Jan. 21, 1974.)

Economic and Foreign Policy Effects of Voluntary Restraint Agreements on Textiles and Steel

This report pursuant to a congressional request provided information on legal authority, costs, and effects to the U.S. Government and American consumers of the so-called voluntary agreements which limit the import of foreign textile and steel products to the United States.

The report recognized the dilemma presented by the need to preserve vital industries, maintain high employment, and encourage technological advances in the United States on the one hand and the growing interdependence among nations to trade products necessary for their well-being on the other. (B-179342, Mar. 21, 1974.)

Foreign Visitor Travel to the United States Can be Increased

Programs of the United States Travel Service were reviewed to find out if they could be made more effective in encouraging people of other nations to visit the United States.

Travel receipts from foreign visitors to the United States were considerably less than those from Americans traveling abroad. This so-called travel gap has been a leading contributor to the U.S. balance-of-payment problems in recent years.

We found that international travel competition is difficult and that the Travel Service needed to develop a variety of package tours for the United States to compete more effectively with other travel destinations.

This report shows the Congress that much work needs to be done by the Travel Service to offset the increased travel gap and its significant addition to the overall U.S. balance-of-payments deficit. (B-151399, Nov. 12, 1973.)

Ways to Improve U.S. Foreign Trade Strategies

This report to the Congress focused on the Departments of State, Commerce, and Agriculture, the principal agencies involved in planning and carrying out U.S. commercial activities abroad.

These agencies have not developed clearly stated objectives for foreign markets which reflect coordinated consideration of U.S. trade

objectives and activities needed to attain them.

As a result, foreign markets are not analyzed systematically to identify areas of prime commercial importance nor are export strategies adapted to the peculiarities and special opportunities of individual markets. (B-172255, Nov. 23, 1973.)

Management of Investment Insurance, Loan Guarantees, and Claim Payments by the Overseas Private Investment Corporation

This report to the Chairman, Subcommittee on Multinational Corporations, Senate Committee on Foreign Relations, indicated that the Overseas Private Investment Corporation had made progress in initiating procedures to obtain more comprehensive information on the developmental effect of projects.

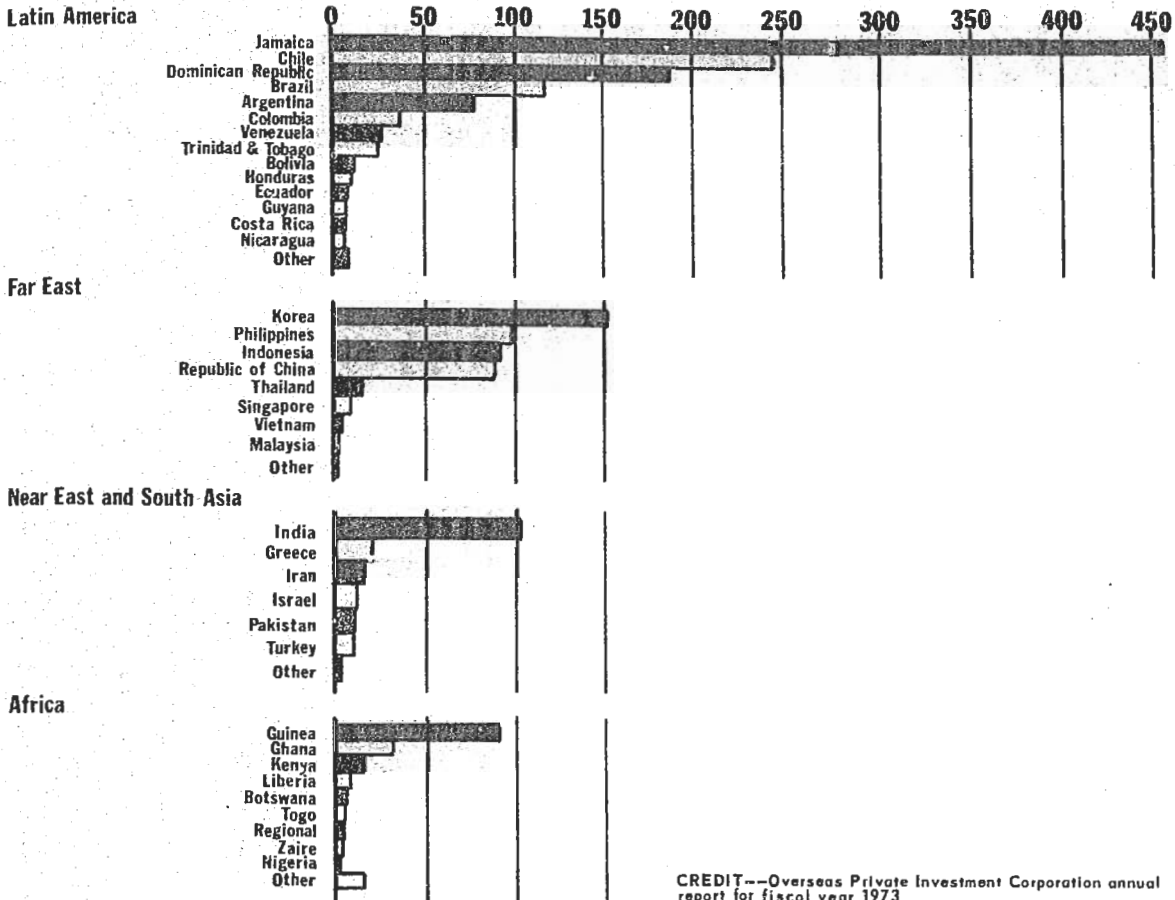
The Corporation's concern, as it attempts to conduct its insurance program with due regard to principles of risk management, logically focuses on its vulnerability to catastrophic losses. The potential for such losses is contingent on the concentration of insurance by country and industry and on the size and form of investments insured. The Corporation's efforts to reduce its risk include co-insurance with investors, participation with foreign nationals and organizations in insured projects, modification of contractual terms, and seeking to increase the number of countries participating in the insurance program.

Setting limits on the concentration of insurance coverage in individual countries is desirable in order to avoid increasing the potential for a catastrophic loss. However, even with the limited concentration, catastrophic losses would compel the Corporation to ask the Congress for funds to satisfy claims, since the Corporation's insurance reserve and unrestricted retained earnings are much less than the potential liability in these countries.

The Corporation's assessment of political risk in countries with insured projects forms the basis for decisions to suspend or terminate insurance programs.

The Corporation's monitoring system appears adequate to provide access to the most current and complete information available to assess political risk in program countries. Its more recent procedures, if properly implemented,

Current world-wide expropriation exposure by country reduced by reinsurance in \$ millions



CREDIT—Overseas Private Investment Corporation annual report for fiscal year 1973

should provide reasonable assurance that U.S. interests are protected. (B-173240, June 16, 1973.)

Audit Work in Process

At the end of the fiscal year we were reviewing such trade matters as (1) the Government's role in East-West trade activities, (2) U.S. quantitative import restrictions, (3) export of U.S. technology, and (4) U.S. trade policies toward developing nations. We were also examining the financial statements of the Export-Import Bank, the Overseas Private Investment Corporation, and the Inter-American Foundation. Other reviews in process concerning international finance matters included the (1) liquidation of the Foreign Military Sales Fund, (2) ability of certain countries to repay or accelerate

repayments of indebtedness to the United States, and (3) costs in providing overseas military banking facilities.

United States Overseas Information Activities

In view of the significant changes in the world and its peoples, a reform may be needed in the policies and operations of the United States Information Agency to communicate America's story to the world more effectively. Such reform must be predicated on the long-range U.S. objectives to be achieved in this and future decades.

We believe that the Congress, with its oversight responsibility for Government activities, is

in a good position to evaluate varied aspects of the overseas information program and related political, economic, and strategic ramifications.

Accordingly, we suggested that the Congress might wish to assess the objectives and goals of the program, determine the types of peoples to be reached, and establish policies and priorities necessary for telling America's story to the world. We also believe that the Congress should require the Agency to develop a formal program evaluation system and to report annually the results of its evaluation efforts. (B-118654, Mar. 25, 1974.)

Other International Activities

The administration of foreign affairs, involving U.S. representation in over 100 countries, requiring management and operation of U.S. Embassies, consulates, and other U.S. installations, is primarily administered by the State Department. We prepared one report to the

Congress, one to a committee, and two to agency officials.

Some Progress in Improving Management of Government-Owned and Leased Real Property Overseas

The Department of State holds about 1,600 real properties, worth from \$600 million to \$700 million, in 238 overseas cities to support U.S. foreign operations. Operating and maintenance expenses on these properties are about \$20 million yearly. In addition, about 3,100 properties are leased at \$17 million annually.

In a 1969 report we made recommendations to the State Department for improving its management of real property. The Department has made encouraging progress in carrying out some of these improvements, but it has not accomplished all that was anticipated.

Based on our followup review, we made a number of recommendations to continue improving the management of real property overseas. (B-146782, Mar. 28, 1974.)



American Cultural Center, Nairobi, Kenya.

Service Contracts in Laos

At the request of the Chairman, Foreign Operations and Government Information Subcommittee, House Committee on Government Operations, we reviewed several contractual arrangements, including those between the U.S. Embassy and a nonprofit association established and operated by the Foreign Service officers and employees of the U.S. mission.

The contractual arrangements, including the hiring of 1,000 local personnel, were entered into because of the limited authority placed on the U.S. Embassy by the Department of State. The Embassy had authority to hire up to 84 local employees.

U.S. Embassy personnel did not comply with State Department regulations because they directly supervised the contractor personnel and retained the right to hire and fire individual employees. Embassy officials told us the services were required and wartime conditions prevailing in Laos necessitated obtaining the services in this way. Since the contractual arrangements did not constitute arms-length transactions, we believed the contracts should have been terminated and alternative arrangements made.

Subsequently, the State Department acted to correct the operations. (B-178299, Oct. 20, 1973.)

Limited Progress Made to Improve the Financial Administration and Recovery of Costs—Consular Services Program

In 1971, we reported to the Congress on the need for improvement in the financial administration and revision of fees of the consular services program. (B-118682, Apr. 14, 1971.) Our followup review indicated that only limited progress had been made.

Our latest review recommended to the Secretary of State that he establish a definite time limit for carrying out the recommendations of our previous report. (B-118682, Apr. 25, 1974.)

Work in process

We had the following reviews in process at the end of the fiscal year 1974.

- Review of overseas benefits and allowances paid to U.S. Government employees.
- Review of the administration and operations of the Foreign Gifts and Decorations Act of 1966 and subsequent legislation, executive orders, and regulations. (Request of Acting Chairman, Senate Foreign Relations Committee.)
- Review of Government-industry opportunities to better insure future availability of critical mineral sources.
- Review of the progress of United States-Soviet Union cooperative programs.

Country Surveillance Activities

In addition to the country reviews of Bolivia and Brazil in process at the end of the fiscal year, we started a program of quick surveys of selected countries. These surveys are not designed to provide external reports but to provide the International Division with information for use in planning and programming its work.

During fiscal year 1974, we conducted country surveys in Panama, Venezuela, Chile, Singapore, Bangladesh, Indonesia, Ethiopia, and the Arabian Peninsula States.

Foreign Visitors

Each year GAO receives numerous visitors from foreign countries who seek information about how we operate and our role in relation to activities of the executive and legislative branches. Many of these visitors are students of foreign countries whose visits to the United States are sponsored under U.S. foreign assistance programs.

During fiscal year 1974 GAO representatives met with individuals and groups from 29 countries, the United Nations, Commission of European Communities, and the North Atlantic Treaty Organization. The visiting foreign nationals included officials of embassies, audit organizations, national banks and finance, budget, treasury, and other departments; members of legislatures; staff members of international organizations; and others holding senior financial management positions in government.

CHAPTER THIRTEEN

TRANSPORTATION AUDIT AND CLAIMS SETTLEMENT

Responsibilities

The Transportation and Claims Division is responsible for determining the correctness of charges paid for freight and passenger transportation services furnished for the account of the United States, recovering overcharges, and settling transportation claims both by and against the Government. It also settles and adjudicates all general claims and demands by or against the United States. In settling transportation and general claims, it furnishes technical support and other assistance to the Department of Justice in its prosecution or defense of suits to which the United States is a party.

This division also reviews, evaluates, and reports on the claims settlement, debt collection, and transportation activities of Government agencies and assists agencies in improving their effectiveness in these activities.

The director of this division is Thomas E. Sullivan. Deputy directors are Ralph E. West and John P. Gibbons. An organization chart of this division appears on the following page.

Transfer of Transportation Audit

We are continuing to pursue the automation of our transportation audits and to make our audit systems compatible with agency management and fiscal systems. This approach is consistent with our long-term objective of placing the prime audit responsibility in the executive branch by transferring the audit function by July 1, 1976, to an agency or agencies to be designated by the director, Office of Management and Budget.

Legislation introduced in the 93d Congress to revise and restate certain functions and duties of the Comptroller General (H.R. 12113 and S.3013) included a separate title providing for this transfer. Hearings on this legislation were held by the House Committee on Government Operations on June 5 and 6 and by the Senate Committee on Government Operations on August 7, 1974.

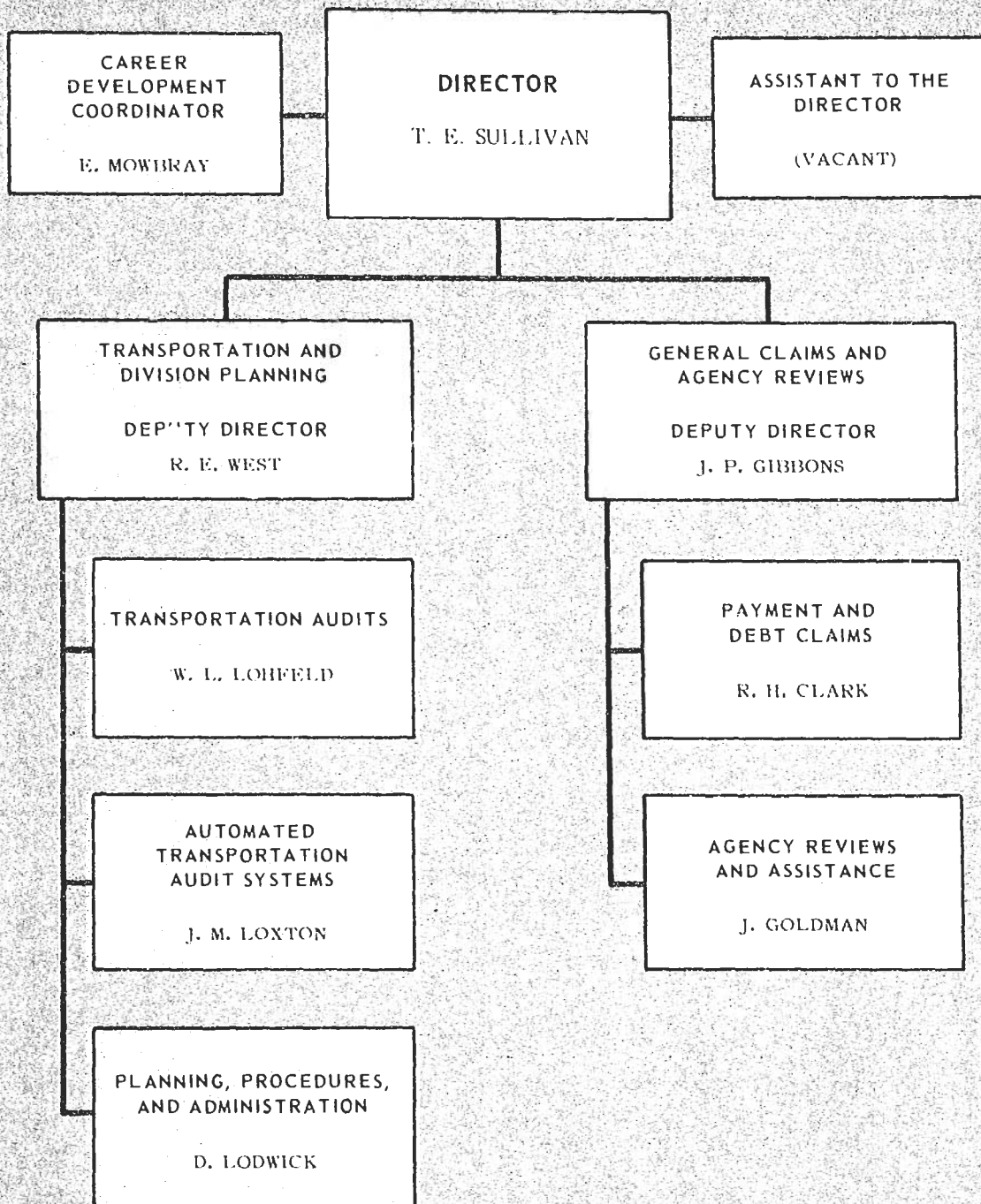
A steering committee has been established to facilitate the transfer of the rate audit, protect the rights and safeguard the interests and well-being of rate audit personnel, streamline rate audit operations, and provide for the organization and management of residual transportation functions.

State Department Overseas Payments

As a result of our survey, we authorized the Secretary of State to audit the Department's foreign transportation payments and retain all transportation vouchers and related documents paid by the Department at overseas offices. Implementing regulations of the State Department established January 1, 1974, as the effective date for the changeover. GAO has retained overview responsibility for the audit of these payments. (B-155021, Oct. 23, 1973.)

Military Airlift Command Payments

Following our approval of a Military Airlift Command-designed form to be used in lieu of the Government bill of lading and the Government transportation request in the procurement of certain types of Department of Defense traffic, we authorized the Military Airlift Command to audit and retain all vouchers and related

TRANSPORTATION AND CLAIMS DIVISION

JUNE 30, 1974

documents covering its contract airlift services. GAO has retained overview responsibility for this audit. (B-114435, B-155021, Oct. 23, 1973.)

Transportation Payments

The Federal Government spends about \$1.5 billion annually for commercial transportation services directly procured on standard forms. GAO audits the charges for these services on the basis of paid bills submitted by Government agencies. Expenditures for other directly procured commercial transportation services, consisting primarily of contract services covering the transportation of mail, commercial ocean services paid by the Military Sealift Command, and transportation services paid by Government corporations, are audited onsite.

The Government also spends several billion dollars annually for operating military transportation fleets, moving civilian employees' household goods on a commuted basis, reimbursing transportation charges incurred by cost-type contractors, and other indirect transportation services. These expenditures are covered in our reviews of selected activities and programs of the various agencies.

Federal agencies are required to pay the bills of carriers upon presentation and before audit by GAO. Because accountable officers are exempted by law from liability for any overcharges by carriers improperly applying rates or charges on services procured by standard forms, paid transportation bills are submitted to us for central postaudit, for determination of overcharges, and for recovery of overcharges direct from the carriers.

During the fiscal year we audited 4 million

bills of lading covering freight shipments for which the Government had paid over \$1.1 billion and 2.1 million transportation requests procuring passenger transportation services for which the Government had paid about \$352 million. As a result, we issued 70,082 overcharge notices to commercial carriers requesting refunds totaling \$11.3 million. Collections from carriers, totaling \$9.5 million, were credited to the pertinent basic appropriations of the procuring agencies or, when this was not possible, deposited in the Treasury as miscellaneous receipts. A summary of this activity for fiscal year 1974 is shown below:

The amount of the payments audited was about 7 percent more than that in the prior year, whereas the amount of the overcharges detected and reported to carriers was about 5 percent less. Our audit work was performed with 15.5 percent fewer man-hours than were used in fiscal year 1973. A schedule showing transportation audits and collections for fiscal years 1965-74 is included in appendix 9.

Our audit work also includes examining certain types of carriers' bills before payment by agency disbursing officers to fully protect the Government's interest. During the year we examined 754 original unpaid bills for \$1 million on which we disallowed about \$105,000 as being in excess of the proper contract and/or tariff rates.

In our transportation audit, we identified hundreds of shipments involving transportation services which, although procured at the legal rates, resulted in excess costs that were not recoverable from the carriers. These traffic management errors resulted from the selection of uneconomical routes, modes of carriage, or types of service. We brought the errors to the attention of proper agency transportation officials for necessary corrective action.

BILLS OF LADING AND TRANSPORTATION REQUESTS AUDITED DURING FISCAL YEAR 1974

	Number	Amount paid	Notices of overcharge issued	
			Number	Amount
Bills of lading	4,034,849	\$1,167,191,545	61,790	\$10,400,666
Transportation requests	2,113,401	352,562,097	8,292	856,318
Total	6,148,250	\$1,519,753,642	70,082	\$11,256,984

Transportation Claims

Under our claims settlement authority, we adjudicate transportation claims against the United States, with certain minor exceptions. Excepted are claims for loss or damage, accessory or supplementary transportation services, and amounts due because of carrier errors in computing the original bills, which may be settled by administrative agencies. These claims are, however, reviewed in our audit of paid vouchers.

We received 8,803 transportation claims during the year and settled or otherwise disposed of 9,838 claims for a little over \$3.8 million. These claims were carriers' supplemental bills for changes in their original charges or demands for replacement of overcharges we had collected. In disposing of these supplemental bills, we certified \$2.1 million for payment and disallowed or terminated \$1.7 million. A summary of this activity is shown below.

A schedule showing transportation claims settled during fiscal years 1965-74 is included as appendix 9.

Payment Claims

Government agencies have primary responsibility for paying obligations incurred in connection with their operations. Two classes of claims, however, must be adjudicated by GAO before payment can be made or denied: (1) those in which such reasonable doubt exists as to preclude action by the administrative agency in the absence of specific statutory authority and (2) those in which the law specifically prohibits payment by the administrative agency before our adjudication. We also consider those reclaims of items previously denied by administrative agen-

cies that cannot be properly corrected at the agency level.

Claims against the United States arise from every kind of Government transaction and are received from private citizens; Government personnel, both civilian and military; business entities; and State and foreign governments. The categories of claims include Government contracts; compensation due civilian and military personnel, including overtime and premium pay; quarters and cost-of-living allowances; travel; transportation of household effects; per diem; allowances on changes of official station; retirement pay; compensation due deceased civilian officers, employees, and members of the Armed Forces and the National Guard; and miscellaneous claims of Government personnel and public creditors.

On July 1, 1973, we had on hand, exclusive of transportation claims, 2,538 claims against the United States. During fiscal year 1974, we received 8,951 claims and made settlement on 8,157 in the total amount of \$142.4 million. As of June 30, 1974, 3,332 claims remained on hand. During the fiscal year, we also took final action on 570 additional claims which were barred because of the 10-year statute of limitations on filing claims in the General Accounting Office.

Debt Claims

Government agencies are primarily responsible for collecting debts arising from their activities. The agencies are required, however, to report to us valid debts on which they have been unsuccessful in their collection actions and cannot obtain compromises or suspend or terminate collection actions.

TRANSPORTATION CLAIMS RECEIVED AND SETTLED DURING THE FISCAL YEAR 1974

Class of claims	On hand			Settled		On hand
	July 1, 1973	Received	Number of claims	Amount claimed	Amount allowed	June 30, 1974
Freight	7,735	7,955	9,060	\$2,964,803	\$1,395,796	6,630
Passenger	472	848	778	851,099	742,769	542
Total	8,207	8,803	9,838	\$3,815,902	\$2,138,565	7,172

For debts reported to us for collection, we locate debtors whose addresses are unknown, procure information on their financial status, and issue letters of explanation and demands for payment. We make every effort to identify amounts due debtors by the Government for application against their debts. Debtors who cannot pay the entire amount of their debts at one time may make payment in monthly installments commensurate with their ability to pay. When our efforts to obtain payment of a debt are unsuccessful, we refer the case to the Department of Justice for suit, provided that the debtor's financial circumstances warrant such action.

We adjudicate debt claims submitted by other agencies because of doubt as to the amount due, the legal liability of the parties involved, or the action to be taken. We similarly adjudicate disputed claims against debtors when such is requested by the debtors, their representatives, or the agencies concerned.

On July 1, 1973, we had on hand 29,680 claims by the United States with a face value of approximately \$59 million. During fiscal year 1974, we disposed of 26,580 debt cases resulting in collections totaling \$4.9 million.

On June 30, 1974, 42,952 claims (other than waiver cases) with a total estimated value of \$89.4 million were on hand or under referral to the Department of Justice. Of these, 9,376

claims representing accounts receivable of \$6.3 million were under collection in GAO and 5,426 claims representing \$5.9 million were under collection in Justice. Thus, 14,802 claims with a combined value of \$12.2 million were under collection.

We have authority to arrange compromise settlements on claims which do not exceed \$20,000, exclusive of interest. Compromise offers involving claims for larger amounts are referred to the Attorney General with our recommendations for disposition.

During fiscal year 1974, we solicited 16,176 compromises from debtors and made 386 compromise settlements in which \$224,728 were accepted in liquidation of debts totaling \$525,755. Compromise settlements accepted by GAO are final and are conclusive on the debtor and on all U.S. officials, agencies, and courts.

Executive agency heads are authorized to waive claims for overpayment of pay to civilian employees and military personnel in certain cases involving less than \$500. Only GAO can waive claims for more than this amount or claims that are the subject of an exception made by GAO in the account of any accountable officer.

During fiscal year 1974, we processed 547 requests for waiver of erroneous payments of pay totaling \$610,534. We granted waiver requests for the full amount in 323 cases



The Supervisory Council of the Transportation and Claims Division, organized in 1972, serves as a medium through which supervisors participate with management to improve communications, resolve problems, and improve working relations. Its membership has included, from the left, seated, Elmira H. Brooks; Joseph Yusas; Harold A. Weigler; Delmas L. Allen; T.E. Sullivan, Director; Ruth V. Rexrode; Sylvia S. Snyder; Harold J. Charles, Jr.; and Joyce M. Cregger. Standing, left to right, Alberta Tatum; William F. McDade, Jr.; Lester H. Finetti, Jr.; and David Lodwick, Assistant Director.

amounting to \$309,836 and denied 181 requests totaling \$221,156. The remaining 43 cases were denied in part—\$59,098 were waived and \$20,444 were denied.

Agency Reviews and Assistance

During the year we prepared nine reports covering reviews of Federal agency transportation and traffic management activities and payment and debt claims activities. Six reports were submitted to individual Members of Congress and three to agency officials.

Transportation and Traffic Management

Government Use of Section 22 Quotations

At the request of Senator Philip A. Hart, we investigated the use of rates and charges under section 22 of the Interstate Commerce Act. We prepared two reports on the subject: the first, to suggest language to be used should legislation be introduced to insure that section 22 rates would be compensatory while retaining flexibility and the second, to summarize our analysis of rail carload freight moving during a 7-month period for the Department of Defense.

We reported that the Department of Defense had utilized rates under section 22 for shipping about 5.3 billion pounds of rail carload freight for which the related line-haul transportation charges totaled about \$80.8 million. These shipments constituted 77 percent of the total carload weight shipped during the period and 81 percent of the related line-haul charges.

On the basis of rail carload cost scales published by the Interstate Commerce Commission, we estimated that the carriers' fully allocated costs of transporting the 5.3 billion pounds were about \$37.2 million and the variable costs were about \$29.4 million. The charges paid under section 22 were \$43.6 million above the carriers' fully allocated costs and \$51.4 million above the carriers' variable costs. Had payment for these section 22 shipments been made on the basis of available tariffs, the cost to the Government would have been increased by about \$105.6 million. The tariff charges, however, were \$149.2 million above the carriers' fully allocated

costs and \$157 million above the carriers' variable costs.

Our study clearly showed that the overall charges for rail shipments under section 22 were not only compensatory but also well above the carriers' costs of providing the service. We are continuing our investigation and will report on our analysis of motor and household goods shipments. (B-177692, July 23, 1973, and Apr. 9, 1974.)

Consolidation of Freight Shipments

At the request of Congressman Wayne Owens, we investigated the extent of consolidation of air freight shipments moving from Ogden Defense Depot, Utah, to points in California.

We reported that about 27 percent of the shipments reviewed could have been consolidated with other shipments. Although the savings from each consolidation would have been small, the savings over a period of time could have been significant. We are continuing this review to determine the validity of the reasons for nonconsolidation of the shipments and to see what actions can be taken to resolve the situation. (B-180616, Apr. 5, 1974.)

Unjust, Unreasonable, or Discriminatory Rates

Congressman E. de la Garza requested that we investigate rail rates for shipping manufactured products, agricultural commodities, and raw materials between various points in the continental United States to determine whether such rates were unjust, unreasonable, or discriminatory.

We informed Congressman de la Garza that the Interstate Commerce Commission and not the General Accounting Office had this responsibility. We did, however, analyze various comparative domestic and import rates and reported that there was no consistent pattern to the rates from specific origins to the same destinations. (B-179218, Apr. 4, 1974.)

Controls and Procedures for Unused Passenger Tickets

We reported to the Director, ACTION, that Government funds were being lost because of that agency's inadequate controls and procedures for recovering the value of unused passen-

ger tickets from carriers. This inadequacy still existed even though the agency had promised, after each of our two prior reports on the matter, to take corrective action. ACTION officials have now issued written instructions for handling and controlling unused tickets and for forwarding documentation to the General Accounting Office and have assigned full-time personnel to carry out the instructions. (B-153862, Sept. 20, 1973.)

Payment and Debt Claims

Procedures for Recovery of Defaulted Student Loans

A request by Congressman Samuel L. Devine concerned the defaulting of loans made under the guaranteed student loan program administered by the Office of Education, Department of Health, Education, and Welfare. We reported that, as of August 31, 1973, commitments had been made by the Office of Education to guarantee 2,579,725 student loans amounting to over \$2.6 billion and that the Office had not yet formulated a national tuition refund policy because of recent complexities that required an intensive review. (B-117604(7), Nov. 5, 1973.)

Repayment of student loans must be made within 10 years, exclusive of any deferment period, and must be initiated no later than 9 to

12 months after the date on which the student leaves school or ceases to carry the prescribed academic workload. All of a debtor's remittances are applied to the outstanding principal until it has been repaid, with subsequent remittances applied to accrued interest. This policy is predicated on the Office of Education's interpretation of the legislative history of the Higher Education Act of 1965 and the policy applied to reinsured loans.

In the first 5 fiscal years of the program, 30,453 loans were defaulted and, in fiscal year 1973 alone, 35,366 were defaulted, for a total of 65,819 loans amounting to over \$61.9 million. As of July 31, 1973, the agency had only 22 field employees assigned to collecting defaulted student loans, although 41 additional positions were allotted to the 10 regional offices during fiscal year 1972. These 22 employees actually spent about 57 percent of their time on collection activities.

For several years we have been concerned with the need for a strengthening of efforts by this agency to collect defaulted loans under this program. As early as January 1971, we called attention to the inadequacy of the collection program; we have also reported the situation to the Congress in several reports.

After our audit of the fiscal year 1973 financial statements of the student loan insurance



The Employee Advisory Council of the Transportation and Claims Division, a group of nonsupervisory employees organized in 1971, serves as a communication medium between management and nonsupervisory employees of the Division. Among those who have served on the Council are, from the left, seated, Celestine J. Clinkscale; Calvert Evans; Joseph M. Napoli; John P. Colliere; Regis T. Skeehan, Jr.; T.E. Sullivan, Director; Arthur C. Lilly; Richard H. Mulrooney; William C. Town; and Felicia M. Castronovo. Standing, left to right, Benjamin Wertheimer; Fred E. Seets; Robert H. Richardson; Leonard L. Bryant; Robert E. Fetner, Chief, Planning, Procedures and Internal Review Staff; and Nicholas Corbet.

fund, we informed the Secretary of HEW on August 6, 1973, that adequate action was not being taken to improve efforts to collect defaulted loans. We also informed the Secretary that the Office of Education was not complying with the Federal Claims Collection Act of 1966 and the joint standards issued by GAO and the Attorney General and that the agency must allot sufficient resources to establish and maintain effective collection operations. Steps must be taken to correct the situation so that the Office of Education can effectively discharge its responsibility for collecting these debts in accordance with the act and the standards. (B-117604(7), Nov. 30, 1973.)

Other Traffic Management and Transportation Activity Assistance

During the year, our assistance to various Government agencies in other aspects of their traffic management and transportation activities included:

- Assisting the General Services Administration in seminars and workshops held in Washington, D.C.; Baltimore; New York City; Los Angeles; and San Francisco to inform Government, contractor, and commercial carrier personnel on the revised Government bills of lading and attendant procedures and assisting GSA in revising its handbook, "How To Prepare and Process U.S. Government Bills of Lading."
- Providing guest lecturers at the Army Transportation School, Fort Eustis, Virginia, and at the Traffic Management Container Conference held by the Military Traffic Management and Terminal Service in Oakland, California.
- Considering and acting on various requests from administrative agencies for permission to deviate from established procedures to provide more economical and efficient traffic management.
- Furnishing passenger fares and other transportation data to the Department of Labor for preparing the monthly consumer price index.
- Furnishing information on freight rates, household goods rates and passenger fares and charges to the Department of Defense.

- Auditing the transportation accounts of the U.S. Postal Service on a reimbursable basis.

Technical Assistance

We continued to provide technical assistance to the Department of Justice in its prosecution and defense of transportation suits by or against the United States and in proceedings before the Interstate Commerce Commission. As part of this assistance, transportation specialists participated in numerous conferences with Department members. As noted before, our assistance to the Department regarding general claims is limited to referring debts and advising on compromise offers.

We reported debts against carriers involving 567 items totaling \$117,957 to the Department for collection. During the fiscal year, similarly reported debts covering 485 items totaling \$128,050 were settled by collecting \$59,434 through judgments, compromises, or otherwise.

The Department of Justice notified us that carriers had filed 77 suits covering 18,406 shipments. Of that number, 41 suits, covering about 16,000 shipments, involved international movements of household goods by the Department of Defense, for a total of 895 suits involving approximately 928,000 shipments in litigation in the Court of Claims. No additional suits have been filed in this case subsequent to August 15, 1973, in accordance with an agreement confirmed by the attorney of record for the plaintiffs.

Following the filing of a "Stipulation of Counsel" in connection with two suits to facilitate the audit and disposition of the household goods claims, representatives of the plaintiff and the Government agreed to use sampling procedures in settling claims on shipments moving from March 1, 1963, through September 30, 1970, subject to the terms of military basic tenders. Applying this system to 700,000 Government bills of lading in the universe produced a maximum of 16,000 Government bills of lading for sampling. Damages are being computed on 8,000 sample shipments by application of the court's decisions and the stipulation of counsel, with a target of a 95-percent confidence level and sampling error not to exceed 10 percent. The average value per ship-

ment is being applied on a case-by-case basis to determine damages under rule 131(c) proceedings of the Court of Claims.

We have audited 4,000 of the 7,800 claims schedules received from the plaintiff as of June 15, 1974, and have, in response to a June 10 order from the Court of Claims, furnished the attorney for plaintiff our responsive claim schedules on the first 3,000 claims in the sample. This order also specified that the Government would conduct an onsite audit of the plaintiff's claims and supporting proof of claims at Orange, California. We have completed preparations for complying with the court order.

In the same period, we furnished technical advice and other assistance to the Department of Justice in 30 suits for \$4,442,350 involving 4,104 shipments. Twenty suits, the subject of reports in this or prior years, involving 1,311 shipments and \$384,628, were settled by payment of judgments for \$128,702 and by dismissal or withdrawal of the balance.

The collection of motor carrier overpayments is another activity of continuing importance in our audit and legal assistance work. Overpayments arise when carriers apply unjust and unreasonable rates as defined by the Interstate Commerce Act. Reparations for such overpayments to motor carriers may be recovered only through suits filed in the U.S. district courts. During the year we prepared reports on 2 motor carrier overpayments involving 19 shipments and claimed reparations of \$11,275. We referred 5 cases to the Department of Justice, which has filed suits on most of them. When advised of unjust and unreasonable rate situations, certain motor carriers voluntarily refunded over \$54,000 in overpayments on 127 shipments.

Transportation Documentation And Procedures

During the year, we implemented the documentation and procedural recommendations contained in the Joint Agency Transportation Study report, completed in 1970.

We promulgated joint standards, developed with the Treasury Department, which will govern payments made under the Transportation Payment Act of 1972 (Public Law 92-550). Further, we advised that Government depart-



GAO employees searching the claims locator card files. This file is a permanent record of the 8 million claims (other than carrier transportation claims) considered by GAO since its establishment in 1921.

ments and agencies using commercial forms and procedures to procure transportation services for certain types of small shipments and paying charges from imprest funds in accordance with the GAO Policy and Procedures Manual for Guidance of Federal Agencies (5 GAO 3017, as amended) were authorized to make payments in cash at origin or destination in advance of completion of service upon carrier presentation of the proper documents required by the Transportation Payment Act of 1972. Use of cash for this purpose is to be optional and is to be implemented only upon mutual agreement between the agency and the carrier or forwarder involved.

Government-wide adoption of the new Government bills of lading Standard Forms (SF 1103 and 1131), recommended by the Joint Agency Transportation Study, now enables carriers and forwarders of Government freight to receive Government bills of lading with the tendered shipments and to bill charges on their own certifications of delivery rather than on consignees' certifications. Because of the radical changes in format and procedures, a direct cutover from the old to the new forms was made mandatory as of April 1, 1974.

The new Joint Agency Transportation Study-recommended Government Transportation Request became available in May 1974 for the procurement of passenger transportation services.

Since changes in the form were in format rather than in procedures, we allowed a phase-in period with a mandatory usage date of January 1, 1975. This will facilitate worldwide distribution of the form and reduce stocks of the old form.

Departments, agencies, and other establishments may purchase a 60-day supply of passenger transportation tickets on a single transportation request when there is a continuing volume of traffic by the same mode and class of transportation between one origin and one destination and when the cost of such services does not exceed a certain amount. (5 GAO 2020.22) In the interest of further increasing savings in procurement practices and procedures and in paper-handling for both the Government and the

carrier industry, we raised the monetary limitation on these purchases from \$25 to \$50 for one-way single fares and from \$50 to \$100 for round-trip fares. (Letter to heads of departments, etc., Feb. 27, 1974.)

Following a successful test by the General Services Administration of the use of a 5-part Government bill of lading for shipments by motor carriers from its Federal Supply Service depots, we approved use of the form on a permanent basis. The success and approval of this system was a prerequisite to GSA's system concept of providing automatic payment to motor carriers on a computer-printed Government bill of lading, prepriced with the transportation rate and charge.

CHAPTER FOURTEEN

FIELD OPERATIONS

Responsibilities

The Field Operations Division, through its headquarters staff and regional offices in principal cities of the United States, performs accounting and auditing work assigned by the directors of all GAO operating divisions. Staff members of this division participated in almost all of the audits and other studies described in previous chapters of this report. In addition, it performs assigned audits under the Government Corporation Control Act and similar legislation and the audit and settlement of accounts of military disbursing officers.

As of June 30, 1974, the professional staff of this division totaled 1,790 or 50 percent of GAO's total professional staff at that date. This division is under the supervision of John E. Thornton, director, and Stewart D. McElyea, deputy director. Its organization chart appears on the following page. A directory showing the location and managers of GAO regional offices, suboffices, and military audit staffs is included as appendix 11.

Audits Of Federal Corporations And Other Activities

The Government Corporation Control Act requires GAO to annually audit the financial trans-

actions of Government corporations "in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General * * *." Other laws provide similar audit authority for unincorporated business activities. The Field Operations Division is responsible for such audits of the following corporations and other activities.

Agriculture Credit Insurance Fund
Bureau of Engraving and Printing Fund
Disabled American Veterans
Environmental Financing Authority
Federal Crop Insurance Corporation
Federal Deposit Insurance Corporation
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Prison Industries, Incorporated
Federal Savings and Loan Insurance Corporation
Gorgas Memorial Institute
Government National Mortgage Association
Government Printing Office Revolving Fund
Government Services, Incorporated
National Credit Union Administration
Panama Canal Company and Canal Zone Government
Pennsylvania Avenue Development Corporation
Rural Telephone Bank
Saint Lawrence Seaway Development Corporation
Student Loan Insurance Fund
Tennessee Valley Authority
Treasury, Bureau of Government Operations
Veterans Canteen Service

Audits of these corporations and other activities consist primarily of examining financial statements in accordance with generally accepted auditing standards. Fifteen reports were submitted to the Congress on this work during fiscal year 1974 in which we expressed opinions on whether the financial statements presented fairly the financial positions and results of operations of the Federal agencies involved. Sixteen additional reports containing recommendations for improving agencies' financial management activities were transmitted to agency officials. These reports are included in the list of audit reports in appendix 5.

We were unable to render a completely favorable opinion on the financial statements of

FIELD OPERATIONS DIVISION**DIRECTOR**

J. E. THORNTON

DEPUTY DIRECTOR

S. D. McELYEA

REGIONAL AND SUBOFFICES

ATLANTA, GA. REGIONAL MANAGER M. COLBS COCOA BEACH, FLA. HUNTSVILLE, ALA. WARNER-ROBINS, GA.	DENVER, COLO. REGIONAL MANAGER I. M. D'ADDARIO ALBUQUERQUE, N. MEX. OGDEN, UTAH	NORFOLK, VA. REGIONAL MANAGER W. H. HENSON
BOSTON, MASS. REGIONAL MANAGER J. EDER	DETROIT, MICH. REGIONAL MANAGER C. H. MOORE CLEVELAND, OHIO	PHILADELPHIA, PA. REGIONAL MANAGER A. R. VOSS HARRISBURG, PA.
CHICAGO, ILL. REGIONAL MANAGER G. F. STROMVALL ROCK ISLAND, ILL. ST. PAUL, MINN.	KANSAS CITY, MO. REGIONAL MANAGER K. L. WEARY, JR. OKLAHOMA CITY, OKLA. ST. LOUIS, MO.	SAN FRANCISCO, CALIF. REGIONAL MANAGER A. M. CLAVELLI SACRAMENTO, CALIF.
CINCINNATI, OHIO REGIONAL MANAGER R. W. HANLON DAYTON, OHIO INDIANAPOLIS, IND.	LOS ANGELES, CALIF. REGIONAL MANAGER J. T. HALL, JR.	SEATTLE, WASH. REGIONAL MANAGER P. A. BERNSTEIN PORTLAND, OREG.
DALLAS, TEX. REGIONAL MANAGER W. H. SHELEY, JR. NEW ORLEANS, LA. SAN ANTONIO, TEX.	NEW YORK, N.Y. REGIONAL MANAGER A. J. STRAZZULLO	FALLS CHURCH, VA. REGIONAL MANAGER H. L. KRIEGER

JUNE 30, 1974



Crunching through broken ice, the Canadian *Menihek Lake* launched the earliest seaway opening in history on March 28, 1973. The seaway system is a United States-Canadian venture to provide deep water navigation in the St. Lawrence River from Montreal, Canada, to Lake Erie by a series of locks and channels.

four of the activities audited. The reasons for the qualified opinions included: (1) the Federal Deposit Insurance Corporation's and the National Credit Union Administration's denial of access to documents considered necessary in the conduct of our audits, (2) the need to improve inventory procedures at the Government Printing Office, and (3) the failure of the Panama Canal Company to account for depreciation of certain assets.

Federal Deposit Insurance Corporation And National Credit Union Administration

As in prior years, we did not have unrestricted access to bank examination reports and related documentation prepared by the Federal Deposit Insurance Corporation on the banks it insures. Because of this, we could not ascertain

- if bank examinations were of sufficient scope and reliability to identify all banks that should have been classified as problem banks,
- if the Corporation had taken effective followup action on bank examiners' findings, and
- the significance of any possible adverse effects of problem banks on the Corporation's financial position.

The National Credit Union Administration also took a position similar to the Federal Deposit Insurance Corporation in that we were denied access to examination reports prepared on the credit unions it insures. As a result, we could not determine (1) if the Administration had taken effective action on all findings disclosed by its examinations and (2) the significance of any possible adverse effect of problem credit unions on the financial position of the Administration.

Because of these serious obstacles to our audits, we could not express an overall opinion on the financial statements of the Federal Deposit Insurance Corporation and the National Credit Union Administration for fiscal year 1973.

We recommended in our report on the Federal Deposit Insurance Corporation (B-114831, May 23, 1974) as we did in previous reports that the Congress amend the Federal Deposit Insurance Act to clarify our authority to have access to examination reports, files, and other records used by the Corporation. In our report on the National Credit Union Administration (B-164031(4), May 21, 1974), we recommended that the Administration grant GAO access to all books, documents, files, and other Administration records including all sections of the credit union examination reports.

Government Printing Office

In the report on the Government Printing Office for fiscal year 1973, we expressed the opinion that the financial statements, except for materials and supplies inventory, presented fairly its financial position. We were unable to satisfy ourselves as to the actual value of the materials and supplies inventory because physical counts were improperly changed during the

year to agree with perpetual inventory records. We could not practicably verify independently the inventory balance because there were over 22,000 different types of inventory items with a reported book value of \$3.1 million. (B-114829, Apr. 15, 1974.)

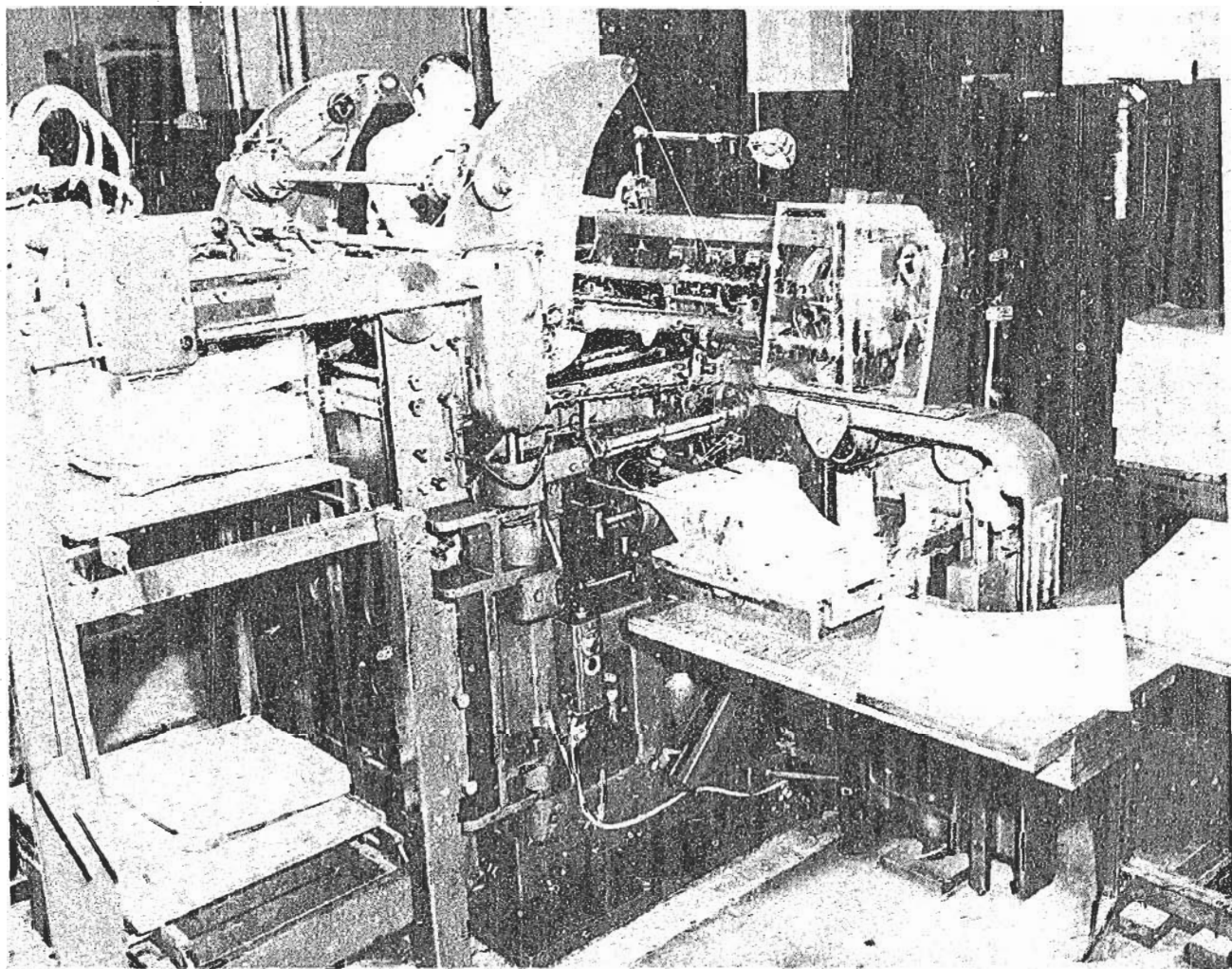
Panama Canal Company

Our opinion on the financial statements of the Panama Canal Company and the Canal Zone Government for fiscal year 1973 was qualified because the Company's policy of not depreciating or amortizing the cost of certain assets, represented by titles, treaty rights, excavations of channels, harbors, and basins, valued at about \$332 million, resulted in understating the cost of operations.

The Company has since reevaluated its position on this matter and now considers that there is nothing in the legislative history of the Company that shows the Congress' intent to exclude depreciation charges from the cost of operations. Beginning with fiscal year 1974, the Company plans to initiate the depreciation charges we have advocated since 1952, as a principle of sound accounting. This policy change will add about \$8.3 million to the annual stated cost of operations. (B-114839, Mar. 6, 1974.)

Organizations Outside The Federal Government

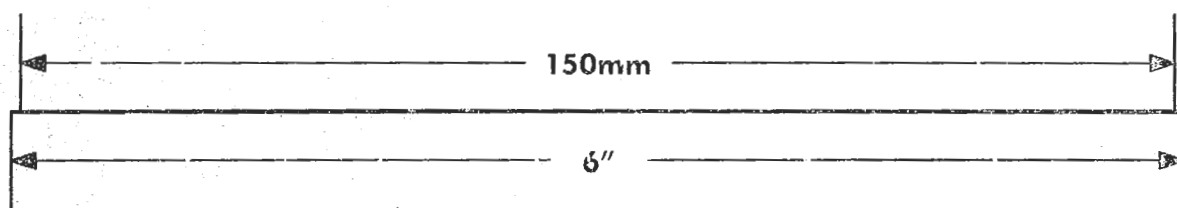
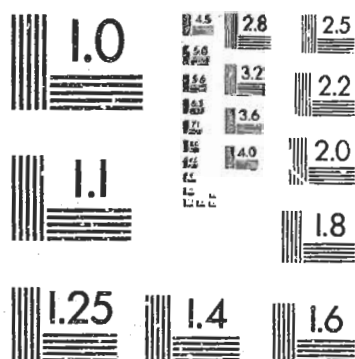
During the year we examined financial statements of several organizations outside the Federal Government. Reports were issued to the



Two-color rotary press used for overprinting and numbering currency at the Bureau of Engraving and Printing.

IMAGE EVALUATION
TEST TARGET (MT-3)

B



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3 of 4



National Commander, Disabled American Veterans (B-55712, Dec. 7, 1973); the Board of Directors, Gorgas Memorial Institute of Tropical and Preventive Medicine, Inc. (B-114867, Jan. 9, 1974); and the Board of Trustees, Government Services, Inc. (B-114820, Apr. 9, 1974).

The examinations of the financial statements of the Disabled American Veterans and the Gorgas Memorial Institute are required by statute, while our work involving Government Services, Inc., is performed at the request of the Corporation.

Audits of Military Pay And Allowances

Military personnel expenditures, including pay and travel, represent a significant part of defense spending. About \$20 billion, or 27 percent of the Department of Defense budget, is paid annually to over 2 million servicemen by some 900 disbursing officers located throughout the world.

Historically, service members have been overpaid and underpaid millions of dollars every year. Error rates have fluctuated upward and downward as well as between and within the services for a number of reasons; namely—lack of training, poor supervision, excessive rotation of personnel, carelessness in payroll operations and the complexity of the military pay system.

Through our staffs at the four military finance centers—Cleveland (Navy), Denver (Air Force), Indianapolis (Army), and Kansas City (Marine Corps)—we test the accuracy and legality of payments made, review finance center operations, and make servicewide reviews of various types of pay and personnel activities.

During the year we sent 96 reports mostly to station and ship commanders dealing with the accuracy of payments by individual disbursing officers. These reports are identified in appendix 5.

In November 1966, the Department of Defense directed the military services to develop, test, install, and maintain a Joint Uniform Military Pay System (JUMPS). The JUMPS project was to be the first major step of a long-range, evolving program for continuous improvement of the military pay system. JUMPS was to be operational in all the services by July 1,

1969. This date was soon recognized as being unrealistic in view of the system's problems and complexities.

Although millions of dollars have been spent in the design, development, and implementation stages of JUMPS, progress has been slow. Army JUMPS, covering most pay entitlements, became operational in 1971. The Marine Corps implemented its version of JUMPS in 1973. The Air Force and Navy estimate their JUMPS will become operational in 1974 and 1975, respectively.

JUMPS as conceived today should bring the services closer to the goal of paying servicemen accurately, but JUMPS will not be a cure-all in overcoming past problems. Being a pay system, JUMPS will have little effect in coping with the complexities associated with the administration of travel entitlements.

We reported to the Chairman, Committee on Appropriations, House of Representatives

**AFAFC WELCOMES
JAMES MASTERSON
FRED DURRAH NEIL METCALF
IRWIN RICHMAN
GERALD SIEGEL CAO**



Walter A. Virbick (left), GAO auditor in charge at the Air Force Accounting and Finance Center, meets with representatives from our Office of General Counsel and John Montgomery (right) of the Air Force Staff Judge Advocate's office, during a recent orientation conference in Denver.

(B-180570, May 10, 1974), that the military services paid reenlistment travel payments totaling \$67.5 million during the past 5 years, although 96 percent of our random sample showed no travel was required or performed by the individuals who reenlisted. We advised the chairman that, in our opinion, while the payments were legal, they were permissive in nature and not mandated by law and could be terminated by a change in the Joint Travel Regulations. The Department of Defense budget estimates show that such payments will cost about \$22 million during fiscal year 1975.

During the year, the Comptroller General sent a letter to the Secretary of Defense commending

the Air Force Accounting and Finance Center for developing an excellent comprehensive program for the administrative examination of Air Force accountable officers' accounts. In view of our responsibilities for settling such accounts, we regard such examinations as an essential part of a good financial management system. Properly made, they serve to verify the legality, propriety, and correctness of cash receipt and disbursement transactions reported by accountable officers. They help provide assurance that financial systems are operating adequately and identify problems in need of solution. The new Air Force program is to begin in fiscal year 1975. (B-161457, Apr. 17, 1974.)

ANALYSIS OF STAFF CHANGES

FISCAL YEAR 1974

	Professional	Technical and other	Total
Employees on rolls July 1, 1973	3,358	1,604	4,962
Appointments	542	379	921
Transfers between categories	14	(14)	...
Total	3,914	1,969	5,883
Separations:			
Retirements	53	90	143
Transfers to other agencies	156	70	226
Other reasons	141	185	326
Total separations ..	350	345	695
Employees on rolls June 30, 1974	3,564	1,624	5,188

CHAPTER FIFTEEN

ADMINISTRATION

Personnel Management

The Office of Personnel Management is responsible for staff acquisition and development, employment policy guidance, and personnel management services.

During fiscal year 1974, special efforts were devoted to (1) studying GAO's incentive awards system and recommending changes to be made in fiscal year 1975, (2) implementing new appraisal and counseling techniques for secretarial and technical staffs, (3) providing additional staff support for upward mobility programs, and (4) planning substantially expanded in-house counseling services.

The director of the office is Leo Herbert and the deputy director is Joseph P. Normile. An

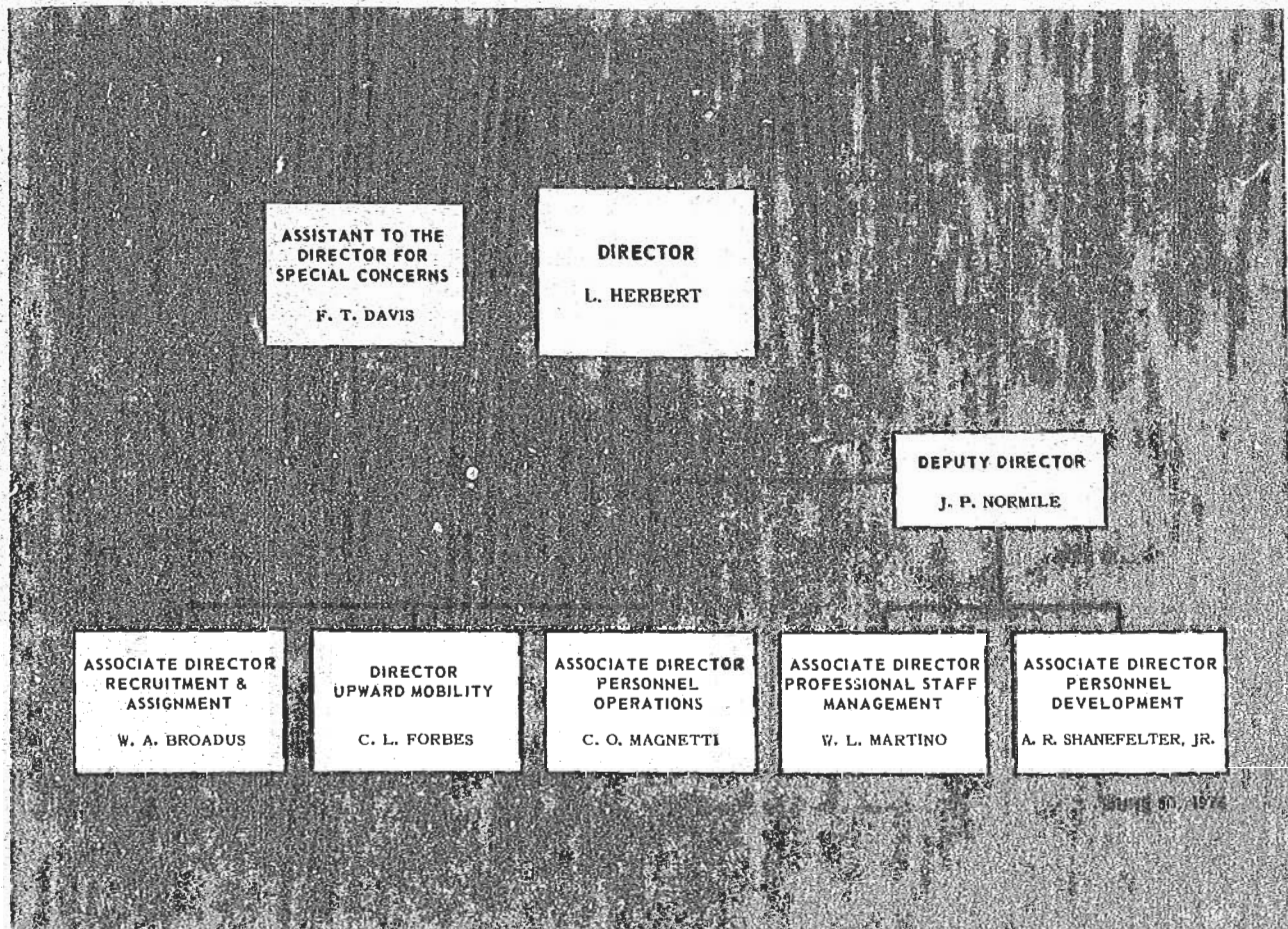
organizational chart appears on the following page.

Recruiting

The objective of our recruiting programs is to acquire the best qualified candidates available to assist GAO in auditing and evaluating diverse and constantly changing Federal activities and to carry out all of its other responsibilities.

Recruiting--Professional Staff

Most of our professional staffing needs are met through a vigorous recruitment program at major U.S. colleges and universities. During



fiscal year 1974, we visited 320 college campuses and hired 445 top-quality graduates. We also hired 76 experienced professionals from both the public and private sectors. Twenty-one temporary appointments were also made.

The diverse nature of our work necessitates a diversity of expertise among our staff. The "Composition of Staff" table reflects this diversity.

Our recruiting program stresses equal opportunity—during the fiscal year about 40 per-

cent of our new recruits were from minority groups, including white females.

To acquaint college students and faculty members with GAO, we host periodic seminars, participate in various faculty fellowship programs, distribute complimentary copies of GAO reports, and encourage college students to visit our offices. We participate in two summer intern programs—one for second-year law students and one for graduate students participating in 2-year masters degree programs.

COMPOSITION OF STAFF

Professional

Accountants and auditors	2,493
Business administration/management	486
Attorneys	106
Actuaries and other mathematical scientists	87
Claims adjudicators	48
Engineers	31
Computer specialists	33
Economists and other social scientists	147
Personnel management specialists	17
Transportation specialists	26
Other	95

Total professional staff 3,564

Technical

Transportation rate auditors	218
Fiscal auditors	54
Claims adjudicators and examiners	58
Legal assistants	5

Total technical staff 335

Other

Administrative and clerical	1,235
Wage board	54

Total other staff 1,289

Total 5,188

Recruiting—Support Staff

To support its operations, GAO needs capable secretarial, technical, and clerical talent. During fiscal year 1974, we hired 282 permanent employees and 97 temporary employees for our support staff. Among these, many were graduates of 2- or 4-year college programs.

Professional Staff Management

In January 1974 we revised the policies governing our professional staff rotation program for headquarters divisions to further strengthen it. The ever-increasing diversity and complexity of GAO's work places increased importance on the needs for supervisory capability, versatility, and well-rounded backgrounds for our professional staff members. Staff members with wide experience in a variety of geographic locations

and assignments characteristic of our operations enhance our flexibility to carry out our duties.

Rotation of professional staff members provides an opportunity for a large number of supervisors to observe employees in the course of their developing careers and provides an opportunity for employees to work with numerous supervisors. Such experience gives greater assurance to both management and employees that employee capabilities are recognized, developed, and utilized. It also provides greater assurance that weaknesses in employee performance and capabilities are recognized so that opportunities for timely improvement can be provided. This principle is generally recognized in the more progressive governmental and private organizations and our aim is to apply it effectively within the General Accounting Office. The Professional Staff Management group administers this program.

During fiscal year 1974, we made approximately 400 assignments and reassignments of professional staff members and held over 1,000 counseling sessions. Assignments attempted to match the needs of the individual with the needs of the Office.



GAO recruiters, W.A. Broadus and Frank Davis, discuss professional career opportunities with a student at Dillard University, New Orleans, Louisiana.

DISTRIBUTION OF STAFF

Division or office	Professional	Technical	Other	Total
Comptroller General	20	...	22	42
General Counsel	111	5	110	226
Administrative Planning and Services	12	...	274	286
Personnel Management	204	4	123	331
Policy	9	...	3	12
Program Planning	5	...	4	9
Internal Review	9	...	2	11
Federal Elections	18	...	13	31
Energy and Special Projects	23	...	4	27
Federal Personnel and Compensation	66	...	12	78
Financial and General Management Studies	186	...	34	220
General Government	173	...	28	201
Logistics and Communications	131	...	28	159
Manspower and Welfare	196	1	42	239
Procurement and Systems Acquisition	133	...	30	163
Resources and Economic Development	198	1	31	230
Joint Financial Management Improvement Program	2	...	2	4
International	124	3	25	152
Europe	38	...	6	44
Far East	33	...	7	60
Field Operations	1,791	49	189	2,029
Transportation and Claims	62	272	300	634
Total	3,564	335	1,289	5,188

Personnel Development

For many years we have actively fostered continuing development and growth of our staff. This growth and development is necessary for GAO to fulfill its mission and meet the ever-increasing demands placed on it. We conduct an extensive program for continuing education both internally and externally to help meet this need.

Internal Training

Technical Training

We provide technical training for our professional staff and, to a limited extent, the technical staff. The professional staff is introduced to how GAO performs its financial, management, and program reviews; the techniques employed, including advanced analytical concepts; required standards and procedures; and acceptable methods and formats for communi-

cating the results of those reviews to the Congress, to executive agencies, and the public.

Programs for support services range from skills in typing, shorthand, and communications to office management.

Supervisory and Management Training

Professional audit staff members participate in a series of three supervisory and management programs which make staff aware of (1) their role as supervisors and managers, (2) GAO policies and procedures, and (3) varied approaches to supervision and management. We sponsor appropriate supervisory training programs for other staffs as needed.

Upward Mobility Training

Three formal upward mobility programs have been established to assist employees in obtaining new careers: (1) an intensive 6-month secretarial program, (2) a claims adjudicator and freight rate



OPM's first class in the Program to Train Secretaries: From the left, seated are Joseph P. Normile, deputy director, OPM; Mary Kay Guinta, OPM; Leo Herbert, director, OPM; Jodi Crandall, George Washington University; and Dorothy Graham. Standing are Dee Cook, Lillian Frazier, Yunetta Hedgepeth, Geraldine Bacon, Evelyn Wingate, Elizabeth Gant, Ruby Crawford, Elizabeth Row, Mary Johnson, and Jean Saunders.

specialist entry program, and (3) a preprofessional program.

External Training

We support and sponsor continuing education for our staff at the undergraduate and graduate levels with particular emphasis in advanced financial management, automatic data processing, and quantitative analysis. GAO staff members participate in advanced managerial training and executive institutes at leading colleges and universities and in such special educational programs as the National War College, the President's Executive Interchange Program, and the Fellowships in Congressional Operations for Executives.

Professional Recognition

Our steady growth in professional stature is maintained and nurtured by those staff members who attain advanced degrees and achieve their professional certification. Six hundred and two members of our professional staff hold a masters or equivalent degree and 18 others hold doctorate degrees.

During the fiscal year 1974, 4 staff members passed the CPA examination and 9 received their certificates. We have 492 staff members who are CPAs and 137 others have passed the examination and are completing their experience requirements.

During the year, 2 staff members received law degrees. Our staff includes 130 who have been admitted to the practice of law in one or more States or the District of Columbia.

Personnel Operations

Our personnel operations staff monitors and interprets personnel laws, regulations, and executive orders and develops internal policies and guidance. It also administers programs covering position classification and wage administration, incentive awards, labor-management relations, appeals and grievances, health and safety programs, the array of employee benefits, personnel security, and counseling services.

Intensifying counseling services to our employees has been a goal in fiscal year 1974. Two retirement planning conferences were attended by 116 employees. Individual retirement counseling was also provided to over 200 employees in Washington, D. C., and 194 packets of retirement related materials were sent to field personnel. More in-depth counseling is now being made available to employees with emotional, behavioral, or social problems affecting job performance.

Upward Mobility

In June 1974 our upward mobility program for preprofessionals gained wide recognition

when it was featured in *EEO Spotlight*, a bi-monthly Civil Service Commission publication. The article generated 85 requests for specific details about the program as outlined in two comprehensive reports: *Increased Opportunities for Career Advancement* and an *Appendix* that contains job descriptions, performance standards, and other information that could be helpful to Federal upward mobility planners.

Implemented in August 1973, our preprofessional program established new developmental positions. They give employees in lower-grade jobs with limited opportunity for advancement a bridge to permanent professional positions as management analysts, management auditors, and claims adjudicators.

During fiscal year 1974, 21 employees with demonstrated potential were competitively selected to participate in the program. Beside receiving on-the-job training and careful counseling, they attend college during duty hours with GAO paying all costs related to their education. It is anticipated that by 1977 about 90 persons will be involved in the program.

Another program provides employees in positions with limited mobility an opportunity to receive training as freight rate technicians. Successful participants are promoted to grade GS-9 in about 2 years. Fourteen persons are in the program with another 24 to be selected through fiscal year 1976.



Comptroller General signs document authorizing release time for Upward Mobility Program participants. Seated: Elmer B. Staats, Comptroller General of the United States and Robert F. Keller, Deputy Comptroller General of the United States. Standing, from the left: Linda Elmore, REDD; Katherine Cunningham, TCD; Susan Block, ID; Melvin Horne, GGD; Ellen Habenicht, GGD; Hattie Puryear, TCD; Shirley Brown, FPCD; Julia Howell, TCD; and Shirley Callaway, MWD.

To help meet a shortage of qualified secretaries, as well as to provide new career opportunities for low-skilled clerical employees, an intensive 6-month program to train typists and secretaries was started in fiscal year 1974. Eleven persons completed the program and were immediately placed in jobs requiring their new skills.

Equal Employment Opportunity

Improving the employment profile of women and minority persons in the professional workforce continued to receive priority attention in fiscal year 1974. Since June 30, 1972, our minority workforce has grown from 688 to 889 persons, up from 14.4 percent to 17.3 percent of all general schedule employees. Much of this growth occurred in grades GS-9 and above where the number of minority personnel almost doubled.

In September 1973, William N. Conrardy, director, Office of Program Planning, was also appointed director, EEO. He is charged with fully integrating equal opportunity considerations into the total management system. This effort was facilitated when the Civil Service Commission permitted GAO to submit its 1975 and subsequent annual affirmative action plans on a fiscal instead of calendar year basis.



The Career Development Subcommittee of the Federal Women's Program Committee meets to discuss issues with chairperson Mary Lynn Byrom (center), Tom Franklin, and Mary Louise Daniels.

To further strengthen the program, the directors of GAO divisions and offices were appointed EEO officers for their respective organizations. A full-time Federal Women's Program coordinator was appointed and a 30-member Women's Committee composed of headquarters and regional employees was established. Our Spanish-speaking program was accelerated with the appointment of coordinators in eight regional offices located where there are large concentrations of Hispanics. The program's national coordinator is the full-time deputy director, EEO, Alexander A. Silva.

Five persons were employed full-time in administering the equal opportunity program in fiscal year 1974. Another 104 served in part-time positions, including EEO counselors, complaint investigators, and elected representatives to our EEO Advisory Council.

In June 1974, the Office of Internal Review completed an evaluation of the program's effectiveness and made recommendations for improvement. This review has given the EEO program wide visibility throughout GAO and brought important issues and employee concerns directly to top management's attention. Program effectiveness was also enhanced through EEO briefings for all mid-level and senior managers.

Administrative Planning and Services

The Office of Administrative Planning and Services, under the direction of Clerio P. Pin, is responsible for providing a wide range of support services to all divisions and offices within GAO. During the year, several organizational changes were made in this office. An organization chart as of the end of the year appears on the following page.

Organization and Management Planning Staff

The Organization and Management Planning Staff (1) makes studies of organization and procedural problems and (2) designs and tests new internal management systems and assists the implementation and followup of these systems.

During the year we worked on developing a uniform control and reporting system for congressional requests and analyzed audit assignment history records, published a booklet on lessons learned during audit assignments, revised report distribution procedures, developed a functional telephone directory of operating groups, analyzed job management agreements between Washington staffs and field offices, and analyzed elapsed time between the signing and distribution of reports.

The Organization and Management Planning staff also manages GAO's programming, scheduling, and reporting system, provides overall control over GAO's management information system, and responds to the increased emphasis placed on GAO's management improvement program.

Management Services Branch

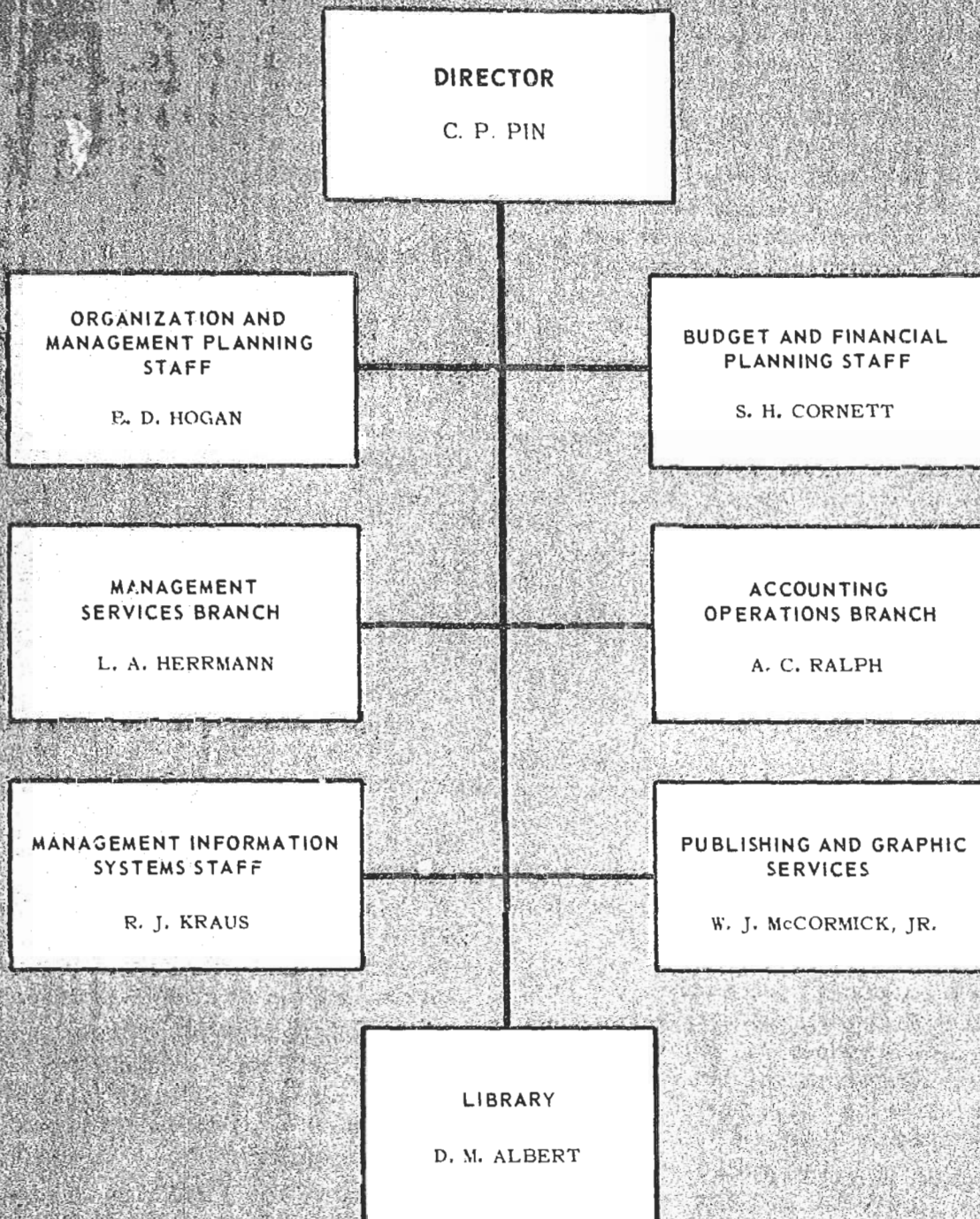
This branch provides many of the services which enable the rest of the organization to operate more efficiently. During the year, the branch continued its efforts to renovate and improve the working environment of GAO staff members in the GAO headquarters building, in audit sites in the Washington area, in regional offices and suboffices throughout the country, and in one of the overseas branches.

In Washington, over 110,000 square feet of space was renovated in the headquarters building and over 30,000 square feet of new space was obtained, designed, and occupied. These renovation projects benefitted nearly 600 GAO staff members.

The regional offices in Denver, Kansas City, and San Francisco and the suboffice in St. Paul were moved to new quarters. Also, the Boston regional office, the Cleveland and New Orleans suboffices, and the Frankfurt, Germany, office were renovated during the year.

The Supply and Services Section entered into nearly 5,200 purchasing actions during the year to satisfy the agency's nationwide needs. This section also monitors the receipt of purchases, maintains accountability records, and performs the full range of property management and disposal activities. A contracts group established during the year processed 135 contract transactions.

DIVISION OF ADMINISTRATIVE PLANNING AND SERVICES



JUNE 30, 1974

The Travel Unit operating under this section assumed the international travel functions from the International Division and added to its Unit four Class C agent cashiers.

A new GAO directives system was instituted during the year. This system--based on the GAO Operations Manual--is now the primary means of issuing policies and procedures for all administrative operations within GAO.

The Records Information Section serviced nearly 1,400 requests from Government agencies and private individuals for information from and copies of Government records. The Section also was made responsible for receiving and filing confidential financial statements of Senators and certain officers and employees of the Senate as required by Senate Rule 44 and it furnished a report relating to the receipt of 1,533 statements to the Senate Select Committee on Standards and Conduct.

Responsibility for making the initial distribution of audit reports was transferred to the Distribution Section during the year. To better respond to its increased workload, the section was reorganized into three unique operating groups: the Special Activities Group which handles the initial and subsequent distribution of all audit reports, the On-Call Group which handles all requests for copies of GAO publications, and the Standard Group which distributes GAO and other agency publications.

The Mail and Messenger Section provides mail delivery and special services daily throughout the GAO building and to some 65 audit sites in the Washington Metropolitan area. An office appliance repair staff and a carpenter staff also provide necessary services for the Washington offices.

In the records management area, we issued a major policy statement which precisely defined the content of accountable officers' accounts, ending confusion which had existed since the site audit program began in 1950. Agencies were asked to follow the new standards beginning in fiscal year 1975.

We began a series of visits to the 15 Federal Records Centers to reexamine their GAO holdings. As a result of our visits in five centers, we have saved about \$40,000 by applying the new definition of accountable officers' accounts and by on-the-spot approvals for the disposal of GAO records.

Management Information Systems Branch

This branch develops long-range internal ADP plans, develops and maintains officewide internal ADP systems, and assists line managers in developing information systems for their specific needs. The branch also reviews and recommends action to the ADP Steering Committee on all new management information systems, major changes to ADP hardware, and major problems in the development of ADP systems. In addition, the branch prescribes data processing standards for officewide internal use.

Budget and Financial Planning Branch

This branch prepared financial plans for each of the divisions and offices in fiscal year 1974 based on their requests analyzed in light of historical data and expected increases in staffing and costs. Using a financial plan to manage available resources emphasizes dollar control, and we expect this emphasis to improve our management effectiveness. In fiscal year 1975 we plan to refine our program budgeting techniques in GAO to assist program managers in their analysis, planning, and decisionmaking processes. The refinement of budgeting techniques with the use of financial plans as a management tool is designed to increase awareness and involvement of line managers in the budget process.

Accounting Operations Branch

The Accounting Operations Branch is responsible for:

- Preparing accounting reports on payroll and related financial matters for the Office of Management and Budget, Civil Service Commission, and the Treasury Department.

- Maintaining the central administrative accounting and financial reporting systems, including summary accounting control and deposit of all GAO collections involving Government agencies.

- Examining and certifying administrative vouchers and invoices covering operating expenses.

- Preparing, examining, and certifying payrolls and preparing or maintaining related records and reports.

Providing the above services, on a reimbursable basis, to the Cost Accounting Standards Board and the Office of Technology Assessment.

An interim automated system to speed the processing and payment of miscellaneous vouchers and to provide applicable summary data was installed at the beginning of the fiscal year.

A fully automated financial management information system is being designed to replace the manual and interim systems. Installation will begin in fiscal year 1975. Greater use of ADP techniques are expected to improve the timeliness and usefulness of financial reports by providing information pertinent to current management decisions. Also, we expect to combine financial data with data from other subsystems to provide useful information related to productivity and unit costs.

Publishing and Graphic Services

The principal work of Publishing and Graphic Services is editing, typing, proofing, illustrating, and printing GAO audit reports. Assisting with other publications is, however, becoming an important part of the workload. This work includes:

Editing manuscripts and coordinating the printing of *The GAO Review*, a quarterly magazine for GAO's professional staff, and the Comptroller General's annual report. Editing services are also provided for speeches, testimony, special GAO publications, and other products.

Helping to type the GAO Monthly List of Reports, the semi-annual List of GAO Publications, special publications, manuals, and many other products.

Printing manuals, Comptroller General decisions, special publications, and press releases or contracting through the Government Printing Office to have them printed. This section also prints memorandums, audit programs, internal policies, etc., for in-house use.

GAO Library System

The Library System with 40,446 volumes, binders, and pamphlets serves all GAO offices and divisions.

Staff members continued to use the Congressional Research Service Selective Dissemination of Information System. The library assists by handling staff requests for copies of CRS materials. Over 250 such requests were received during the year.

During the year the library borrowed 2,028 books and periodicals from other libraries through the interlibrary loan service.

The library continued to publish its monthly accessions list as well as one special bibliography which have generated considerable interest in the library facilities.

Policy

The Office of Policy advises and assists the Comptroller General on policy formulation, guidance, and review with respect to all GAO functions. During fiscal year 1974 the Office was under the direction of Allen R. Voss. In July 1974 Mr. Voss became manager of the Philadelphia regional office and Donald J. Horan was designated acting director.

The office (1) develops auditing policies, standards, and procedures for the guidance of GAO's operating divisions, (2) conducts or sponsors research in auditing theory, objectives, practices, and techniques, (3) furnishes policy advice on accounting and auditing problems, (4) participates in reviews of audit assignments proposed or in process, and (5) reviews proposed reports for the Comptroller General's signature. It also advises and assists in developing operating policies and guidance for GAO's legislative, legal, claims, and administrative activities.

Program Planning

The Office of Program Planning, under the direction of William N. Conrardy advises and assists the Comptroller General on long-range GAO objectives, budget formulation, resource requirements, and overall direction-of-effort planning. The office also monitors and evaluates the operational plans and performance of GAO divisions and offices and promotes effective

ADMINISTRATION

planning throughout GAO by providing guidance and counsel in the development of individual division and office plans.

Internal Review

The Office of Internal Review is under the direction of Lloyd G. Smith, and is responsible for reviewing the operations and performance of all divisions and offices in GAO. Reports prepared by the office on its reviews and examinations are submitted directly to the Comptroller General and the Deputy Comptroller General.

Information Office

The Information Office is the focal point of contact between GAO and the various media services.

Other services include assistance in preparing digests of audit reports, preparation of the *Monthly List of GAO Reports*, which the Comptroller General sends to the Congress as required by the Legislative Reorganization Act of 1970, and publication of the *GAO Management News*, a weekly information bulletin for the GAO staff begun in September 1973.

LEGISLATIVE RECOMMENDATIONS

The Budget and Accounting Act, 1921, requires our Office to make recommendations to the Congress "looking to greater economy and efficiency in public expenditures." In cases where an audit shows that corrective legislation is required or desirable, our report will include an appropriate proposal for legislative consideration. In other cases, we may recommend that the affected agency sponsor a legislative proposal. Furthermore, we bring proposals for legislation to the attention of the committees of jurisdiction.

In February 1974 we submitted to the chairmen and ranking minority members of the responsible congressional committees summaries of recommendations for legislative action which were open as of January 1, 1974. We plan to submit similar reports in future years at the beginning of each session of Congress.

Recommendations for consideration by the Congress included in reports completed during the year, together with certain recommendations carried forward from prior years, are discussed in this appendix.

Recommendations to the Congress During Fiscal Year 1974

Agriculture and Rural Development

Need to Establish Independent Agency Separate from the Department of Agriculture to Regulate Commodity Futures Trading—The Congress was considering several major bills introduced in 1973 addressing the question as to where the regulation of commodity futures trading belonged in the Federal bureaucracy.

We recommended that the Congress establish an independent agency, separate from the Department of Agriculture, to regulate all futures trading because (1) any appearance of a conflict of interest would be removed, (2) futures markets, vital to the Nation's economic well-being, should be regulated by a strong, independent agency, and (3) Federal regulation could be extended to all types of futures trading encompassing commodities, such as metals and foreign currencies, in which the Department has little or no expertise. (Interim report on the Commodity Exchange Authority and on Commodity Futures Trading, B-146770, May 3, 1974.)

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry

House: Agriculture

Need to Amend the Commodity Exchange Act to Provide Effective Regulation of Commodity Futures Trading—To close gaps in the Commodity Exchange Act and to provide for the Government to regulate futures trading effectively, we recommended that the Congress amend the act to provide authority for (1) regulating all futures trading, including futures of such commodities as copper, silver, and foreign currencies, which are not now regulated, (2) restricting trading of floor brokers and brokerage firms for their own accounts while trading for the accounts of customers, (3) seeking injunctions to deter, and imposing civil money penalties to punish, violations of the act, (4) establishing margin requirements in emergency situations to facilitate orderly trading in or liquidation of any futures market, (5) requiring exchanges to designate additional points

where a commodity may be delivered to fulfill a futures contract or designating such points if the exchanges do not, and (6) extending registration requirements, which now apply to floor brokers and certain employees of brokerage firms, to all persons handling customers' accounts and/or funds. (Interim report on the Commodity Exchange Authority and on Commodity Futures Trading, B-146770, May 3, 1974.)

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry

House: Agriculture

Need for GAO to Have Access to Records of Boards of Trade and Others Subject to Any Provision of the Commodity Exchange Act—In a letter to the Chairman, House Committee on Agriculture, dated February 13, 1974, and in testimony before the Senate Committee on Agriculture and Forestry on May 20, 1974, we commented on the need for GAO to have access to records as provided in certain bills introduced in 1973 on futures trading. The bills would establish a futures trading commission that would have access to records of boards of trade (commodity exchanges) and others subject to any provisions of the Commodity Exchange Act, such as brokerage firms. The bills, however, would provide GAO access only to the records of the futures trading commission and not to the records of boards of trade and others subject to the provisions of the act.

To insure that the Comptroller General has access to the records necessary for an effective evaluation, we recommended that he be given access to the same records as the commission.

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry

House: Agriculture

Commerce and Transportation

Transportation of Armed Forces Exchange Goods—Congress is aware of, and apparently approves, the use of appropriated funds to pay some of the transportation costs of the military exchanges. But we could find nothing to indicate that the Congress is aware that such funds are being spent to procure transportation solely for exchange goods.

Statutes governing the Army and Air Force permit appropriated funds to be used for transportation costs of exchange cargo when it is carried on public transportation not required for other purposes. However, we believe there is considerable doubt about the intent of Congress with respect to using appropriated funds to finance the exchanges' transportation costs.

Because of the amount of appropriated funds being used for transporting exchange goods (about \$60 million a year), we recommended that the Congress consider whether it is appropriate for the Government to continue paying the cost of transporting exchange goods by using space on transportation facilities which are not owned by the Government or for which the Government is not otherwise obligated to pay. (Should Appropriated Funds be Used for Transportation Procured Specifically for Armed Forces Exchange Goods?) (B-169972, Aug. 6, 1973.)

This recommendation is for consideration by the following committees:

Senate: Appropriations

Armed Services

House: Appropriations

Armed Services

Community Development and Housing

Experimental Housing Allowance Program—The Experimental Housing Allowance Program being conducted by the Department of Housing and Urban Development was authorized by the Congress to demonstrate the feasibility of providing low-income families with housing allowances to help them rent housing of their choice in existing standard housing units. Because the impact of a direct cash assistance program is unknown and because of the great cost involved, we recommended that the Congress, in considering future legislation authorizing a national housing allowance program, weigh the benefit that could be derived from waiting until the experimental program is complete and more information is available on the likely impact of the program.

Because the sites selected for the experimental program were near average or above in terms of both housing quality and vacancy rates, we recommended that the Congress require

HUD to provide assurances that the results achieved are representative of what might occur at locations which have low housing quality and low vacancy rates and which are representative of many urban metropolitan areas. (Observations on Housing Allowances and the Experimental Housing Allowance Program, B-171630, Mar. 28, 1974.)

This recommendation is for consideration by the following committees:

Senate: Banking, Housing and Urban Affairs
House: Banking and Currency

Education and Manpower

Apportionment Requirement for Federal Service Appointments—The Civil Service Act requires that appointments to competitive civil service positions in the departmental service in Washington, D.C., be apportioned on the basis of population among the States, territories, and the District of Columbia.

We reported to the Congress that, because of exemptions to and waivers of the requirement, the effect of the apportionment requirement had been minimal. We concluded that the requirement had outlived its usefulness. Accordingly, we recommended that the Congress act favorably upon legislation that had been proposed to eliminate the requirement. (Proposed Elimination of the Apportionment Requirement for Appointments in the Departmental Service in the District of Columbia, B-84983, Nov. 3, 1973.)

The Manpower and Civil Service Subcommittee of the House Committee on Post Office and Civil Service has pending H.R. 8972 which would accomplish the objective of our recommendation.

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

General Government

Need for Executive Pay Adjustment—The quadrennial procedure for adjusting the pay of officials in the executive, legislative, and judicial branches of the Government, as provided by the

Salary Act of 1967, is failing to achieve its objectives. These officials' salaries have not increased in 5 years.

In our report to a committee chairman and a number of Members of Congress, we concluded that (1) the President's February 4, 1974, recommendation for increasing executive, legislative, and judicial salaries should be accepted and (2) major reforms were needed in the process for adjusting executive schedule salaries. The Congress did not accept the President's recommendation. However, several legislative proposals have subsequently been introduced which would make major changes in the pay-setting process to correct or alleviate the problem. (Information and Observations on Need for Executive Pay Adjustment, B-101892, Feb. 19, 1974.)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

Need for Sanctions to Discourage Hiring Illegal Aliens—No Federal law prohibits employers from hiring aliens who are in the United States in violation of the Immigration and Nationality Act. Because jobs lure and employers repeatedly hire illegal aliens, a law is needed to discourage such employment.

We recommended that the Senate give favorable consideration to House bill 982, passed by the House on May 3, 1973, which makes it unlawful to hire illegal aliens. (More Needs to be Done to Reduce the Number and Adverse Impact of Illegal Aliens in the United States, B-125051, July 31, 1973.)

This recommendation is for consideration by the following committees:

Senate: Judiciary
House: Judiciary

Tax Liabilities of High Income Individuals Discharged Through Bankruptcy—Taxpayers with high incomes have avoided the Internal Revenue Service's efforts to collect taxes by taking advantage of the Bankruptcy Act (11 U.S.C. 1). Section 17 of the Bankruptcy Act (11 U.S.C. 35) provides for the discharge in bankruptcy of debts for taxes which became legally due and owing more than 3 years preceding bankruptcy. IRS and the courts have determined that the 3-year period starts on the due date for

filing a return rather than from the date of a subsequent assessment. This substantially reduces the time that the IRS has to collect the taxes. To make the Bankruptcy Act's creditor preference given to the Federal, State, and local governments more meaningful, we recommended that the Joint Committee on Internal Revenue Taxation initiate legislation to amend the Bankruptcy Act to exclude from discharge through bankruptcy taxes assessed within 3 years before a bankruptcy petition is filed. (Collection of Taxpayers' Delinquent Accounts by the Internal Revenue Service, B-137762, Aug. 9, 1973.)

This recommendation is for consideration by:
Joint Committee on Internal Revenue Taxation

Self-employed Receive Social Security Credit Although Tax Not Paid—The Internal Revenue Service reports to the Social Security Administration the amount self-employed persons designate on their income tax returns as self-employment income even though these persons may not have paid self-employment social security tax. We recommended that the Joint Committee on Internal Revenue Taxation initiate legislation to amend section 205(c) of the Social Security Act (42 U.S.C. 405(c)) to prohibit a person from receiving credits toward social security benefits if he has not paid the required tax on self-employment income. (Collection of Taxpayers' Delinquent Accounts by the Internal Revenue Service, B-137762, Aug. 9, 1973.)

This recommendation is for consideration by:
Joint Committee on Internal Revenue Taxation

Need for Change in Extended Payment Estate Tax Interest Rate—During the last 6 years, the annual average rate of interest on the public debt has exceeded the 4-percent interest rate charged on estate taxes due from estates which have been granted a payment extension. Thus the Federal Government incurs additional interest costs which the Congress may not have anticipated when it established the 4-percent rate in 1938. We recommended that the Joint Committee on Internal Revenue Taxation initiate legislation to amend section 6601(b) of the Internal Revenue Code to establish interest rates on deferred estate tax payments which would be closer to the Government's cost of borrowing

funds. (Collection of Taxpayers' Delinquent Accounts by the Internal Revenue Service, B-137762, Aug. 9, 1973.)

This recommendation is for consideration by:
Joint Committee on Internal Revenue Taxation

Need for Improved Coordination and Uniformity of Federal Disaster Assistance Programs—Although the Office of Emergency Preparedness (now the Federal Disaster Assistance Administration) is responsible for coordinating Federal disaster relief, we found little coordination of the several programs involving large Federal expenditures. Also, greater uniformity is needed in Federal disaster assistance programs.

We suggested that the congressional committees may wish to consider (1) providing for uniformity among Federal disaster loan programs, (2) assigning to one agency disaster responsibilities which are now divided among various Federal agencies, (3) clarifying congressional intent regarding the applicability of local codes, specifications, and standards, (4) the policy of following State laws in the establishment of fair market value, and (5) including the victim's losses for disaster-related projects in relocation payments. (Information on Federal Disaster Relief Programs, B-178415, Nov. 5, 1973.)

This recommendation is for consideration by the following committees:

Senate: Public Works

House: Public Works

Expenditure of Federal Funds for the Protection of Presidents, Vice Presidents, Former Presidents, and others—As a result of publicity regarding Federal expenditures on the President's two residences, we received letters from Members of Congress and others expressing a common concern about the magnitude of the total reported expenditures, and with respect to specific expenditures, questioning whether the work performed

—related to the protection of the President.

—provided a nonprotective benefit to the President.

We recommended that the Congress enact legislation along the following lines:

—Appropriations for expenditures at private residences for protective purposes should be

made to the Secret Service, and no other funds should be available for that purpose.

—The accounting system of the Secret Service should require that expenditures at private residences for protective purposes be authorized by the Director or Deputy Director of the Service and that all costs for this purpose be segregated and accumulated on a current basis.

—The Secret Service should make an annual public report to the Congress showing in as much detail as security will allow expenditures made on private residences for protective purposes.

—The report made by the Secret Service should be subject to audit by GAO and GAO should be given complete access to all records, files, and documents supporting expenditures made by the Service.

—Appropriations for expenditures at private residences of the President, not of a protective nature, should be made to the White House. The White House should account for any such expenditures and make an annual report to the Congress, subject to audit by GAO in the same manner suggested above for expenditures by the Secret Service for protective purposes. (Protection of the President at Key Biscayne and San Clemente, B-155950, Dec. 18, 1973.)

These recommendations are for consideration by the following committees:

Senate: Government Operations

House: Government Operations

Real Property Exchanges—The Federal Property and Administrative Services Act of 1949 and the Public Buildings Act of 1959 authorize the General Services Administration to exchange Government-owned property.

Property exchanges are negotiated on the basis of appraised fair market value. However, appraised values do not assure that the Government is receiving the highest value because participation in an exchange is limited to one individual. In some cases former Government property was sold, shortly after an exchange, at prices much higher than the appraised value at which it had been exchanged. Under competitive bidding the Government would have more assurance of receiving the highest value for excess property than it has under negotiated exchanges based on appraised fair market value.

To give all interested parties an opportunity to acquire excess Government property in exchanges, we recommended that the Congress amend the Federal Property and Administrative Services Act of 1949 to permit GSA to offer such property at competitive bid and to deposit the cash proceeds into a building fund to be used, subject to annual appropriation acts, to acquire public building sites.

We also recommended that the Congress amend the Public Buildings Act of 1959 to eliminate the provisions authorizing the acquisition of property by the exchange method. (Changes in Law Recommended to Enable GSA to be More Effective in Selling Excess Properties and in Acquiring Public Building Sites, B-165511, Feb. 15, 1974)

These recommendations are for consideration by the following committees:

Senate: Public Works

House: Public Works

Access to Records—Federal Deposit Insurance Corporation—As in previous years, we were unable to make a complete audit of FDIC because it would not permit unrestricted access to examination reports, files, and other records relative to the banks it insures. Without such access, we were unable to express an overall opinion on FDIC's financial statements. FDIC believes that the basic concept of confidentiality, regarding open bank data, is essential to the proper supervision of banks and to the functioning of deposit insurance.

In order that we may effectively carry out our audit responsibility, we recommended that the Congress amend the Federal Deposit Insurance Act to clarify our authority to have access to examination reports, files, and other records of FDIC, the Federal Reserve banks, and the Comptroller of the Currency on insured banks. (Audit of Federal Deposit Insurance Corporation for the Year Ended June 30, 1973, Limited by Agency Restriction on Access to Bank Examination Records, B-114831, May 23, 1974)

This recommendation is for consideration by the following committees:

Senate: Banking, Housing, and Urban Affairs

House: Banking and Currency

Need to Reduce Number of Reports Submitted to the Congress by the Executive

Branch—Our study of the usefulness of recurring reports submitted to the Congress by executive departments and agencies, requested by the House Committee on Government Operations, identified.

—747 recurring reports submitted to the Congress by the executive departments and agencies (544 required by statute and 203 initiated by committees and Members of Congress).

—54 reports no longer needed by the Congress including 30 statutory reports and 24 nonstatutory reports.

We recommended improvement action on 25 reports, 21 required by statute and 4 nonstatutory reports, and identified 102 additional reports that offer potential for further elimination and/or improvements. We advised the Committee that we would perform the required followup action on these reports.

We recommended that the Committee introduce legislation to change the statutory reporting requirements identified in Appendix IV of the report. (Usefulness to the Congress of Reports Submitted by the Executive Branch, B-115398, Oct. 26, 1973.)

On November 5, 1973, we provided the Committee draft legislation which would effect the required statutory changes in reporting requirements. The Committee reported out H.R. 14718 on July 24, 1974, implementing our recommendation and the bill passed the House on August 5, 1974.

This recommendation is for consideration by the following committee:
Senate: Government Operations

Health

Uncoordinated Programs for Health Services in Outpatient Health Centers in the District of Columbia—The District of Columbia, through its Department of Human Resources, and three private nonprofit organizations provide health care in 21 outpatient health centers. Funds for the operation of these centers are provided by the District under one program and by the Federal Government under seven programs.

The systems for providing health services in these health centers did not provide a District-wide coordinated approach and no one organization had authority over all centers. Con-

sequently, each of the nonprofit organizations and the District planned individually for the location of health centers, resulting in (1) an imbalance in the locations of the outpatient health centers, (2) some areas providing more health care capability than residents were seeking, and (3) a lack in other areas of sufficient health care.

We suggested that the Congress consider whether categorical Federal grants for health may lessen the opportunity for localities to develop an effective comprehensive action plan for delivering outpatient health services. The Chairman of the Subcommittee on Labor and Social Services, House D. C. Committee, has this matter under consideration. (Study of Programs for Health Services in Outpatient Health Centers in the District of Columbia, B-118638, July 31, 1973.)

This recommendation is for consideration by the following committees:
Senate: Labor and Public Welfare
District of Columbia
House: Interstate and Foreign Commerce
District of Columbia

Need More Time to Issue a Permanent Occupational Safety and Health Standard After Issuing an Emergency Standard—Section 6(c) of the Occupational Safety and Health Act of 1970 requires the Secretary of Labor to establish an emergency temporary occupational safety and health standard if he determines that employees are in grave danger from exposure to toxic substances or harmful physical agents and the emergency temporary standard is needed to protect them. The act also requires that an emergency temporary standard be superseded by a comprehensive permanent standard in 6 months.

We reported to the Chairman, Senate Committee on Labor and Public Welfare, that agency officials stated that, except in a few cases, it was virtually impossible to develop and issue a comprehensive recommended standard within the required 6 months. We stated that the Committee should consider asking Congress to amend section 6(c)(3) of the act to allow the Secretary of Labor more time to issue a comprehensive permanent standard after issuing an emergency standard. (Slow Progress Likely in Development of Standards for Toxic Substances

and Harmful Physical Agents Found in Workplaces, B-163375, Sept. 28, 1973.)

This recommendation is for consideration
by the following committees:
Senate: Labor and Public Welfare
House: Education and Labor

Need for Premium Reductions for Certain Enrollees of the Retired Federal Employees Health Benefits Program—Enrollees of the health benefits program, who are also covered under Medicare, pay the same premium as those enrollees not covered under Medicare. The enrollees covered under both plans receive reduced benefits under the health benefits program while the others derive the full benefits of the program.

We recommended that the Congress consider including the retired Federal benefits program under the provisions of section 210 of Public Law 92-603, which requires that Federal employees and retirees, eligible for both the Federal health benefits program and Medicare, be provided supplemental coverage or reduced premiums because of the overlap between the two programs. (Improving Administration of the Uniform Plan of Health Insurance for Federal Employees who Retired before July 1, 1960, B-164562, June 12, 1974.)

This recommendation is for consideration
by the following committees:
Senate: Post Office and Civil Service
House: Post Office and Civil Service

Need to Allow OSHA to Make Consultative Visits to Small Businesses—Consultative visits by the Occupational Safety and Health Administration could help to improve administration of the program providing financial assistance through loans and loan guarantees to small businesses suffering substantial economic injury by complying with OSHA's health standards. OSHA maintained that the law did not allow an inspector to make a consultative visit to a loan applicant's facility without citing the employer for any OSHA standards violation noted.

In our report to the Chairman, Senate Committee on Labor and Public Welfare, we recommended that the Committee consider amending the Occupational Safety and Health Act to allow OSHA to make consultative visits to small businesses applying for financial assistance without having to cite firms for standards violations

noted. (Administration of Small Business Loan Program Under the Occupational Safety and Health Act, B-163375, Apr. 4, 1974.)

This recommendation is for consideration
by the following committees:
Senate: Labor and Public Welfare
House: Education and Labor

Questionable Need for Federal Loans and Scholarships to Health Professions Students—The Congress created the Health Professions Student Assistance Program to partially alleviate expected shortages of certain health professionals, improve the quality of health professions students, encourage practice in shortage areas, and increase the proportion of students from low-income families. Our report on the effectiveness of that program described why those objectives were not being met.

The program's appropriation authority expired June 30, 1974. We recommended that the Congress consider whether the program's goals could better be accomplished through other existing Federal programs.

We recommended that, if the program is continued, the Congress consider:

- Whether its goals could be served as well if scholarship funds were added to loan funds and the scholarships eliminated.
- The necessity of continuing to provide loans at interest rates lower than those available to the Government in view of the very high earning potential of medical and dental school graduates.
- Whether the goal of increasing the number of health professions students from low-income families could be better served if the program was directed to a specifically defined income group.
- The need for providing overall coordination of the various Federal programs providing aid to health professions students.

(Congressional Objectives of Federal Loans and Scholarships to Health Professions Students Not Being Met, B-164031(2), May 24, 1974.)

These recommendations are for consideration
by the following committees:
Senate: Labor and Public Welfare
House: Interstate and Foreign Commerce

Income Security

Legislation Needed to Simplify the Federal Funding of State Employment Security Agencies' Administrative Expenses—In administering the Federal-State employment security programs, the Department of Labor grants obligational authority to each State from several Federal fund sources and relies on the States to account for these funds. The Department is responsible for complying with the Anti-Deficiency Act (31 USC 665) for each fund source.

Our review showed that legislation is needed to simplify the Federal funding of administrative expenses of State agencies, estimated at \$1 billion for fiscal year 1974. Without this legislation the Department is faced with the dilemma of either (1) requiring that State agencies correctly report the use of funds and run the risk of violating the Anti-Deficiency Act for particular fund sources or (2) allowing the State agencies to incorrectly report fund usages to avoid recording and disclosing violations.

We recommended that the Secretary of Labor request and the Congress consider legislation to simplify the funding of administrative expenses for State employment security agencies. We suggested several alternatives to accomplish this objective:

- Limit the Department's responsibility under the Anti-Deficiency Act to total funds available to State agency administration instead of each available fund source.
- Establish an administrative operations fund.
- Provide one appropriation for all State agency administrative expenses.
- Provide some other type of joint funding.

(Legislation Needed to Simplify the Federal Funding of State Employment Security Agencies' Administrative Expenses, B-115349, July 23, 1973.)

The Department of Labor submitted draft legislation to the Office of Management and Budget who are soliciting Executive Branch views. We submitted our comments to OMB during July 1974 pointing out our objections to their proposal.

This recommendation is for consideration by the following committees:

Senate: Appropriations
House: Appropriations

Paying compensation claims of disabled Federal employees—During fiscal year 1972, nearly 27,000 injury or fatality claims were submitted for Federal employees. On the average, a period ranging from 49 to 70 days elapsed between the time employees were injured and unable to work and the time their compensation claims were approved for payment. Another 2 or 3 days passed, after claims were approved, before compensation checks were mailed to the employees.

We recommended that the Congress consider legislation that would reduce the lag in compensation payments. The House passed and sent to the Senate a bill (H.R. 13871) which would allow each agency to pay the claims of its employees while formal approval of the claims was pending with the Department of Labor's Office of Federal Employee Compensation. (Need For a Faster Way to Pay Compensation Claims to Disabled Federal Employees, Nov. 21, 1973.)

This recommendation is for consideration by the following committee:
Senate: Labor and Public Welfare

International Affairs and Finance

Need for Establishing Development Criteria for Ending U.S. Assistance to Recipient Countries—The question of when a foreign aid recipient reaches the point in its development when it no longer needs further U.S. concessional assistance has not been addressed by State and AID program managers.

We recommended that the Congress require the Department of State and AID to identify precisely and objectively that point at which a country no longer requires U.S. concessional assistance. (U.S. Foreign Aid to Education: Does Brazil Need It?, B-133283, July 30, 1973.)

This recommendation is for consideration by the following committees:
Senate: Foreign Relations
House: Foreign Affairs

Restrictions on U.S. Procurement Activities in Thailand—We found that the United States is incurring additional contract costs because of

certain restrictions placed on competition by the Thai Government.

We suggested to the Congress that if the executive branch is unable to negotiate a resolution of this matter, the additional costs incurred be considered assistance to Thailand and paid for with foreign assistance funds. (Restrictions on U.S. Procurement Activities in Thailand, B-133258, June 5, 1974.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

Appropriations

House: Foreign Affairs

Appropriations

National Defense

Reordering of Priorities in Antisubmarine Warfare Programs May Be Needed—Underwater electronic sensors and specially configured aircraft are essential subsystems of the Navy's new airborne antisubmarine warfare weapon system. Problems have occurred in the development and testing of the sensors.

We suggested that, because of the important role which the sensors play in the effectiveness of the aircraft and the inherent limitations of current sensor systems against high-performance nuclear submarines, the Congress might want to question whether the Department of Defense was placing sufficient emphasis on the development of needed sensor capabilities in comparison with the production of the new antisubmarine warfare aircraft. (Improvements Needed in Development Testing, B-163058, Mar 7, 1974.)

This recommendation is for consideration by the following committees:

Senate: Armed Services

Appropriations

House: Armed Services

Appropriations

Need for Congressional Cognizance of Leasing Programs.—We found that the Navy committed more than \$300 million in operation and maintenance funds over a 20-year period for the leasing of nine tankers. The Congress was not assured an opportunity to evaluate and participate in the decisionmaking process.

We recommended that, since this program is similar to Government programs for leasing buildings, the Congress evaluate the need for legislation similar to Public Law 92-313 of June 16, 1972. That law amended the Public Buildings Act of 1959 to require congressional approval of all leases greater than \$500,000 a year. Since the build and charter program may be precedent setting (the Navy is considering leasing other types of vessels), similar legislation could be appropriate as an effective tool to insure congressional cognizance of future long term leasing programs. (Build and Charter Program for Nine Tanker Ships, B-174839, Aug. 15, 1973.)

This recommendation is for consideration by the following committees:

Senate: Armed Services

Appropriations, Defense
Subcommittee

House: Armed Services

Appropriations, Defense
Subcommittee

Need to Revise Method of Increasing Military Pay—The objective of Public Law 90-207 is to provide members of the armed forces with basic pay increases comparable to Federal civilian pay increases. We reported to the Chairmen, Senate and House Armed Services Committees, that military compensation adjustments made under this law, and other related legislation, have not achieved the intended objectives but have, instead, caused certain inequities.

We recommended that the Congress change the method of determining military pay increases. We noted that the Department of Defense had proposed one alternative method and another had been suggested by the Brookings Institution. We stated that, although either method would correct the most significant pay adjustment problems, we preferred the latter method, called the equal percentage method, because of its simplicity and ease of administration. The Department of Defense withdrew its original proposal and recommended that the Congress adopt the equal percentage method. This proposal was passed by the House of Representatives on July 1, 1974, and sent to the Senate. (Information and Observations on the Need to Revise the Method of Increasing Military Pay, B-163770, Mar. 14, 1974.)

This recommendation is for consideration by the following committee:

Senate: Armed Services

Ship Transfers to Foreign Countries—Public Law 92-270 authorized the loan of 10 destroyers and 6 submarines to certain foreign countries with the understanding that all related expenses be paid by the recipient countries or financed as military assistance. We identified \$18 million in expenses connected with the ships transferred under this authority for which we believe the Navy should have been at least partially reimbursed.

Defense Department presentation documents to the Congress show little or no information on ship transfers; therefore, these costs are not apparent to interested congressional committees.

We suggested that the Congress require the Defense Department's annual presentation documents to show all costs associated with transfers of Naval vessels to foreign countries. (*How Ship Transfers to Other Countries Are Financed*, B-163472, June 25, 1974.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

House: Foreign Affairs

U.S. Military Assistance to Korea—Based on our review of the effectiveness of U.S. security assistance activities in Korea, we made certain suggestions to the Congress for improving the economy and effectiveness of the program. The specific suggestions carry a security classification. (*U.S. Security Assistance to Korea: Accomplishments and Constraints*, B-164264, July 1, 1974.)

The recommendations are for consideration by the following committees:

Senate: Foreign Relations

Appropriations

House: Foreign Affairs

Appropriations

Changes in Procurement Instructions are Needed—The Department of Defense negotiates contracts worth billions of dollars annually. Because its buying system is tied to legislation, certain administrative costs associated with procurement cannot be reduced without congressional action. The Commission on Government Procurement recognized that changes were

needed and recommended appropriate legislation to the Congress.

We made similar recommendations to the Congress to enact legislation:

Authorizing agencies to solicit proposals from a competitive, rather than a maximum, number of sources.

Raising the ceiling price of procurements subject to simplified procurement procedures.

Repealing the requirement that contracting officers prepare determinations and findings for certain procurements. (*Ways for the Department of Defense to Reduce its Administrative Costs of Awarding Negotiated Contracts*, B-168450, Sept. 17, 1973.)

We testified before the House Government Operations Subcommittee on Legislation and Military Operations on House bill 14494, a bill to raise the ceiling on small purchases to \$10,000. Senate bill 3311 was passed by the Congress in lieu of House bill 14494 and on July 25, 1974, this provision was signed by the President, Public Law 93-3356.

House bill 9061, introduced by Chairman Holifield, covering the first and last recommendations discussed above is now before the House Judiciary Committee.

These recommendations are for consideration by the following Committees:

Senate: Government Operations, Ad Hoc Subcommittee on Federal Procurement

Armed Services

Appropriations, Defense Subcommittee

House: Government Operations, Subcommittee on Legislation and Military Operations

Armed Services

Judiciary

Appropriations, Defense Subcommittee

Natural Resources and Environment

Controlling Water Pollution—The attainment of the goals established by the Federal Water Pollution Control Act Amendments of 1972 of (1) eliminating the discharge of pollutants into navigable waters by 1985 and (2) achieving

water quality sufficient for protecting aquatic life and for recreation by 1983 will require an ambitious research and demonstration program within a relatively short period of time. At the current funding levels for water pollution research, it is doubtful that these goals will be achieved within the time period established. We therefore recommended that the Congress consider the current and planned funding levels for water pollution R&D in relation to the research needed to determine if increased funding is warranted.

The 1972 amendments established a commission (the National Commission on Water Quality) to study the technological aspects of achieving the effluent limitations and goals set forth for 1983, as well as all aspects of the economic, social, and environmental effects of achieving or not achieving these limitations and goals. The Commission is required to report to the Congress by October 1975. We recommended that, if the Congress finds it necessary as a result of the Commission's study to reassess and revise legislative goals, the Congress determine the direction of Federal research programs—in terms of priorities and funding levels—to meet the revised goals.

The Environmental Protection Agency relies on industry's voluntary release of information on its research efforts and results in deciding which research water pollution projects to pursue. We became aware of some reluctance by industry to provide such information. Because a free and full exchange of such information—under proper safeguards to avoid public disclosure of proprietary information and under assurances that such disclosure will not adversely affect the industry's pollution control program—should be of mutual benefit and should help avoid unnecessary duplication, we suggested that the Congress may wish to explore with EPA and industry whether current procedures for exchange of such information can be strengthened. (Research and Demonstration Programs to Achieve Water Quality Goals: What the Federal Government Needs to Do, B-166506, Jan. 16, 1974.)

These recommendations are for consideration by the following committees:

Senate: Public Works

House: Public Works

Need to Amend Law to Give the Atomic Energy Commission the Authority to Predetermine the Trustworthiness of Drivers and Guards Transporting Special Nuclear Material—In the absence of a Government-operated or Government-controlled system for transporting special nuclear material, AEC's lack of specific authority to predetermine the trustworthiness of transport drivers and escorting guards is a weakness in the system for protecting such materials from loss or diversion. We recommended that the Joint Committee on Atomic Energy consider amending the Atomic Energy Act to give AEC the authority to predetermine the trustworthiness of vehicle drivers and escorting guards. This authority would provide AEC with what it considers a principal element for safeguarding special nuclear material in-transit. (Protecting Special Nuclear Material In-Transit: Improvements Made and Existing Problems, B-164105, Apr. 12, 1974.)

This recommendation is for consideration by:
Joint Committee on Atomic Energy

Actions Taken by Congress on Legislative Recommendations

General Government

Recovery From Disability Retirements—The District of Columbia Police and Firemen's Retirement and Relief System provides that if disabled retirees *under 50 years of age* recover from their disabilities, annuities will cease 1 year from the dates of the medical examinations. Although medical examinations are also required for retirees *over 50 years of age* who are employed, the law is silent concerning what action is to be taken if these retirees are determined to be no longer disabled.

In a report to Congressman Thomas M. Rees, we suggested that, if it is desired that employed retirees age 50 or older who are medically fit be removed from the retirement rolls, the law be changed to specifically provide the District with such authority. (Report on the District's Police and Firemen's Retirement and Relief System, B-118638, Apr. 10, 1974.)

Hearings were conducted by the House District Committee on the D.C. Police and Firemen's Retirement and Relief System, which included consideration of our suggestion. House bill 15842, introduced on July 10, 1974, covered our suggestion. It passed the House and the Senate and was signed into law on September 3, 1974.

Health

Lack of Authority Limits Consumer Protection—The authority provided the Food and Drug Administration to identify and remove adulterated, misbranded, ineffective, or potentially harmful products from the market is inadequate. Therefore, we recommended that the Secretary of HEW propose changes to the Federal Food, Drug, and Cosmetic Act to provide FDA with authority to (1) examine records and data related to the production and distribution of products and (2) detain products suspected or known to violate the act.

Legislation proposed by the Administration—Senate bill 3012—was introduced in Congress on February 18, 1974. This bill will amend the act to provide FDA with the authority to require access to production and distribution records and to administratively detain suspect products. (Lack of Authority Limits Consumer Protection: Problems in Identifying and Removing from the Market Products which Violate the Law, B-164031(2), Sept. 14, 1972.)

Impact of a Change in the Method of Distributing Federal Funds for Maternal and Child Health Programs—We reported to the Chairman, House Committee on Ways and Means, that terminating the authority for special project grants to States on June 30, 1972, as scheduled under title V of the Social Security Act, would have a significant impact on many States, particularly those with large urban areas. We recommended to the Committee that the project grants would have to be extended beyond the June 30, 1972, date to achieve an orderly transition toward the termination of these grants.

Public Law 92-345, approved July 10, 1972, extended the termination date to June 30, 1973. Subsequently, the Congress enacted Public Law 93-53, approved July 1, 1973, extending the

termination date for special project grants to June 30, 1974, and providing financial relief for those States which would have experienced adverse effects under the original termination provisions of title V. (Maternal and Child Health Programs Authorized by Title V, Social Security Act, B-164031(3), June 23, 1972.)

Income Security

Unclaimed Benefits in the Civil Service Retirement Fund—In 1972 we reported to the Congress that over a quarter million former Federal employees, most of whom were well beyond retirement age, had not applied for annuities or refunds from their contributions totaling about \$26 million to the Civil Service Retirement Fund. We recommended to the Congress that it consider favorably the requests of the Commission to (1) finance a program using interest income of the Fund to locate former employees with balances of \$100 or more in order to settle their claims, and (2) provide for a statute of limitations permitting destruction of retirement records when it would be statistically sound to conclude that no claims would be made.

On October 30, 1973, Public Law 93-143 was signed by President Nixon. This law, providing fiscal year 1974 appropriations to independent agencies authorized the Civil Service Commission to spend \$641,000 on a program to locate former employees with balances in the Fund and to settle their claims. House bill 14675 has been proposed to establish a statute of limitations on retentions of records; however, no action had been taken on the bill as of June 30, 1974 (Unclaimed Benefits in the Civil Service Retirement Fund, B-130150, Dec. 20, 1972.)

International Affairs and Finance

Establish Independent Review and Evaluation Systems in the International Development Organizations—During the past several years we have made recommendations in several of our reports and testimony before various congressional committees to obtain legislation which would assist in establishing independent review and evaluation systems in these organizations.

In the Foreign Assistance Act of 1973 (Public Law 93-189, dated December 17, 1973) Congress enacted legislation which required the President, acting through the U.S. representatives to the World Bank Group, the Asian Development Bank, and the United Nations System, to propose the establishment of an independent review program in each of the organizations. The law also required that statements of auditing and reporting standards be prepared by the Comptroller General of the United States and presented for the consideration of the organizations' governing bodies to assist in formulating terms of reference for the independent review system. (See Nondollar Accomplishments Attributable to the Work of GAO, app. 3.)

Legislation to Require Annual Reporting by the Secretary of State to the Congress—In our report to the Congress on developing countries' external debt and U.S. foreign assistance, (B-177988, May 11, 1973) we stated the Congress may wish as a prerequisite in order to have essential information, consider legislation to require comprehensive annual reporting by the Secretary of State, to be submitted in January of each year and be available to the committees of the Congress in their considerations of authorization and appropriation proposals. Such reporting might make available for the Congress current summary perspectives of the worldwide dimensions of the debt burden problem, as well as the specifics of debt relief granted or proposed.

In the Foreign Assistance Act of 1973 (Public Law 93-189) Congress enacted Legislation section 634(g) which requires the President to transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate, not later than January 31 of each year, a comprehensive report, based upon the latest data available, to meet this need. (See Nondollar Accomplishments Attributable to the Work of GAO, app. 3.)

Restatement of Prior Years Recommendations

Commerce and Transportation

Transfer to the Department of Transportation Responsibility for Inspecting Radios on Com-

pulsorily Equipped Ships—To provide for safety of life at sea, the Communications Act of 1934, as amended, and international agreements require that a radio be installed on certain classes of ships and that the radios be inspected annually. Responsibility for inspecting the radios was vested in the Federal Communications Commission by a 1937 amendment to the Communications Act.

Inspections of ship radios, regardless of how important they may be from a safety standpoint, simply have no relationship to FCC's primary responsibility for maximizing the use of the radio spectrum.

The Department of Transportation is responsible for developing national transportation policies and programs, including safety programs for all modes of transportation. We believe that the transfer of responsibility for ship radio inspections to the Department of Transportation would be consistent with its safety responsibilities. We therefore recommended that the Congress amend the Communications Act of 1934 to transfer to the Department responsibility for inspecting radios on ships. (Fundamental Changes Needed to Achieve Effective Enforcement of Radio Communication Regulations, B-159895, Nov. 3, 1972.)

This recommendation is for consideration by the following committees:

Senate: Commerce

House: Interstate and Foreign Commerce

Community Development and Housing

Establishment of an Appropriate Minimum Rental Rate for Occupancy of Federally Subsidized Housing—The Department of Housing and Urban Development had not established a minimum rental rate for occupancy of the federally subsidized housing projects provided under section 221 of the National Housing Act, although other housing programs more recently enacted by the Congress required a minimum contribution of 25 percent of family income. We stated that it was inequitable for HUD to provide section 221 housing assistance without requiring a minimum percentage-of-income contribution because the Congress had deemed a minimum contribution appropriate for assistance under programs for generally lower income families.

The Secretary of HUD expressed the view that, although there had been ample opportunities since the enactment of the section 221 below-market-interest-rate program in 1961, the Congress had chosen not to amend the legislation to include such a requirement. In view of the large percentage of families that were contributing less than 25 percent of their income for section 221 housing, we suggested that the Congress consider whether HUD should establish an appropriate percentage-of-income contribution as the minimum rent to be required. (Tighter Control Needed on Occupancy of Federally Subsidized Housing, B-114860, Jan. 20, 1971)

This recommendation is for consideration
by the following committees:

Senate: Banking, Housing and Urban Affairs
House: Banking and Currency

Admission to Low-Rent Public Housing—The Department of Housing and Urban Development assists local housing authorities in purchasing privately owned dwellings for rental to low-income families. As of June 30, 1971, HUD had assisted in the purchase of standard housing units requiring little or no rehabilitation to be used as low-rent housing at an estimated cost of about \$235 million.

Many of the occupants of the acquired housing units had previously lived in standard housing, and many had incomes exceeding those set for public housing eligibility. We suggested that the Congress consider requiring local housing authorities to give preference for admission to public housing to occupants of private substandard housing. (Benefits Could be Realized by Revising Policies and Practices for Acquiring Existing Structures for Low-Rent Public Housing, B-114863, Sept. 7, 1972.)

This recommendation is for consideration
by the following committees:

Senate: Banking, Housing and Urban Affairs
House: Banking and Currency

Benefits from Federal Outdoor Recreation Grants—Among the reasons why recreation project grant programs of the Departments of the Interior and Housing and Urban Development programs had not been more successful in meeting urban recreation needs was that the Land and Water Conservation Fund Act (1) required that 40 percent of Federal grant funds

be apportioned equally to all States and (2) limited the apportionment to any State to 7 percent of the funds available to all States. Also, low-income, densely populated communities which need additional recreation facilities had not applied for grants in many cases because they lacked the required 50-percent local matching funds.

Interior had proposed legislation which would revise the allocation formula by increasing apportionments to the more populous States. Because we believed that the proposed legislation had merit, we recommended that the Congress amend the Land and Water Conservation Fund Act to revise the allocation formula. We recommended also that the Congress consider amending the applicable laws to provide for a flexible matching formula to allow the Bureau of Outdoor Recreation and HUD to take grants of more or less than 50 percent on the basis of financial needs. (Greater Benefits to More People Possible by Better Uses of Federal Outdoor Recreation Grants, B-176823, Oct. 5, 1972.)

This recommendation is for consideration
by the following committees:

Senate: Interior and Insular Affairs
House: Interior and Insular Affairs

Need for a National Foreclosure Law—The Federal Government insures, guarantees, and finances privately financed home loans under several programs administered by the Department of Housing and Urban Development and Veterans Administration. When a borrower defaults on a HUD-insured or VA-guaranteed loan, the loan is terminated and the property is generally conveyed by the lender to HUD or to VA in exchange for insurance or guaranty payments.

The power-of-sale method of foreclosure authorized by statutes in 26 States and the District of Columbia is generally less costly and less time consuming than the judicial and other methods of foreclosure authorized in the other 24 States' statutes. We recommended that the Congress enact legislation which would establish a Federal power-of-sale foreclosure law for all federally financed, insured, or guaranteed home mortgages. (Opportunities to Reduce Costs in Acquiring Properties Resulting from Defaults on Home Loans, B-114860, Oct. 20, 1972.)

This recommendation is for consideration
by the following committees:

Senate: Banking, Housing and Urban Affairs
Veterans' Affairs
House: Banking and Currency
Veterans' Affairs

Reducing Interest Costs of Two Mortgage Insurance Programs—The Department of Housing and Urban Development, as authorized by sections 235 and 236 of the National Housing Act, makes monthly assistance payments to mortgagees so that lower income families can afford to purchase or rent housing. HUD's monthly payments include premium charges for mortgage insurance provided under the programs. The mortgagees repay the accumulated premiums to HUD annually.

We proposed that HUD deduct the mortgage insurance premiums from the monthly assistance payments so that the Government would save interest costs on the monthly assistance payments. HUD disagreed, stating that any savings which would result would be offset by the cost of the additional work necessary to implement the proposal. As an alternative method, which would eliminate any additional administrative costs, we recommended that the Congress authorize HUD to waive the mortgage insurance premiums for the sections 235 and 236 programs. (Opportunity for Reducing Interest Costs Under Sections 235 and 236 Housing Programs, B-171630, Nov. 22, 1972.)

This recommendation is for consideration
by the following committees:

Senate: Banking, Housing and Urban Affairs
House: Banking and currency

Education and Manpower

Students May Borrow More than They Can Repay—In a survey of students obtaining loans under two of Health, Education, and Welfare's Student Loan Programs—the Guaranteed Student Loan Program and the National Defense Student Loan Program—some students (1) obtained loans under both programs in the same academic year and (2) borrowed more in a school year than the maximum amount allowable under either program.

We recommended the establishment of an overall limit on the amount a student may

borrow when participating in more than one loan program. (Need for Improved Coordination of Federally Assisted Student Aid Programs in Institutions of Higher Education, B-164031(1), Aug. 2, 1972.)

This recommendation is for consideration
by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

General Government

Recommended Change in Period of Annual Audit—We have recommended in several annual reports that section 17(c) of the Federal Deposit Insurance Act be amended to require that our audits of FDIC be made on a calendar-year basis rather than on a fiscal-year basis as provided in the act. This would eliminate the inconsistency between the periods covered by our audit reports and by FDIC's annual reports.

The bill submitted to the Congress by the Comptroller General and introduced by Senator Ervin (S. 2049) and Congressman Holifield (H.R. 9091), if enacted, will resolve the above as to our reporting date to Congress. The bill requires a report 6½ months after the close of the Corporation's fiscal year rather than June 30, as currently required. (Audit of Federal Deposit Insurance Corporation for the Year Ended June 30, 1972, Limited by Agency Restriction on Access to Bank Examination Records, B-114831, Apr. 23, 1973.)

This recommendation is for consideration
by the following committees:

Senate: Banking, Housing, and Urban Affairs
Government Operations
House: Banking and Currency
Government Operations

Operations of the Renegotiation Board.—The Renegotiation Act of 1951 created the Renegotiation Board as an independent agency to eliminate contractors' excessive profits on defense and space contracts and related subcontracts. A contractor whose total renegotiable sales in a fiscal year exceed \$1 million must file a report with the Board. Contractors who fail to submit filings, submit inadequate filings, or submit them late are not penalized, and the act provides no penalty for late filings.

Because of the large number of delinquent filings, we recommended that the Congress amend the act to provide penalties for failure to file as required by the act.

The Board has experienced problems in obtaining accurate and complete information from contractors. We recommended that the Congress revise the penalty provision to hold contractors responsible for furnishing all data required by the Board and to have contractors show reasonable cause why they did not furnish the data.

Of the several sales exemptions in the act, our review indicated that substantial sales were escaping renegotiation under the exemptions for (1) standard commercial articles and services and (2) new, durable productive equipment. We recommended that the Congress (1) require the Board to obtain and analyze profit and cost data on standard commercial articles and services to determine whether significant amounts of excessive profits are escaping renegotiation and (2) determine whether the new, durable productive equipment exemption is valid since the release of Government-stockpiled equipment—the rationale for the exemption—has not occurred.

The contents of this report are being considered in a congressionally mandated joint study of renegotiation by the Staffs of the Joint Committee on Internal Revenue Taxation and the Renegotiation Board. In addition, during hearings in March 1974 before the Subcommittee on HUD-Space-Science-Veterans of the House Committee on Appropriations, this report was discussed and a digest was included in the record. (The Operations and Activities of the Renegotiation Board, B-163520, May 9, 1973.)

This recommendation is for consideration by the following committees:

Senate: Finance

House: Ways and Means

Health

Lack of Authority Limits Consumer Protection—The Food and Drug Administration, Department of Health, Education, and Welfare, is responsible for enforcing the Federal Food, Drug, and Cosmetic Act which was enacted to protect the American consumer from adulterated, misbranded, ineffective, or potentially harmful products. However, the authority

provided FDA to identify and remove products suspected or known to be violative is inadequate.

We recommended to the Congress and proposed to the Secretary of HEW that the Federal Food, Drug, and Cosmetic Act be amended to give FDA authority to (1) examine records and data related to the production and distribution of products, (2) detain products suspected or known to be violative, and (3) require firms to recall these products. The first recommendation on the examination of records and data related to production and distribution of products was proposed by the Secretary of HEW—Senate bill 3017, dated February 18, 1974. (*Lack of Authority Limits Consumer Protection: Problems in Identifying and Removing from the Market Products which Violate the Law*, B-164031(2), Sept. 14, 1972.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Interstate and Foreign

Need to Establish Control Over the Quality of Imported Shellfish—Our laws do not prohibit the importation of foreign shellfish harvested from unknown growing areas, and we have no assurance that imported shellfish came from waters meeting domestic standards.

We recommended that the Congress consider enacting legislation to permit importing fresh, frozen, and processed shellfish from only those countries that harvest and process shellfish under conditions at least equal to domestic standards. (Protecting the Consumer from Potentially Harmful Shellfish (Clams, Mussels, and Oysters), B-164031(2), Mar. 29, 1973)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Interstate and Foreign Commerce

Unsanitary Conditions in the Food Manufacturing Industry—In an assessment of the sanitary conditions of the Food Manufacturing Industry, we reported to the Congress that, of the 97 plants included in our sample, 39—or about 40 percent—were operating under unsanitary conditions having potential for causing, or having already caused, product contamination. On the basis of the sample, we estimated that

1,800 of 4,550 such plants, which was confirmed as representative of conditions nationwide by Food and Drug Administration officials, were operating under unsanitary conditions.

We suggested that the Federal Food, Drug, and Cosmetic Act be amended to provide for civil penalties when sanitation standards are violated. (Dimensions of Insanitary Conditions in the Food Manufacturing Industry, B-164031(2), Apr. 18, 1972.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Interstate and Foreign Commerce

Need to Bring Federal Workplaces Under the Inspection Responsibility of OSHA—Section 19 of the Occupational Safety and Health Act of 1970 requires each Federal agency to establish and maintain an effective and comprehensive occupational safety and health program consistent with standards promulgated by the Secretary of Labor, and to provide safe and healthful working conditions for Federal employees.

Because of the number and severity of the violations of safety and health standards noted during our limited inspections and the need to strengthen safety and health programs in many Federal agencies, we recommended that the Chairman, Senate Committee on Labor and Public Welfare, consider having the act amended to bring Federal workplaces under the inspection responsibility of OSHA. These inspections should supplement, and not replace, inspections by the agencies' own personnel. (More Coordinated Effort Needed by the Federal Government on Occupational Safety and Health Programs for Federal Employees, B-163375, Mar. 15, 1973.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

International Affairs and Finance

Duty Payments Delayed On Lead And Zinc Imported Into Bonded Warehouses—The Tariff Act of 1930 permits a deferral of the payment of duties on imported metal until a metal enters domestic commerce or until 3 years elapse, whichever happens first. The act also provides

that any lead and zinc in a company's inventory may be considered as imported metal not entered into commerce and used as a basis for deferring duty payments.

We recommended to the House Committee on Ways and Means and the Senate Committee on Finance that consideration be given to amending the Tariff Act of 1930 to (1) prohibit the inclusion of wastage metal in lead and zinc inventories used as a basis for deferring duty payments, (2) prohibit the use of lead and zinc contained in slag piles as a basis for deferring duty payments, and (3) delete the provision permitting transfer of liability for duty payments from one company to another without a transfer of the metal. (Report to the House Ways and Means Committee and the Senate Committee on Finance, Duty Delayed on Lead and Zinc Imported Into Bonded Warehouses, B-114898, Jan. 18, 1973.)

This recommendation is for consideration by the following committees:

Senate: Finance

House: Ways and Means

Refund of Duty on Exports Financed by Agency for International Development Programs—In accordance with the provisions of section 313 of the Tariff Act of 1930 (19 U.S.C. 1313), the Bureau of Customs, Department of the Treasury, makes refunds of duty payments (drawback) on exports of items manufactured from (1) imported material on which duty was paid or (2) similar domestically produced material substituted for imported material on which duty was paid. Drawback payments are designed to encourage exports by placing U.S. exporters in a favorable position to compete with foreign competition.

Drawback payments were being made for products exported under programs of the Agency for International Development even though these products did not compete with foreign products. We believe that payment of drawback on exports under AID programs is not necessary to encourage foreign commerce and that products exported under AID programs should be ineligible for drawback payments.

We recommended to the Chairman, Senate Committee on Finance, and the House Committee on Ways and Means that consideration be given to amending section 313 of the Tariff Act

of 1930 to prohibit drawback payments for products exported under AID programs. (Reports to the House Ways and Means Committee and the Senate Committee on Finance, Payment of Drawback on AID Financed Exports, B-114898, June 25, 1973.)

This recommendation is for consideration by the following committees:

Senate: Finance

House: Ways and Means

U.S. Agreements with Free World Forces in Southeast Asia—In this review we found no evidence that the Congress, which is responsible for establishing levels of Federal spending, was notified or advised before the executive branch entered into specific agreements with foreign governments obligating the United States to incur substantial expenditures.

During our review, legislation was enacted which should help in correcting this situation. Public Law 92-403, dated August 22, 1972, requires the Secretary of State to transmit to the Congress any international agreement no later than 60 days after the agreement has entered into force. However, the Secretary may not consider most of the subordinate and implementing agreements referred to in our report to be subject to the requirements of Public Law 92-403, because reporting of the parent agreement would suffice.

We suggested that the Congress consider requiring the Secretary of State to submit annually a list and description of all such subordinate and implementing agreements involving substantial amounts of U.S. funds or other tangible assistance, together with estimates of the amounts of such funds or other assistance (U.S. Agreements With and Assistance to Free World Forces in Southeast Asia Show Need for Improved Reporting, B-159451, Apr. 24, 1973.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

House: Foreign Affairs

U.S. Contributions to NATO—The costs of NATO are paid from various appropriations of several U.S. Government departments and many have not been allocated or directly related to U.S. participation in NATO. Thus, the true cost of our contributions to NATO is difficult to discern.

We recommended that the Congress consider (1) authorizing and appropriating the funds needed to finance the direct costs of U.S. participation in such organizations under the Foreign Assistance Act and (2) requiring the Departments of State and Defense to furnish reports on other costs of U.S. participation in such organizations financed from other appropriations. (How the United States Finances Its Share of Contributions to NATO, B-156489, Feb. 23, 1973.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

Appropriations

House: Foreign Affairs

Appropriations

Use of Excess Defense Articles in the Military Assistance Program—In addition to excess defense articles having been provided to foreign countries without congressional approval, Navy vessels were leased at no cost to foreign countries without congressional approval under a law not related to foreign assistance, therefore, they were not subject to the restraints of the Foreign Assistance Act.

In our report to the Senate Foreign Relations Committee, we recommended that the Committee consider legislation to authorize military assistance by any method only under foreign assistance act legislation, unless expressly authorized under other law. (Supplementing the Military Assistance Program with Excess Defense Articles and Other Resources, B-163742, Mar. 21, 1973.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

House: Foreign Affairs

National Resources and Environment

Leasing of Federal Lands for Development of Oil and Gas Resources—The Department of the Interior had granted most of the leases for developing oil and gas resources on Federal lands non-competitively and, in many cases, at prices less than their indicated fair market value because the law required that lands outside the boundaries of a known geological structure of a

producing oilfield or gasfield be leased non-competitively. Also, the statutory right of lessees to sublease in units as small as 40 acres apparently had impeded rather than induced the development of oil and gas resources.

We suggested to the Congress that the Mineral Leasing Act be amended to (1) require that oil and gas leases on all Federal lands be awarded competitively unless otherwise justified and (2) increase the minimum acreage limitation applicable to the assignment of the leases. (*Opportunity for Benefits Through Increased Use of Competitive Bidding to Award Oil and Gas Leases on Federal Lands*, B-118678, Mar. 17, 1970.)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs

House: Interior and Insular Affairs

Acquisition of Land for National Recreation Areas Containing Improved Properties—In enacting legislation authorizing the establishment of national recreation areas, the Congress frequently has to define boundaries before such important facts as the cost of various tracts of land are known. We therefore recommended that the Congress, in enacting such legislation, provide the Secretary of the Interior with guidelines for changing established boundaries when the acquisition of high-cost properties on or near the boundaries is involved.

We also recommended that the Congress require the Secretary to analyze the location and estimated cost of high-cost properties bordering those authorized recreation areas for which additional funds are needed and to justify the desirability of acquiring such properties. (*Problems In Land Acquisitions for National Recreation Areas*, B-164844, Apr. 29, 1970.)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs

House: Interior and Insular Affairs

Guidance on the Use of Motorized Equipment in Wilderness and Similar Areas—The Forest Service, Department of Agriculture, and the National Park Service, Department of the Interior, imposed limitations on their employees' use of motorized equipment, such as trail machines, compacting equipment, power saws, and helicopters in managing wilderness areas. These restrictions created problems in protecting and

preserving the areas and resulted in additional costs.

The use of motorized equipment is not compatible with an ideal wilderness concept, but neither is the construction of facilities and the presence of litter in wilderness areas. In deciding when to use motorized equipment once decisions have been made to construct facilities and dispose of accumulated litter, economy and convenience should be considered along with other factors. Because the agencies believed that their restrictions were consistent with the intent of the Wilderness Act of 1964, we recommended that the Congress consider providing further legislative guidance on the use of motorized equipment in these areas. (*Problems Related to Restricting the Use of Motorized Equipment in Wilderness and Similar Areas*, B-125053, Oct. 29, 1970.)

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry

House: Agriculture

Delays in Completing Watershed Protection and Flood Control Projects—The Soil Conservation Service, Department of Agriculture, had undertaken many watershed improvement and flood prevention projects that were terminated before completion, or their construction was unduly delayed. Some of the incomplete projects were authorized in 1944.

The major causes of the terminations and delays were the failures or delays by local sponsors to acquire land rights needed for the projects. The failures and delays caused expenditures of Federal, State, and local funds in projects that may never be completed, significant increases in project costs, and long delays in realizing project benefits.

We suggested alternative actions, including possible legislation, for the Congress to consider for the delayed projects. (*Construction of Watershed Projects Terminated or Delayed Because of Land Rights Problems*, B-144269, July 13, 1971.)

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry

House: Agriculture

Controlling Automobile Air Pollution—The largest single air pollution problem in the United

States is the automobile which emits about 33 percent of the total air pollutants. Tests of cars in use showed that their emissions often exceeded the standards applicable to the certified prototypes. Manufacturers may be required to recall nonconforming cars—beginning with the 1972 models—if the Environmental Protection Agency finds a substantial number of a particular model that do not conform to standards.

The recall program has one inherent weakness—the manufacturer is required to notify owners of their cars' nonconformity, but the owners are not required to take their cars in for necessary modifications. We therefore suggested that the Congress consider the need for additional legislation to require notified car owners to return their cars for pollution control modification. (Cleaner Engines for Cleaner Air: Progress and Problems in Reducing Air Pollution From Automobiles, B-166506, May 15, 1972.)

This recommendation is for consideration by the following committees:

Senate: Committee on Commerce
Committee on Public Works
House: Committee on Interstate and
Foreign Commerce

Need to Revise the Interest Rate Criteria for Determining the Financing Cost of Water Resources Projects—We recommended that the existing legislation be amended to provide for the use, in determining the financing cost of water resources projects, of interest rates which

are more representative of the cost of funds made available by the Treasury. (Legislation Needed to Revise the Interest Rate Criteria for Determining the Financing Costs of Water Resource Projects, B-167712, Aug. 11, 1972.)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs
House: Interior and Insular Affairs

Need for Reevaluation of Acreage Limitation on Irrigation Benefits—We recommended that (1) if the 160-acre limitation in the Reclamation Act of 1902 is still considered appropriate to encourage the establishment of family-size farms, the Congress should enact legislation to prevent large landowners and farm operators from benefiting through their control of numerous 160-acre tracts by arranging corporations, partnerships, trusts and/or by leasing 160-acre tracts, or (2) if the 160-acre limitation is no longer considered appropriate, the Congress should establish a new acreage limit for family farms eligible to receive Federal project water at subsidized rates. (Congress Should Reevaluate the 160-Acre Limitation on Land Eligible to Receive Water From Federal Water Resources Projects, B-125045, Nov. 30, 1972.)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs
House: Interior and Insular Affairs

FINANCIAL SAVINGS ATTRIBUTABLE TO THE WORK OF THE GENERAL ACCOUNTING OFFICE, FISCAL YEAR 1974

Collections and Other Measurable Savings

(000 omitted)

	Collections	Other measurable savings	Total
DEPARTMENTS			
Army	\$ 79	\$216,006	\$216,085
Navy	295	20,374	20,669
Air Force	1,156	6,938	8,094
Defense	834	248,206	249,040
Commerce	6	...	6
Health, Education, and Welfare	85	47	132
Housing and Urban Development	73	494	567
Interior .....	...	717	717
Justice .....	...	594	594
Labor	50	...	50
State (including AID and USIA)	6	8,479	8,485
Treasury	35	42,000	42,035
AGENCIES			
Architect of the Capitol .....	...	115	115
Atomic Energy Commission .....	...	163	163
Environmental Protection Agency .....	...	43	43
Federal Communications Commission .....	...	981	981
National Aeronautics and Space Administration .....	...	37	37
Veterans Administration .....	...	35	35
District of Columbia government .....	...	257	257
Total for departments and agencies	2,619	545,486	548,105
Transportation audit	9,485	...	9,485
General claims work	4,853	...	4,853
Total	\$16,957	\$545,486	\$562,443

Details Of Other Measurable Savings

Details of other measurable financial savings including additional revenues attributable to the work of the General Accounting Office during fiscal year 1974 totaling \$545,486,000 are listed below. Approximately \$166 million of the savings or additional revenues are recurring and will continue in future years. The items listed consist largely of realized or potential savings in Government operations attributable to action taken or planned on findings developed in GAO's examination of agency and contractor operations. In most instances, the potential benefits are based on estimates and for some items the actual amounts to be realized are contingent upon future actions or events.

<i>Action taken or planned</i>	<i>Estimated savings</i>	<i>Action taken or planned</i>	<i>Estimated savings</i>
Supply Management:		Savings resulting from finding assets that were not on U.S. Army Materiel Management Agency Europe's accountable records—Army (nonrecurring)	
Savings in procurement, transportation, and handling costs by canceling outstanding orders of the military services for materiel no longer needed by the customer or requisitioning activities and the inventory control points—Defense (nonrecurring, \$45,000,000) (estimated annual savings \$100,000,000)	\$145,000,000		\$ 670,000
Reduction of general- and special-purpose vehicle requirements for the Korean Security Assistance Program—Defense (nonrecurring)	59,000,000	Contract price reductions resulting from reviews of prices negotiated for supplies: Army \$65,000 (nonrecurring); Air Force \$374,000 (nonrecurring); and Defense \$92,000 (estimated annual savings)	531,000
Reduction in procurement costs of food purchased to supplement rations issued to the Armed Forces of the Republic of Vietnam by substitution of cheaper items, use of unissued stocks as offsets against current procurement, and revision of basis for calculating requirements—Army (nonrecurring)	13,000,000	Cancellation of requisitions for nonexpendable equipment items—Army (nonrecurring)	139,000
Change in Navy policy to require the return of repair parts and equipment items held on inactive ships and inactive ship maintenance facilities to the Navy supply system for use in satisfying current needs of active ships. As a result, the Navy will be able to avoid procurement of identical items—Navy (nonrecurring)	10,000,000	Increased use of recapped tires to meet total annual tire requirements of the Army in Korea—Army (estimated annual savings)	109,000
Nonutilized equipment furnished to Vietnamese agencies was redistributed for productive use in Vietnam and the Philippines—Agency for International Development (nonrecurring)	4,800,000	Recovery of recappable and serviceable tires from property disposal activities—Army (nonrecurring)	46,000
Redistribution of Vietnam military excess spare parts for vehicles to meet the requirements of Korea and other countries—Defense (nonrecurring)	3,500,000	Savings resulting from the cancellation of procurement of four vehicles and substitution of excess property equipment in the Philippines—Agency for International Development (nonrecurring)	16,000
Savings resulting from canceling requisitions for items due-in as permissive overstockage or excess to operational needs—Army (nonrecurring)	965,000	Increase of income to the Government that had previously been lost due to ineffective contract management by Office of Naval Petroleum and Oil Shale Reserves—Navy (estimated annual savings)	12,000
		Facilities Construction:	
		Modification of contract to cancel construction of advanced Field Array Radar facility at the Kwajalein Missile Range—Army (nonrecurring)	98,200,000
		Reduction in Department of Defense appropriations for modernization of the Army's ammunition production facility—Army (nonrecurring)	89,400,000
		Reduction in the Navy's requested fiscal year 1974 military construction appropriations for support facilities for the Trident weapon system—Navy (nonrecurring)	6,000,000

Action taken or planned	Estimated savings	Action taken or planned	Estimated savings
Cancellation of planned construction of training facilities when training capabilities of other military services were utilized—Air Force (nonrecurring)	\$ 185,000	Federal employees for work related to licensing nuclear facilities—Atomic Energy Commission (nonrecurring)	163,000
As a result of our review of proposed contract, the Architect of the Capitol negotiated a lower price for surveillance system—Architect of the Capitol (nonrecurring)	115,000	Correction of records to prevent improper payments for unused leave upon separation from the service (\$94,000 potential overpayments) (\$12,000 potential underpayments)—Air Force (nonrecurring)	82,000
Use of alternative materials to reduce costs of constructing walls in medical facilities—Army (nonrecurring plus indeterminable future savings)	84,000	Prevention of overpayments by correction of error which resulted in overstatement of reasonable charges allowable for physicians' services under Medicare—Health, Education, and Welfare (nonrecurring)	35,000
Contractor value engineering ideas used on similar projects—Army and Navy (nonrecurring—\$6,000) (estimated annual savings—\$34,000)	40,000	Communications:	
Savings will be obtained as a result of redesign of facilities. Future additional amounts can be obtained by the use of these and other value engineering suggestions—Army (nonrecurring plus indeterminable future savings)	18,000	Reduction in military personnel and operations and maintenance costs of the Army's Combat Service Support System in fiscal year 1974—Army (estimated first-year savings of \$3.9 million plus savings over a 5-year period)	3,900,000
Logistics:		Special handling of maintenance credits for computer equipment will save the Government about \$1.5 million when the equipment is purchased—Air Force (nonrecurring)	1,500,000
Savings or increased production resulting from transferring wheel vehicle component maintenance programs from depot to general support level maintenance activities in Europe—Army (nonrecurring)	545,000	One-time savings from deletion of item from fiscal year 1974-75 budget—U.S. Coast Guard (nonrecurring)	1,300,000
Cancellation of proposed acquisition of numerically controlled machinery—Air Force (nonrecurring)	500,000	Closing three fixed monitoring stations and reallocating resources to mobile monitoring resulted in improved use of the radio spectrum—Federal Communications Commission (nonrecurring, \$827,000; estimated annual savings, \$154,000)	981,000
Contract price reduction resulting from review of price negotiated for wide-area anti-personnel mine systems—Air Force (nonrecurring)	454,000	Centralized management of multiplexing and annual cost reductions resulting from use of multiplex systems in lieu of individual communications circuits—Defense (estimated annual savings plus indeterminable future savings)	892,000
Revision of work specification for repair of B-52 wing flap—Air Force (estimated annual savings)	391,000	Consolidation of Naval Communication Centers in the San Diego area—Navy (estimated annual savings)	460,000
Redistribution of excess equipment—Air Force (nonrecurring)	257,000	The number of telephone lines and associated equipment were reduced; lower cost equipment was substituted for higher cost equipment and controls over long distance calls were strengthened—District of Columbia government (estimated annual savings)	257,000
Reduction in miscellaneous operating and maintenance costs, such as communication, utilities, per diem, and travel costs of civilian personnel, by consolidating training bases for Reserve and National Guard C-130 squadrons—Air Force (estimated annual savings)	221,000	The discontinuance of the use of appropriated funds in furnishing cable TV service to Government-controlled housing—Army (estimated annual savings)	46,000
Savings resulting from improving procedures for making decisions on whether to repair old equipment or buy new equipment—Air Force (estimated annual savings)	217,000	Increased billings to recover costs incurred in support of special-interest launches—National Aeronautics and Space Administration (nonrecurring plus indeterminable future savings)	37,000
Manpower Utilization:		Replacement of contractor-leased copiers by Government-leased copiers, saving fee paid to contractors—Air Force (estimated annual savings)	14,000
Reduction of personnel staffing levels, both military and civilian, by consolidating four Reserve C-130 squadrons into two squadrons and two National Guard C-130 squadrons into one squadron—Air Force (estimated annual savings)	1,765,000	Interest Costs:	
Payments to Government Employees and Other Individuals:		Cancellation of the Uniformed Services Savings Deposit Program—which paid 10 percent	
Certain costs were eliminated that otherwise would have been incurred had contractor-furnished employees been used rather than			

<i>Action taken or planned</i>	<i>Estimated savings</i>	<i>Action taken or planned</i>	<i>Estimated savings</i>
interest on money deposited by or for military personnel overseas—was directed by the Congress because the goals of the program were not being achieved, the program was improperly administered, and abuses were occurring—Defense (nonrecurring \$1,500,000; estimated annual savings \$25,800,000)	27,300,000	Unaccompanied baggage of Air Force personnel was diverted from commercial transportation to Military Airlift Command flights that were not being used to capacity—Air Force (estimated annual savings)	753,000
Loans, Contributions, and Grants:		Management improvements which should prevent erroneous payments for nonappropriated fund activities from appropriated funds—Defense (estimated annual savings)	78,000
Project costs were shared with State agencies and private organizations for services provided by family life centers operated under the Model Cities Program in Boston, Massachusetts—Housing and Urban Development (estimated first-period savings plus indeterminate future savings)	494,000	Management improvement through consolidation of personal property packing and crating contracts—Defense (nonrecurring) ..	32,000
Costs of house service connections were eliminated in arriving at the amount eligible for a Federal grant for construction of waste treatment facilities—Environmental Protection Agency (nonrecurring)	43,000	Revenues:	
Upward Bound Project grantee agreed to return to the Office of Education unencumbered cash balances in excess of that needed to liquidate project obligations—Health, Education, and Welfare (nonrecurring)	12,000	Assessed highway use taxes from delinquent returns were increased due to a nationwide Internal Revenue Service collection program—Treasury (nonrecurring, \$22,800,000; estimated annual savings, \$17,900,000)	40,700,000
Contracting Policies and Practices:		Based on increases in military pay and the cost of services, the daily charge to military dependents for inpatient health care was increased from \$1.75 to \$3.50 per day—Defense (estimated annual savings)	4,640,000
Reduction in Government's share of Pratt and Whitney's independent research and development costs for aircraft engine—Navy (nonrecurring)	3,900,000	The amount required to be repaid to the Treasury from the Federal Columbia River Power System was adjusted to include additional interest on the investment in power facilities—Interior (nonrecurring)	567,000
Reduction in reimbursements for bid and proposal expenses at a Federal contract research center—Air Force (estimated annual savings)	225,000	Increased tuition charges to non-U.S. Government sponsored students at overseas dependent schools of the Department of Defense to insure full reimbursement of appropriated funds expended in providing educational and other related services—Defense (estimated annual savings)	295,000
Recovery of assets generated from the profits of questionable contractual arrangements in Laos—State (nonrecurring)	157,000	Contracts pertaining to the transmission of electric energy by Bonneville Power Administration for other parties over the Federal transmission system were amended to eliminate inappropriate adjustments for customer-provided facilities—Interior (estimated annual savings)	150,000
Transportation:		Reasonable charges made to the Veterans Canteen Service for the use of space and utilities at the new VA hospital in Tampa, Florida—Veterans Administration (nonrecurring) ...	11,000
Reduced transportation costs by using actual rather than estimated cubic measurements of privately owned vehicles when Military Sealift Command pays carriers for the ocean freight—Defense (estimated annual savings)	3,100,000	Other Items:	
DOD's change of its method of procuring services for unaccompanied baggage from the "me too" method to a competitive method from five countries in the Pacific to the continental United States has significantly reduced rates—Defense (estimated annual savings)	1,900,000	Reduction in Army's fiscal year 1974 missile appropriation to eliminate overstated procurement needs for DRAGON weapon system—Army (nonrecurring)	7,900,000
DOD has announced realignments which will eliminate the duplication of functions identified by GAO in its review of the flow of cargo into and through the Military Airlift Command systems—Defense (estimated annual savings)	1,750,000	Savings resulting from negotiations on tax agreements between the U.S. Government and the Government of Vietnam—State (estimated annual savings)	2,600,000
GAO interim memorandum and survey report findings and recommendations have improved controls over the shipment of U.S. Government property and raised the level of property security consciousness in Korea—Army (estimated annual savings)	876,000	Funds in excess of needs in Thailand were deobligated and returned for reprogramming—Agency for International Development (nonrecurring)	906,000
		Elimination of duplicate training courses by the separate military services through promotion of interservice training programs—Defense (nonrecurring \$117,000; estimated annual savings \$480,000)	597,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Significant reductions were achieved in alien reporting program costs--aliens are required to report their addresses annually to the Immigration and Naturalization Service--through discontinuing the practice of INS paying the postage--Justice (estimated annual savings)	594,000
Reductions in data processing time and in use of printed forms resulting from change to payroll computer program--Defense Supply Agency (estimated annual savings)	30,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Laboratory equipment in a VA hospital was rehabilitated and modified instead of being replaced with new equipment. The modification also provided more service at less cost--Veterans Administration (non-recurring, \$20,000; estimated annual savings, \$4,000).....	24,000
Reduction of overstated leave balances resulting from use of computer program to identify questionable items--Army (nonrecurring) ..	5,000
Total other measurable savings	<u>\$545,486,000</u>

Additional Financial Savings Not Fully Or Readily Measurable

Many significant one-time or recurring financial savings result from joint efforts of GAO and the Congress, departments, or agencies. Actions are taken to eliminate unnecessary expenditures or to otherwise correct deficiencies identified in GAO's audit reports, but the amount of savings directly attributable to the work of GAO cannot be fully or readily measured.

Army Combat Service Support System

The Army has been trying for several years to develop an automated system for personnel, supply, and maintenance functions for combat units. Our continuing review of this system, called the Combat Service Support System, disclosed it is still not workable. The system was unable to handle the required workload, was not responsive to user's needs, was not tested under a reasonable range of expected conditions, and did not meet the prescribed objectives for improved combat support. These problems were primarily attributable to the design of the system software, especially in the supply subsystem, and the configuration of computer equipment.

We recommended that the Army, in view of the problems encountered, reevaluate the needs for a combat support system and redefine its requirements, particularly for the logistics functions. The system should then be designed to meet those requirements and tested to insure that it does.

In response to our recommendation, the Army formed a logistics evaluation group to review their needs and revised their plans accordingly. The procurement costs included in the current plan are estimated to be \$84.9 million lower than the costs in the original plan.

Numerically Controlled Equipment

Numerically controlled equipment is expensive and complex but offers tremendous productivity increases and savings in industrial operations. In 1973 the Department of Defense owned \$300 million worth of numerically con-

trolled equipment. The Department agreed with our recommendation that improved planning and management of this equipment is needed to achieve maximum benefits. The Department plans to establish a tri-service coordinating group to review existing guidelines, develop needed improvements in managing its use in defense production, and devote attention to equipment and software standardization.

Improved Handtool Procedures

Purchases by the Department of Defense in calendar year 1972 for handtool requirements approximated \$25 million. Based on our recommendations, the military services began a program to replace individual tool kits with larger centrally located composite tool kits. This will eventually reduce the number of tools and tool kits needed by the services, will decrease tool losses, and will help decrease equipment damage. An Air Force Logistics Command study has found that using composite tool kits could reduce handtool and toolbox requirements by as much as 60 and 80 percent, respectively.

Military Packaging

In our review of military packaging we concluded that significant savings were attainable if the Department of Defense's activities discontinued blanket assignment of highest protection and packaging against the most severe condition known and anticipated. During fiscal year 1971, the Department purchased an estimated \$13.4 billion worth of material subject to packaging. Though no overall averages were available, industry comments suggested that packaging costs

could average as much as 10 percent of procurements. We suggested that greater use be made of commercial packaging when it meets Government requirements. The Department revised its packaging guidelines accordingly, and a recent survey of contractors indicated that most Department buyers were complying.

Coffee Procurements

The average coffee consumer is not sensitive to adjustments in blends of coffee. Since prices of different types of coffee beans vary, commercial coffee roasters found that they could modify their blends to take advantage of market fluctuations. We suggested to the Department of Defense that it accept this practice and develop alternative blends for the military services. A single blend has been used since about 1950. We estimated possible savings of \$1.7 million annually. The Department accepted our proposal.

Revision in Navy's Should-Cost Policy

In May 1973 we pointed out that the Navy had made only limited use of the should-cost (industrial management review of contractor operations) approach although the Army and Air Force had made a number of should-cost studies and claimed substantial benefits in reducing contract prices in negotiation and identifying improvements needed in contractors' operations. As a result, the Chief of Naval Material issued a procurement policy statement to clarify Navy policy on use of should-cost studies in weapon system acquisition.

In our opinion the Navy's policy statement indicated a negative attitude should-cost studies, would not encourage greater use by Navy contracting officials, and was not responsive to our recommendation. We then recommended that the Secretary of Defense issue policy guidance to insure consistent application of the should-cost approach by all the military services.

In March 1974 the Naval Material Command issued an instruction establishing a positive program for application of the should-cost approach. Implementation of this program should enable the Navy to negotiate greater contract price reductions and result in improvements in contractors' operations.

Disposal of Surplus Clothing

Department of Defense policy required all distinctive type military uniforms and clothing to be mutilated or dyed prior to sale. This resulted in destroying millions of pounds of valuable clothing. For example, one depot mutilated clothing valued at more than \$2 million and received less than \$50,000 from its sale. The Department agreed with our recommendation that these items be sold without mutilation or dyeing after distinctive insignias, etc., have been removed. Material that was formerly sold as scrap is now being sold as usable clothing.

Redistribution of Excess Production Equipment

During 1972 we made four equipment use studies at the San Antonio Air Materiel Area (now the Air Logistics Center), and found that the equipment was idle 64 percent of prime shift time. The low use indicated that (1) more equipment was on hand than needed to meet programmed workloads, and (2) equipment reductions were possible, especially involving machines capable of performing duplicate functions.

In response to our recommendations to develop a program to accumulate actual equipment usage and to examine existing and proposed investments in equipment, by March 1973 the depot had begun to install time meters to record usage and had identified 65 excess machines valued at about \$985,000. By June 1973, 18 machines, valued at \$257,000, had been claimed by other users and the other 47, valued at \$728,000, were being reported and screened for possible use elsewhere.

Reevaluation of the Army's SAM-D Program

In our February 1973 staff study of the Army's SAM-D surface-to-air missile program, we reported the postponement of certain significant tests. In a May 1973 report to the Congress, we suggested that the decision to defer testing of critical components until a considerable expenditure of funds had been made may be unjustified in light of past experience, and that a re-cost-effectiveness study may be needed due to changes made to performance characteristics and quantities.

The Senate Appropriations Committee directed the Secretary of Defense to conduct a cost-effectiveness study of the SAM-D program. In January 1974 the Deputy Secretary of Defense ordered a reorientation of the SAM-D development effort continuation of only an austere development program, and a demonstration of proof of the guidance concept by June 1975.

Reduction in Risk Associated with Navy's Surface Effect Ship Program

The Navy requested bids from their surface effect ship contractors for detailed design and long-lead procurement of subsystems for a 2,200-ton ship even though test data from the smaller surface effect ship (100 ton) was inadequate in four major areas crucial to the design and construction of a larger ship.

We recommended to the Secretary of Defense that the Navy not be allowed to proceed into detailed design of the 2,200-ton surface effect ship until he reviewed the adequacy of solutions to problems disclosed by testing of the 100-ton ship.

The Deputy Secretary of Defense subsequently directed the Navy to undertake a "risk reduction" program prior to proceeding into the detailed design and long-lead procurement phase of the program. The Navy issued new requests for proposal for this revised statement of work. This action should reduce the risk of substantial cost overruns being incurred on the 2,200-ton surface effect ship.

Civil Service Commission to Administer Radio Operator Examination for Federal Communications Commission

The Federal Communications Commission spends a considerable amount of time in administering examinations to applicants for radio operator licenses. In cities where FCC does not have a field office, the examinations are administered by its enforcement personnel. This is not only time consuming but, because of limited travel funds, results in the timing and location of enforcement actions to coincide with the examination schedule. Consequently, much of FCC's enforcement manpower is ineffectively used.

In our November 3, 1972, report to the Congress, we recommended that FCC arrange to have the Civil Service Commission assume responsibility for administering these examinations. In May 1974, we were informed that CSC would begin a 6-month test program in 99 examining centers which, if successful, would be retained on a permanent basis. This would not only improve the use of FCC's manpower but would benefit the public as well because the CSC has examination facilities in more than 1,000 locations while the FCC has only 90 locations.

Recovery of Assets for Which Accountability Had Been Lost

In May 1973, we observed that the American Embassy, Vientiane, Laos had lost accountability for items it had acquired from property disposal activities in Thailand and Vietnam. Property accounting records had never been established for these items and the Embassy could not identify the value and amount of properties received, on hand, those disposed of, or used.

We recommended that a complete inventory be conducted, accountability be established, new procedures for acquisition of excess property be issued and unneeded excess property be returned to the property disposal yard.

Air Force supply specialists conducted a complete inventory and reconstructed the records. Unneeded items were sent to the property disposal unit for sale. As stocks were reduced to a manageable level, inventory records and supply management procedures were established. New procedures were used for the acquisition of excess property. Property valued at about \$200,000 was picked up on the accountable records and excess property with an acquisition cost of about \$471,400 was sent to the property disposal unit for sale. These actions were completed by October 1973.

Funds in Excess of Needs Were Deobligated or Deauthorized

As of March 31, 1973, GAO identified 137 loans valued at \$422 million which offered potential for deobligation or deauthorization.

These included loans (1) authorized but unsigned for 6 months or more, (2) with no disbursements for 6 months or more after borrower met initial conditions, (3) partially disbursed but with no disbursements for 6 months or more, (4) with expired terminal disbursing authorization dates, and (5) with expired terminal disbursement dates.

Our review indicated that opportunities existed for the Agency for International Development to release funds in the pipeline and make these funds available for priority uses. Funds made available for a particular purpose had been used and only residual amounts remained or the purposes and priorities for which the funds were initially obligated no longer existed.

AID has taken action to deobligate or deauthorize funds amounting to at least \$65.7 million. The release of these funds will ultimately provide for a better application of funds even though actual dollar savings are not returned to the U. S. Treasury.

Delayed Purchase of Foreign Currencies

In most countries the United States does not own excess currencies and has to spend dollars to purchase foreign currencies to meet required needs. Our audit revealed that substantial amounts of foreign currencies were purchased in advance of operating need, and often held for years. Significant savings could have been realized by using currencies not needed for current operations.

In our report to the Congress (B-146749, Oct. 24, 1962), we recommended that measures be instituted to permit use of nonexcess foreign currencies reserved for specific purposes and a dollar equivalent established for replacement of these foreign currencies when needed.

The Congress enacted Public Law 89-677, dated October 15, 1966, authorizing the Treasury to establish a system similar to our proposed recommendation. From the inception of this system through June 1973, the Treasury has realized a net gain of about \$22.7 million as a result of currency devaluations between the borrowing date and the date the funds were replaced. In addition, significant interest savings have resulted and will continue to be realized from the delayed purchase of these currencies.

Change in Method of Computing Procurement Requirements

In 1973 as a part of our examination of the financial statements of Federal Prison Industries, Inc., we noted that the Federal Reformatory for Women at Alderson, West Virginia, had on order 193,000 yards of a special purpose fabric used in making garments. This represented an investment of \$374,000 for material not usually stocked which also was excess to current needs when considering accumulated stock on hand or on order under previous transactions involving the same fabric. There existed a possibility that the excess material might become obsolete because the only customer was considering garments made from different fabrics.

In line with our suggestions, reformatory officials agreed to strengthen procurement procedures to consider on-hand or on-order quantities in future requirement ordering. Although the reformatory was unable to obtain a voluntary cancellation of the excess material order, it was able to generate new garment orders to use the special purpose fabric.

Increased Availability of Navy Manpower

Since at least 1893, the Navy has granted officers and certain enlisted personnel 4 days of proceed time in addition to authorized leave and travel time to arrange their personal affairs while enroute to a new duty station. About 40,000 Navy personnel, however, are transferred each year between ships or duty stations in the same locality. Many of these individuals have been routinely granted the 4 days of proceed time and in some cases an additional day of travel time.

Our tests at several ships and shore stations showed personnel offices were misinterpreting Navy instructions or using different criteria to establish proceed and travel time entitlement. Also, conflicting instructions had been issued and different entitlements were being extended to officers and enlisted personnel transferring under the same conditions.

We recommended to the Navy in March 1973 that local proceed and travel time policies be reevaluated and clarified. The Bureau of Naval Personnel issued revised instructions in May 1974 to eliminate inequities between officer and

enlisted personnel and to prohibit proceed and travel time on local transfers in the same metropolitan area unless the distance between stations exceeded 25 miles. Proper implementation of the revised instructions should result in annual savings of up to 400 man-years.

Reduction in Proposed Staffing Requirements At District Correctional Facilities

In response to a request from the Chairman, Senate Subcommittee on Appropriations for the District of Columbia, we evaluated the personnel needs for the District's correctional facilities. In its fiscal year 1974 budget submission to the Congress, the District requested 470 additional positions for its correctional system.

We informally advised the Chairman that many of the positions requested by the Department of Corrections appeared to be in excess of their needs. As a result of the Senate Committee's action on the data we provided, Congress appropriated funds for 234 of the requested 470 positions.

Improved Management of Acquired Residential Properties

By using open-end, bulk-bid contracts (which provide repairs and services on an as-needed basis during specific periods at specific prices), the Department of Housing and Urban Development and the Veterans Administration reduced annual repair and service costs for properties acquired through defaults on insured mortgages in Jacksonville, Florida, by about \$156,000. However, this form of contracting had not been widely used in other areas of the country. In determining whether acquired properties should be repaired for sale, the HUD Detroit office and the VA Philadelphia office had used data that was either incomplete or not based on recent experience and could not insure that their decisions would minimize losses or maximize gains in disposing of acquired properties.

As we recommended, HUD issued revised regulations to (1) require the use of bulk purchases of large quantities of supplies and services procured under one contract from one source, and (2) emphasize the need for current valid data on repair costs, demolition costs, repaired sales prices, and vacant lot sales prices.

Improved System of Cost and Schedule Control

The Board of Directors of the Washington Metropolitan Area Transit Authority adopted our recommendations concerning its system of cost and schedule control. As a result, future quarterly status reports will contain comparisons between the original and complete current estimates of the cost of constructing the Washington Regional Rapid Transit System--(METRO)--and the estimated completion date. The inclusion of these estimates in the reports will alert the Board, the Federal Government, and participating local governments of the need for providing additional funds or for considering whether alternatives were available.

Continuation of Corps of Engineers In Postal Construction Program

In January 1973, the Office of Management and Budget directed the Postal Service to terminate all Corps of Engineers construction support including that given the bulk mail facility construction program.

The Service has projected that a fully implemented bulk mail program would result in \$300 million in annual operational savings. Under the Corps' construction schedule, 19 of the 21 planned bulk mail facilities would be 60- to 95-percent complete as of June 30, 1974. In a May 30, 1973, letter to the Postmaster General, we stated that removal of the Corps of Engineers from the program would

- delay completion by 3 to 6 months,
- incur added costs resulting from a joint Corps/Postal Service management effort,
- result in disruption to numerous equipment deliveries to the bulk mail facilities, and
- necessitate a reduction in force for about 350 Corps personnel.

After in-house investigations, the Service concluded that removal of the Corps would delay completion of the program at least 4-1/2 months--resulting in about \$100 million in lost operational savings--and increase construction costs by about \$20 million.

Citing our letter and the in-house investigations the Postmaster General on June 20, 1973, requested OMB to allow the Corps to complete

construction of the bulk mail facilities. Shortly afterwards, OMB authorized extension of the Corps' participation in the bulk mail program until its completion.

Consolidation of Certain Reserve Fleet Activities

In our report to the Congress on savings available by consolidating certain reserve fleet activities (B-168700 issued Nov. 18, 1971), we recommended that the Secretary of Defense and the Secretary of Commerce make arrangements to have the Maritime Commission assume the maintenance and preservation and related administrative functions for Navy's inactive vessels at Orange, Texas.

By letter dated October 15, 1973, the Assistant Secretary of Defense, Installations and Logistics, subsequently advised us that the decision was made to change designation and mission of the facility at Orange to the Inactive Ship Storage Facility. A Navy examination of the facility showed that potential savings of about \$1.2 million annually could be realized by consolidating operations and streamlining the organization. Navy officials told us further that reductions in personnel requirements and overhead costs resulted in reduced costs of \$741,000 in fiscal year 1974.

The estimated savings of \$741,000 in fiscal year 1974 and \$1.2 million annually thereafter are based on Navy Department computations but the amounts attributable to our efforts are not readily measurable.

Change in National Science Foundation's Travel Policy to Conform to Federal Travel Regulations

In determining travel costs for certain Federal employees from the Washington, D.C. area who attended the Oceans and National Economic Development Conference in Seattle, Washington, we noted that an official was permitted, in accordance with policy, to travel first class without justifying the use of first-class accommodations. This policy did not conform to the Federal travel regulations. We found that the practice began in July 1970, when a former director had authorized the agency's directorate

level personnel to travel first class as a matter of routine.

We brought this matter to the attention of the agency and subsequently the practice was discontinued.

Procedures Corrected to Insure Issuance of Bills for Medical Services Rendered at District of Columbia Hospitals

We identified charges in excess of \$5.9 million for medical services rendered at D. C. General and Glenn Dale Hospitals because the computer was programed not to print bills (1) without zip codes (\$1.3 million) or (2) where there was no address in the payor block (persons responsible for patients bills) of the admittance form (\$4.6 million). These charges covered the period from July 1966 through August 1973 and involved about 8,000 patients' accounts. Part of these charges may eventually be paid through the Medicaid Program.

The Medical Collections Branch is responsible for billing patients for services rendered at District health facilities. We suggested that it mail the bills for services rendered at D.C. General and Glenn Dale Hospitals which had not been mailed because of computer misprogramings.

We were advised that all of the bills were mailed by May 1974. A Task Force was also established to maximize reimbursement and develop a comprehensive system of control and accountability over patient accounts. The Task Force in a report dated April 1, 1974, had recommended a vast reorganization of billing and collections activities to effect more efficient and complete billing and collection of accounts receivable.

AMTRAK to Base Compensation for Passenger Train Operations on Quality of Service Provided

In a report to the Subcommittee on Transportation and Aeronautics, House Committee on Interstate and Foreign Commerce issued December 28, 1973, we said that contracts with railroads for passenger train operations needed to be amended to include reasonable, definitive, and enforceable on-time performance standards

and to clearly fix the responsibilities of contracting parties. In line with our findings, AMTRAK negotiated a new arrangement with the largest operating railroad (Penn Central) which included provisions for incentives and penalties in determining the amount of compensation payable. AMTRAK said that our report reinforced its position and gave added impetus to its negotiations with the railroads.

Policy to Avoid Payment of Severance Allowances to Employees Eligible for Immediate Retirement Annuities

In August 1973 we reported to the Secretary of Defense that U.S. bases in the Philippines were inviting Filipino employees who were eligible to receive immediate civil service retirement annuities to volunteer to be involuntarily separated. Under the terms of the labor agreement between the Governments of the United States and the Philippine Islands, all employees who were involuntarily separated (except for cause) received a severance allowance. Accordingly, those who were also eligible to receive an immediate civil service annuity received both.

In 1971, 317 employees who were eligible for immediate annuities were separated. Of these, 312 (98 percent) were paid severance allowances totaling \$386,000. If this practice continued, we estimated, DOD would eventually be required to pay an additional \$1 million in severance allowances to employees who would also receive immediate annuities.

We recommended that action be taken to discontinue the payment of severance allowances to employees entitled to immediate annuities because, in our opinion, the purpose of the allowances is to sustain employees while they seek other employment.

The military commander in the Philippines instructed U.S. bases, whenever possible, not to let employees who are eligible for immediate annuities to become involuntarily separated.

This action should reduce the number and amount of severance payments made to employees who are eligible for annuities at the time of separation.

Funds Allocated to Spewrell Bluff Dam Transferred to Other Projects

The Corps of Engineers, Department of the Army, did not have sufficient supporting data to show that the environmental impact from the planned construction of the Spewrell Bluff Dam in Georgia would or could be minimized or mitigated. Further, project benefits were not adequately supported to show that the claimed economic benefits could be realized.

Environmental losses which could result from the project included (1) a unique river fishery, (2) bottom land hardwood supporting valuable wildlife habitat, (3) one of the few remaining free-flowing rivers in Georgia, and (4) several fish and wildlife species. Plans to mitigate these losses had not been made.

A complete evaluation of economic issues could not be made because the Corps was revising its estimates. The need for reservoir recreation, one of the largest claimed project benefits, was questioned by State and Federal agencies.

On October 1, 1973, acting primarily on our findings set forth in a draft report, submitted for comments, the Governor of Georgia expressed opposition to the project. Because of the Governor's opposition, the Corps transferred \$2,140,000 to other Corps projects. In the event the project is abandoned, the total cost avoidance would be about \$178 million. After accounting for reimbursable power costs of \$69 million, the net savings to Federal and State agencies would be about \$109 million.

Our review and action in disclosing objectionable features of the project substantially contributed to the Corps' action. However, the exact amount of savings to Federal and State agencies which might be attributable to our report cannot readily be determined.

NONDOLLAR ACCOMPLISHMENTS

Some actions taken in response to GAO's recommendations result in benefits other than dollar savings. The enactment of recommended legislation by the Congress, or the adoption of new agency regulations or procedures, often results in improved day-to-day operations at Federal, State, and local levels. Sometimes the actions have a direct favorable affect on the well-being of individual citizens.

Unclaimed Savings Bonds Returned To Veterans and Other Individuals

Over 700,000 U.S. savings bonds, with an estimated face value of about \$50 million, remained unclaimed by their owners, including World War II, Korean, and Vietnam veterans. We concluded that the policy for safekeeping savings bonds deserved reconsideration because it did not provide for trying to locate the owners. In line with our August 1973 report recommendations, the Treasury initiated a program to locate owners of savings bonds.

By August 1974, the Treasury and the Federal Reserve banks had returned about 199,000 bonds with a face value of over \$23 million to civilian bond owners and 36,500 bonds with an estimated face value of over \$900,000 to veterans. As a result of a joint Treasury/Veterans Administration project, thousands of veterans and other individuals will ultimately receive millions of dollars worth of savings bonds which probably would never have been claimed.

Avoiding Damage to Forests And the Environment

Procedures and practices which the Forest Service, Department of Agriculture, followed in planning timber sale projects did not insure that the expertise of resource specialists was obtained and used to help minimize damage to forest resources. In many instances where timber harvesting projects caused serious damage to forests and the environment, Forest Service had not obtained or followed the advice of resource specialists.

As we recommended in our March 1973 report to the Congress, the Forest Service revised its manual to require expertise of resource specialists to be used in timber sale planning and preparation.

Using Roads and Trail Funds In a More Effective Manner

Forest Service procedures of allocating funds for roads and trails construction did not provide for adequate comparisons of the needs of the various national forests to insure that funding priorities were given to the most needed projects.

As we recommended, the Forest Service commenced requiring its regional foresters to identify, justify, and set priorities of their roads and trails construction needs for Washington headquarters approval. This information should be of assistance in scheduling projects for areas having the greatest need.

Increased Use of Felled Wood To Help Meet Timber Demand

Forest Service studies showed that each year timber purchasers leave large volumes of trees and parts of trees felled in Forest Service timber sales areas and that much of the felled wood was physically suitable for lumber, plywood, and fiberwood products.

In response to recommendations in our report to the Congress, the Forest Service modified its timber sale procedures and contracts to require purchasers to remove economically usable felled wood.

Coordination of Natural Gas Reserve Data

Both the Securities and Exchange Commission and the Federal Power Commission receive natural gas reserve data from companies they regulate. Upon our recommendation, SEC revised its procedures to provide for furnishing supporting gas reserve data to facilitate reconciliation of differing reserve estimates when it submits prospectuses to FPC for review and comment. This action should help avoid the recurrence of situations where the two agencies in arriving at independent decisions as to the courses of action they should take had received conflicting gas reserve data and failed to reconcile the differences.

Improved Fund Allocation System

In response to recommendations in our report to the Congress, the Soil Conservation Service, Department of Agriculture, improved its system for allocating funds to the States under the Great Plains Conservation Program and discontinued developing contracts for low-priority conservation work.

This action should help assure that high priority is given to assisting landowners and operators who apply for assistance in solving major soil erosion problems.

Ways to Improve Effectiveness Of Rural Business Loan Programs

In line our recommendations the Farmers Home Administration, Department of Agriculture, incorporated in its regulations, which implement the business and industrial assistance programs authorized by the Rural Development Act of 1972, requirements for feasibility and market studies, and credit analyses of loan applicants. The regulations also permit the Administration to evaluate a project's feasibility and loan applicant's credit and to determine whether the loan, together with other available resources, appears adequate for the project.

This action will help Farmers Home Administration to identify loan applicants with such problems as weak management, inadequate operating capital, or economically infeasible operations.

Guidelines Issued to Improve Management Of Health Research Equipment

At National Institutes of Health grantee institutions visited during our audit, we noted many cases where health research equipment was unnecessarily purchased and other cases where equipment was significantly underused.

In response to our recommendations, the agency issued guidelines instructing grantee officials to make adjustments in procedures to insure that research equipment requirements are carefully evaluated, and that equipment once acquired, be maximally used.

Strengthened Security At Postal Data Center

Our survey at the St. Louis Postal Data Center identified weaknesses in the security at the Center, including the need to (1) strengthen controls to prevent unauthorized entry and (2) insure continuity of computer operations by providing for off-site storage of duplicate files.

The Assistant Postmaster General, Management Information Systems, advised us that the St. Louis Center, in response to our observations, had taken several actions to improve security, including implementing a security plan, storing back-up files offsite, and initiating a review of the entire data security area.

Better Internal Auditing

The internal auditors of the National Capital Housing Authority, Washington, D.C., were primarily engaged in the audit of cash. In view of the varied activities of the Authority, we recommended that the internal audit staff be increased and its coverage be expanded. By letter of October 31, 1973, the Executive Director of the Authority informed us that the staff had been increased and that a vigorous internal auditing plan was under way.

Improved Medicare Subcontracting Practices

As a result of our recommendations, Social Security Administration initiated revisions to its

instructions for carriers (organizations authorized by contract to make Medicare payments for physicians' services) and intermediaries (organizations authorized to make payments to hospitals). The revised instructions will provide that potential offerors under proposed subcontracts of the carriers and intermediaries are to be advised in writing of the criteria which will be used to evaluate their proposals, including the relative importance that will be given to each factor, particularly price or cost. This would allow the offerors to be more responsive to the requirements of the Government and its contractors.

Highway Safety

As a result of GAO's recommendation to the Congress, a law was passed setting aside funds for highway safety improvement projects, resulting in a potential for reducing highway deaths by 1,450 and injuries by 22,000 annually.

Policy on Religious Teaching in Schools

Some schools under contract with the Overseas Dependents Schools System of the Department of Defense include religious instruction as a part of the education program. There is a possibility this compulsory religious training of U.S. nationals may be in violation of the first amendment to the Constitution and raises a question concerning the validity of the use of appropriated funds as tuition payments to these religious affiliated schools.

We recommended to the Secretary of Defense that an opinion of the Attorney General be secured as to the appropriateness of the contracts with such schools. On May 17, 1974, the Department advised us that a survey of schools under contract disclosed a larger incidence of optional and mandatory religious education than had been anticipated. Consequently, the Office of the Assistant Secretary of Defense (Manpower and Reserve Affairs) was directed to develop a departmental policy regarding the matter for dissemination to contracting officers and incorporation in departmental directives.

Improvements in Neighborhood Youth Corps Program

On the basis of GAO's recommendations, the Department of Labor adopted regulations and guidelines aimed at improving the program. These included establishing goals for measuring project success; reemphasizing the importance of education, skill training, and work experience; reemphasizing the need for employability plans and assessment of enrollee needs; being alert to ineligible enrollees; and reemphasizing the importance of adequate monitoring.

Improved Homeownership Opportunities Program

We reported on weaknesses in the Department of Housing and Urban Development's Turnkey III program—a program to enable low-income families to acquire homes under lease-purchase agreements. The weaknesses included insufficient demand, failure of many families to accept homeownership responsibility, and inadequate homeownership training. We recommended that the Department consider (1) discontinuing the program or (2) strengthening the program to insure that its objectives are achieved. The Secretary of HUD said that the Department (1) has adopted regulations to overcome the problems noted in our report and (2) will discontinue funding additional Turnkey III projects, except on Indian Reservations.

Improved Administrative Procedures For Repair of Houses

HUD's District of Columbia area office, in accordance with our suggestion, improved its administrative procedures for the repair of existing houses insured under the interest subsidy program. The area office established procedures requiring the inspection of authorized repair work, review of contract files by appropriate officials before authorizing payment for repair contracts, and the documentation of procurement files to show the number of firms solicited for repair contracts.

Greater Insurance Protection to Flood Prone Communities

HUD's implementation of our recommendations for improving the administration of the National Flood Insurance Program resulted in greater insurance protection to flood prone communities. In accordance with our recommendations, the Department notified most of the communities not participating in the program of the availability of flood insurance, contracted with private engineering firms to make detailed flood plain studies so participating communities could obtain insurance benefits, notified communities with deficient land use and control measures of what they must do to remain eligible for the program, and began monitoring communities' compliance with HUD's land use and control standards.

Improved Consumer Protection In Interstate Land Sales Transactions

Improved consumer protection in interstate land sales transactions has resulted from HUD's use of our recommendations for strengthening its administration of the Interstate Land Sales Full Disclosure Act. In accordance with our recommendations, the Department increased its staff, acted against certain unregistered land developers which we identified, and established working agreements with the States for exchanging information on land subdivisions and developers who have violated the law.

Improved Controls over Possession Of Nuclear Material

The Atomic Energy Commission amended its licensing regulations to require that suppliers of nuclear materials verify that their customers are authorized to possess the materials being transferred.

Improved Regulations for Medical Uses Of Radioactive Materials

The Atomic Energy Commission published proposed revisions and was preparing final revisions to its medical licensing regulations which

will (1) clearly define the functions of physicians and technicians and (2) aid in the reporting of all known misadministrations of radioactive materials to patients.

Improved Protection of Public From Hazards of In-Transit Radioactive Material

The Atomic Energy Commission established new regulations and management procedures for its contractors and licensees to insure the protection of the public and environment from the hazards of in-transit radioactive materials.

Regulation of Outer Continental Shelf Oil Production Operations

The Department of the Interior's Geological Survey is responsible for inspecting and regulating oil and gas operations on the Outer Continental Shelf. To enforce its regulations, the Survey has relied principally on written warnings and, in the Gulf Coast region, also on stopping operations.

Survey inspectors in the Gulf Coast region did not always follow prescribed regional enforcement actions and written warnings by the Pacific region were sometimes ineffective in obtaining prompt correction of deficient equipment.

In response to our recommendations in our June 1973 report to the Subcommittee on Conservation and Natural Resources, House Committee on Government Operations, the agency reinstructed Gulf Coast personnel in July 1973 to apply the prescribed enforcement actions for all violations unless deviations have been authorized, and instructions were given to Survey Western region personnel describing the conditions under which they should halt all or part of the operations on a platform.

Information For Congressional Hearings On Federal Drug Abuse Programs

We assisted the Special Studies Subcommittee, House Committee on Government Operations, in its investigation of drug abuse education, training, and research programs in the Federal Government by furnishing information

on each of the program areas and suggesting questions for use in the hearings.

Extensive use of our information during hearings was made to emphasize the need for changes in various program areas evaluating the Federal strategy to combat drug abuse, such as (1) reductions in long-term training of professionals and amount of stipends paid, (2) change in the direction of research efforts to place less emphasis on marijuana and more emphasis on narcotics, and (3) modification of the education and training programs.

Protection of Consumers From Defective Pesticides

In line with our recommendations for protecting consumers from defective pesticides, the Environmental Protection Agency started cancelling registrations for pesticide found to be ineffective. The agency also issued guidelines providing for the prompt public release of information concerning its enforcement activities.

Improved Procedures for Controlling Grants To Air Pollution Control Agencies

In line with our recommendations, the Environmental Protection Agency issued, in February 1974, improved rules and regulations for controlling program grant assistance to air pollution control agencies. These regulations require EPA regional administrators to annually evaluate each agencies' effectiveness in meeting objectives. Grant amounts may be reduced if the evaluation shows that the grantee agencies have failed, or will fail, to achieve the objectives described in their approved programs. To the extent that grant amounts are reduced, additional amounts will be available for reallocation to other air pollution control agencies within the region.

Improved Adverse Drug Reaction Reporting System

GAO's recommendation that the Food and Drug Administration improve its adverse drug reaction reporting system resulted in more effective

use of information to regulate drugs. The agency has provided for additional adverse reaction reporting by Federal and private hospitals and is increasing its efforts to more effectively administer its controls in obtaining adverse reaction information.

Greater Protection for Humans Participating in Testing of New Drugs

As a result of GAO's recommendation, the Food and Drug Administration has (1) provided for increased efforts on the part of its medical officers and (2) plans to make extensive changes toward more stringent regulations for protection of humans participating in the testing of investigational new drugs.

Eliminating the Reuse of Disposable Catheters and Guidewires

As a result of GAO's recommendations to the Secretary of Defense and the Administrator of Veterans Administration, both agencies have taken actions to assure that disposable catheters and guidewires used in vascular studies would not be reused. There is evidence to indicate that the reuse of these devices could result in increased potential for infections and other health problems.

Reduced Waiting Time For Clinical Appointments

At our suggestion, the VA developed, tested, and evaluated a pilot study for reducing the length of time a veteran had to wait to see a physician at an outpatient clinic. The study was deemed successful and VA developed the methodology to implement a centralized scheduling system for veterans seeking care at the outpatient clinics for all VA hospitals. On June 3, 1974, VA Central Office issued a directive to all VA hospitals instructing them to implement the system.

Elimination of a Kidney Transplant Unit

We recommended that VA evaluate its kidney transplant program to redetermine the number

and locations of transplant centers needed and discontinue existing services which cannot be expected to meet VA workload criteria, particularly at the Manhattan VA Hospital where only two transplants were performed over a 3-year period. As a result, VA withdrew funds for its transplant program at the Manhattan VA Hospital and advised us that the hospital is no longer considered a part of the kidney transplant program.

Closing Supervoltage Therapy Units

We recommended that VA evaluate existing supervoltage therapy units and decommission duplicative or underused facilities by (1) consolidating services at VA hospitals within metropolitan areas and (2) closing underused services when the services are available at other Federal or community hospitals in the area. This resulted in VA taking action to close some of these supervoltage therapy units and consolidating others.

Educational Benefits

As a result of our recommendations, VA has begun to publish and distribute correspondence course cost and completion rate information which should aid veterans in their decisions about home study training.

VA Contract Settlements

As a result of our examination into irregularities involving a proposed multi-million dollar claims settlement on a VA hospital construction contract, the Congress enacted legislation requiring an independent audit and approval through the appropriations process of all VA contract settlements in excess of \$1 million.

Establishing Independent Review Systems in International Organizations

During the past several years we have made recommendations in reports and testimony before congressional committees for legislation which would assist in establishing independent review and evaluation systems in the international development organizations.

In the Foreign Assistance Act of 1973, the Congress enacted legislation which required the President, acting through the U.S. representatives to the World Bank Group, the Asian Development Bank, and the United Nations System, to propose the establishment of an independent review program in each of the organizations. The law also required that statements of auditing and reporting standards be prepared by the Comptroller General of the United States and presented for the consideration of the organizations' governing bodies to assist in formulating terms of reference for the independent review system. (See Legislative Recommendations, Appendix 1.)

Developing Countries' External Debt And U.S. Foreign Assistance

We reported that the Congress may wish to consider legislation requiring comprehensive reporting on developing countries' debts by the Secretary of State in January of each year for the committees of the Congress in their considerations of authorization and appropriation proposals. Such reporting will make available current summary perspectives of the worldwide dimensions of the debt burden problem, as well as the specifics of debt relief granted or proposed.

In the Foreign Assistance Act of 1973, the Congress enacted legislation which requires the President to transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate, not later than January 31 of each year, a comprehensive report, based upon the latest data available, to meet this need. (See Legislative Recommendations, Appendix 1.)

NUMBER OF AUDIT REPORTS ISSUED DURING FISCAL YEAR 1974¹

	Total	Congress ²	Committees ³	Members	Agency officials ⁴
Executive Office of the President	12	3	...	4	5
Civil departments	213	40	54	66	53
Military departments:					
Department of Defense	112	24	27	23	38
Department of the Army	80	1	5	20	54
Department of the Navy	58	4	4	18	32
Department of the Air Force	80	4	3	13	60
Independent agencies	147	28	28	48	43
International activities	75	21	18	17	19
Government-wide and multiagency activities	51	13	13	21	4
Judicial branch	3	...	...	2	1
Legislative branch	29	6	14	6	3
District of Columbia Government	10	1	...	3	6
Other organizations outside the Federal Government	5	...	1	...	4
	875	145	167	241	322
Office of Federal Elections reports	204				
Total	1,079				

¹ A detailed listing of these reports is contained in appendix 5. Substantially identical reports shown more than once in the listing have been counted as one report.

² Reports submitted to the Congress are addressed to the President of the Senate and the Speaker of the House of Representatives. Copies are sent to the Director, Office of Management and Budget; the Senate and House Committees on Appropriations; the Senate and House Committees on Government Operations; the appropriate legislative committees in the Senate and

the House; Members of Congress from the districts in which the activities reported are located; others in the Congress as requested; the President of the United States as appropriate; the agencies reported on; and others directly affected.

³ Includes reports addressed to officers of the Congress.

⁴ Comprises reports addressed to heads of departments or agencies, to other officials at department or agency headquarters, to department or agency officials at regional or other local offices, or to commanding officers at military installations.

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1974

	Reference	Addressee and date issued			Agency officials
		Congress	Committees	Members	
EXECUTIVE OFFICE OF THE PRESIDENT					
Protection of the President at Key Biscayne and San Clemente (with information on protection of past Presidents)	155950	12-18-73			
Request for information on White House attorneys working on Watergate and related matters (request of Congressman Edward R. Roybal)	135209			5-13-74	
Office of Economic Opportunity:					
Economic development programs in Bedford-Stuyvesant, Brooklyn, New York, under the Special Impact Program	130515	8-20-73			
Better use should be made of physicians and dentists in health centers	164031(2)	4-9-74			
Review of the Office of Economic Opportunity's use of experts and consultants (request of Senator James Abourezk, Congressmen Herman Badillo and Robert Steele, and Congresswoman Patricia Schroeder)	130515			9-6-73	
Review of certain aspects of an Office of Economic Opportunity contract with CPI Associates, Inc., Dallas, Texas (request of Congressman Henry B. Gonzalez)	130515			10-5-73	
Review of certain aspects of an Office of Economic Opportunity contract with Project MAP, Inc. (request of Congressman Joel T. Broyhill)	179409			10-31-73	
Review of manpower services provided by four community action agencies located in the States of California, Massachusetts, Mississippi, and Texas					7-12-73
Survey of the Mountain Comprehensive Health Corporation at Hazard, Kentucky					7-23-73
Financial and program controls of selected community action agencies	130515				8-23-73
Review of selected activities of the Opportunity Funding Corporation, a grantee of the Office of Economic Opportunity					11-9-73
Office of Management and Budget:					
Letter report to Director, Office of Management and Budget, on the need for a policy for space and services used by employees associations in Federal civil facilities	112840				3-18-74
CIVIL DEPARTMENTS					
Department of Agriculture:					
Department-wide:					
Improvements needed in the Department of Agriculture's commodity distribution program	114824				9-18-73
Agricultural Marketing Service:					
Consumer protection would be increased by improving the administration of intrastate meat plant inspection programs	163450	11-2-73			
Information on Federal agencies having an impact on production and marketing of meat (request of Chairman, Subcommittee on Livestock and Grains, House Committee on Agriculture)	136888		3-25-74		
Review of Cotton, Incorporated, for operations and relocation expenditures and related Department of Agriculture oversight of the company's research and promotion programs (request of Congressman Paul Findley)	142011			7-9-73	

	Reference	Addressee and date issued			Agency officials
		Congress	Committees	Members	
CIVIL DEPARTMENTS — Continued					
Department of Agriculture — Continued					
Agricultural Stabilization and Conservation Service:					
Advance payments under the 1973 wheat marketing certificate program (request of Chairman, Permanent Subcommittee on Investigations, Senate Committee on Government Operations)	176943		3-28-74		
Preliminary payments under the 1973 set-aside and wheat marketing certificate programs (request of Congressman Glenn M. Anderson)	176943			4-3-74	
Need for strengthening criteria in the Commodity Credit Corporation for farm-stored grain					10-29-73
Need for better controls over the processing of data on the Commodity Credit Corporation's grain inventory					11-28-73
Commodity Credit Corporation:					
Audit for fiscal year 1973	114824		2-7-74		
Commodity Exchange Authority:					
Interim report on the Commodity Exchange Authority and on commodity futures trading	146770		5-3-74		
Farmers Home Administration:					
Report on allegations regarding Farmers Home Administration's Farm Labor Housing Program in Palm Beach County, Florida (request of Chairman, Subcommittee on Agricultural Labor, House Committee on Education and Labor)	177486			1-31-74	
Regulations for the business and industrial and community facility assistance programs authorized by the Rural Development Act of 1972 (request of the Chairmen, Subcommittees on Rural Development and Agricultural Credit and Rural Electrification, Senate Committees on Agriculture and Forestry)	114873			4-15-74	
Federal Crop Insurance Corporation:					
Audit for fiscal year 1973	114834		1-8-74		
Food and Nutrition Service:					
Preliminary report on the special supplemental food program	176994		9-28-73		
Administration and effectiveness of family food programs on selected Indian reservations in New Mexico and South Dakota (request of Chairman, Senate Select Committee on Nutrition and Human Needs)	51604			5-30-74	
Factors contributing to the varying rates of participation in the food stamp program (request of Chairman, Senate Select Committee on Nutrition and Human Needs)	51604			5-31-74	
Interim report on evaluation of the special supplemental food program					3-5-74
Forest Service:					
Increased use of felled wood would help meet timber demand and reduce environmental damage in Federal forests (relates also to the Department of the Interior)	125053		7-30-73		
More usable dead or damaged trees should be salvaged to help meet timber demand	125053		10-5-73		
More intensive reforestation and timber stand improvement programs could help meet timber demand	125053		2-14-74		

	Addressee and date issued				Agency officials
	Reference	Congress	Committees	Members	
CIVIL DEPARTMENTS—Continued					
Department of Agriculture—Continued					
Forest Service—Continued					
Followup on the need to resolve differences in procedures used by Federal timber management agencies in appraising timber offered for sale (request of Chairman, Conservation and Natural Resources Subcommittee, House Committee on Government Operations)	125033		10-30-73		
Data available from Federal agencies on the universe of need for water and waste disposal systems in rural areas (request of Chairman, Senate Committee on Agriculture and Forestry)	166506		12-28-73		
Allowable harvest determinations on national forest lands (request of Chairman, Subcommittee on Conservation and Natural Resources, House Committee on Government Operations)	125053		1-7-74		
Rural Development Service:					
Regulations for the rural development research and extension programs authorized by title V of the Rural Development Act of 1972 (request of the Chairman, Subcommittees on Rural Development and on Agricultural Credit and Rural Electrification, Senate Committees on Agriculture and Forestry)	114873		5-8-74		
Rural Electrification Administration:					
Rural Telephone Bank:					
Audit for fiscal year 1973	159292	4-12-74			
Review of certain financial management activities					4-1-74
Department of the Army, Corps of Engineers (civil functions):					
Information on the recent and continued flooding throughout the midwestern part of the United States (request of Chairman, Subcommittee on Investigations and Review, House Committee on Public Works)	178737		7-3-73		
Problems caused by coal mining near Federal reservoir projects (request of Chairman, Conservation and Natural Resources Subcommittee, House Committee on Government Operations)	177092		10-2-73		
Improved Federal efforts needed to equally consider wildlife conservation with other features of water resource developments (request of Chairman, Subcommittee on Fisheries and Wildlife Conservation and Environment, House Committee on Merchant Marine and Fisheries) ...	118370		3-8-74		
Railroad relocation at the R.D. Bailey Project, Justice, West Virginia (request of Chairman, Conservation and Natural Resources Subcommittee, House Committee on Government Operations)	177092		3-8-74		
Railroad relocation at R.D. Bailey Project, Justice, West Virginia (request of Congressman Ken Hechler)	177092			9-12-73	
Alleged mismanagement of the flood recovery program in the Entiat Basin, Washington (request of Congressman Mike McCormack)	179433			3-18-74	
Certain aspects of the economic justification for the Apple-gate Lake Project, Oregon (request of Senator Bob Packwood)	179664			4-12-74	
Possibility of developing information on costs for preparing environmental impact statements (request of Congressman J. Kenneth Robinson)	170186			4-23-74	

	Addressee and date issued				Agency officials
	Reference	Congress	Committees	Members	
CIVIL DEPARTMENTS—Continued					
Department of the Army, Corps of Engineers (civil functions)—continued					
Review of certain economic aspects of the Corps of Engineers' Falls Lake Project in North Carolina (request of Senator Jesse Helms)	179826			6-10-74	
Environmental and economic issues of planned construction of Spewrell Bluff Dam in Georgia (request of Senator Herman E. Talmadge)	177442			6-13-74	
Settlement of accounts of accountable officers, fiscal year 1973	118634				5-7-74
Department of Commerce:					
Department-wide:					
Review of selected activities of Regional Commissions (request of Chairman, Senate Committee on Public Works)	177392		3-27-74		
National Oceanic and Atmospheric Administration:					
Information regarding the Oceans and National Economic Development Conference held in Seattle, Washington (request of Congressman H. R. Gross)	179661			3-21-74	
Allegations made regarding a contract with OMNI Research Incorporated to perform trace chemical analyses of fish products (request of Congressman Gilbert Gude)	180531			6-25-74	
National Oceanographic Instrumentation Center's testing and evaluation and calibration program					3-4-74
Improvement to enhance the efficiency and effectiveness of the Sea Grant Program					3-26-74
Need to establish fees for market news reports	177024				5-31-74
Department of Health, Education, and Welfare:					
Department-wide:					
Training and education programs for civilian employees of the Department of Health, Education, and Welfare	164031(1)				7-19-73
Improvements needed in the personnel management information systems of the Department of Health, Education, and Welfare	164031(3)				7-27-73
Center for Disease Control:					
Review of selected communicable disease control efforts, Center of Disease Control	164031(2)	6-10-74			
Evaluation of efforts to determine nutritional health of the U.S. population (request of Chairman, Senate Select Committee on Nutrition and Human Needs) ...	164031(3)			11-20-73	
Education Division:					
Educational laboratory and research and development center programs need to be strengthened	164031(1)	11-16-73			
Supply and demand conditions for teachers and implications for Federal programs	164031(1)	3-6-74			
Problems of the Upward Bound program in preparing disadvantaged students for postsecondary education ..	164031(1)	3-7-74			
Administration of the Education Division's student financial aid program (request of Chairman, Special Subcommittee on Education, House Committee on Education and Labor)	164031(1)			4-4-74	

	Addressee and date issued				Agency officials
	Reference	Congress	Committees	Members	
CIVIL DEPARTMENTS—Continued					
Department of Health, Education, and Welfare—Continued					
Education Division—Continued					
Role of three consultants in award of Emergency School Assistance Program/Community Groups Grants (request of Senator Thomas F. Eagleton)	164031(1).....			9-21-73	
Review of certain activities of the Head Start Program operated by the Community Education Extension of Mary Holmes College, Jackson, Mississippi (request of Senator James O. Eastland)	157356			2-8-74	
Basis for approval of Federal impact aid funds for Adelanto School District, California (request of Senator John V. Tunney).....	164031(1).....			5-7-74	
Observations on the need for additional bilingual teachers and the availability of training programs to prepare these individuals (joint request of Senators Edward M. Kennedy and Alan Cranston)....	164031(1).....			5-31-74	
Administration of Federal programs at Kittrell College, Kittrell, North Carolina (request of Senator Jesse Helms)	164031(1).....			6-7-74	
Food and Drug Administration:					
Assessment of the Food and Drug Administration's handling of reports on adverse reactions from the use of drugs	164031(2)	3-7-74			
Supervision over investigational use of selected drugs (request of Chairman, Subcommittee on Executive Reorganization, Research and International Organizations, Senate Committee on Government Operations)	164031(2).....			7-23-73	
The Food and Drug Administration's decision to permit the use of the term "potato chips" for products made from dried or dehydrated potatoes (request of Chairman, Subcommittee for Consumers, Senate Committee on Commerce).....	179195			3-21-74	
Health Resources Administration:					
Comprehensive health planning as carried out by State and areawide agencies in three States	164031(2)	4-18-74			
Review of certain aspects of the Hill-Burton health facilities construction and modernization program (request of Chairman, Health Subcommittee, Senate Committee on Labor and Public Welfare)	164031(2).....			5-3-74	
Review of effectiveness of grant and contract programs aimed at developing health maintenance organizations					6-5-74
Health Services and Mental Health Administration:					
Report on request of constituent for relief from cashier shortage (request of Congressman Gilbert Gude)	178953			8-8-73	
Health Services Administration:					
Progress and problems in providing selected health services to Indians	164031(2)	3-11-74			
Review of grants to Health Maintenance Organization of South Carolina, Inc. (request of Senators Ernest F. Hollings and Strom Thurmond)	164031(2).....			5-17-74	
Review of alleged financial mismanagement of the North Memphis Community Health Organization, Inc. (request of Congressman Dan Kuykendall)	164031(2).....			5-30-74	

	Addressee and date issued				Agency officials
	Reference	Congress	Committees	Members	
CIVIL DEPARTMENTS—Continued					
Department of Health, Education, and Welfare—Continued					
Health Services Administration—Continued					
Review of financial management of grant funds by the Abnaki Health Council, Claremont, New Hampshire					3-7-74
Mental Health Task Force:					
Investigation of the apparent misuse of funds at Forest Haven (request of Senator Hubert H. Humphrey)	118638			4-1-74	
National Institute of Occupational Safety and Health:					
Slow progress likely in development of standards for toxic substances and hazardous physical agents found in workplaces (request of Chairman, Senate Committee on Labor and Public Welfare)	163375		9-28-73		
Review of the administration of research contracts and grants made under the Occupational Safety and Health Act of 1970					1-11-74
Review of the management of property and equipment by the research laboratories of the National Institute for Occupational Safety and Health					3-6-74
National Institutes of Health:					
Congressional objectives of Federal loans and scholarships to health profession students not being met	164031(2)	5-24-74			
Review of HEW's implementation of the National Cooley's Anemia Control Act (request of Congressman Robert N. Giaino)	164031(2)			2-26-74	
Better management needed of health research equipment by National Institutes of Health grantees	164031(2)				7-17-73
Office of Education:					
Defaulting of student loans (requested by Congressman Samuel L. Devine)	117604(7)			11-5-73	
Procedures for recovery of defaulted student loans	117604(7)				11-30-73
Social and Rehabilitation Service:					
Improvement needed in the administration of the program to provide Medicare benefits for welfare recipients	164031(3)	8-14-73			
Review of vending operations on federally controlled property (request of Chairman, Subcommittee on the Handicapped, Senate Committee on Labor and Public Welfare)	176886		9-27-73		
Effectiveness of Project FIND—helping the elderly obtain food assistance and other services (request of Chairman, Senate Special Committee on Aging)	164031(3)		4-5-74		
Delegation of authority by the Commissioner, Administration on Aging (request of Chairman, Select Subcommittee on Education, House Committee on Education and Labor)	165430		5-14-74		
Implementation of the Illinois Early and Periodic Screening, Diagnosis, and Treatment program under Medicaid (request of Congressman Ralph Metcalfe) ...	164031(4)			3-12-74	
Inquiry into charges of mismanagement in Delaware's vocational rehabilitation, employment, and social services program (request of Senator William V. Roth, Jr.)	164031(3)			4-10-74	
Payments being made for drugs under the Medicaid program that were either ineffective or showed little evidence of effectiveness	164031(2)				2-15-74

	Addressee and date issued				Agency officials
	Reference	Congress	Committees	Members	
CIVIL DEPARTMENTS—Continued					
Department of Health, Education, and Welfare—Continued					
Social Security Administration:					
Increased efficiency predicted if information processing systems of Social Security Administration are redesigned	164031(4)	4-19-74			
Award of subcontract for processing Medicare claims for physicians' services in Ohio and West Virginia (request of Chairman, Subcommittee on Intergovernmental Relations, House Committee on Government Operations)	164031(4)			8-2-73	
Study of the application of reasonable charge provisions for paying physicians' fees under Medicare (request of Chairman, Senate Special Committee on Aging) ...	164031(4)			12-20-73	
Additional information on certain aspects of independent and hospital-based laboratories (request of Congressman James W. Symington)	164031(4)				8-1-73
Information on attorney fees paid for State black lung workmen's compensation claims in Kentucky (request of Congressman John N. Erlenborn)	164031(4)				1-8-74
Status of social security retirement benefits account for constituent Harry B. Nestlerode (request of Congressman Charles M. Teague)	180745				4-26-74
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Audit of the House Beauty Shop (1972)	162878			7-17-73	
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Analysis and verification of data in the District's report on police and firemen retirement and relief system, November 19, 1973 (request of Congressman Thomas M. Rees)	118638			4-10-74	
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	Addressee and date issued				Agency officials
	Reference	Congress	Committees	Members	
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The Agnew Rally Committee, Roanoke, Virginia	9-17-72 to 2-14-73	4-26-74
The Alabama Finance Committee to Re-Elect the President, Birmingham, Alabama	4- 7-72 to 12-31-73	6-21-74
The Alabama Republican Executive Committee, Birmingham, Alabama	4- 7-72 to 12-31-73	4-29-74
The Amalgamated Political Education Committee, New York, New York	4- 7-72 to 2-28-73	12-26-73
The Arkansas Committee on Political Education, Little Rock, Arkansas	4- 7-72 to 12-31-72	11-21-73
The Arkansas Democratic State Committee, Little Rock, Arkansas	4- 7-72 to 12-31-72	10-30-73
The Arkansas Finance Committee to Re-Elect the President, Searcy, Arkansas ¹	4- 7-72 to 3-31-73	12-12-73
The Arkansans for McGovern-Shriver '72, Little Rock, Arkansas	9-12-72 to 6-30-73	4-26-74
The Arkansas Republican State Committee, Little Rock, Arkansas	4- 7-72 to 12-31-72	10-30-73
The Ashbrook for President Committee, Washington, D.C. ¹	4- 7-72 to 2-28-73	6-12-74
The Bexar County Democratic Executive Committee, San Antonio, Texas	4- 7-72 to 12-31-72	5-28-74
The Bucks County Republican Committee, Doylestown, Pennsylvania	4- 7-72 to 12- 8-72	8- 9-73
The Burlington Northern Officers Voluntary Good Government Fund, St. Paul, Minnesota	4- 7-72 to 8-31-73	1-30-74
The California Democrats for Nixon Committee, Beverly Hills, California	9-28-72 to 2- 2-73	6-28-74
The Californians for McGovern Committee, Beverly Hills, California ¹	4- 7-72 to 5-31-73	6-14-74
The California Finance Committee to Re-Elect the President, Los Angeles, California	4- 7-72 to 2-28-73	3- 6-74
The California Medical Political Action Committee, San Francisco, California	9- 9-72 to 12-31-72	8-10-73
The California United Labor for Humphrey The Local 38 COPE Committee, San Francisco, California	{ 5-15-72 to 11- 2-72 5-15-72 to 10-17-72	12-17-73
The Campaign 72 Committee, Harrisburg, Pennsylvania	4- 7-72 to 1-25-73	6-20-74
The Cerro/Leadership Employees' Civic Fund, New York, New York ¹	9-19-72 to 11-14-72	11- 1-73
The Charlottesville Albemarle Democratic Campaign Charlottesville, Virginia	9-18-72 to 1- 1-73	5- 6-74
The Chesterfield County Republican Committee, Richmond, Virginia	4- 7-72 to 12-31-73	3-28-74

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REPORTS BY OFFICE OF FEDERAL ELECTIONS—Continued		
Audits of Financial Activities of Political Committees—Continued		
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The Citizens for Jackson Campaign Committee, Washington, D.C.	4- 7-72 to 12-31-72	7-19-73
The Citizens for McGovern, St. Louis, Missouri ¹	4- 7-72 to 1-31-73	4-10-74
The Citizens for McGovern Committee, Washington, D.C.	4- 7-72 to 5-31-73	6-20-74
The Civic Trust 80—Santa Fe Employees Good Government Fund, Chicago, Illinois	8-10-72 to 12-31-73	6-28-74
The Colorado Finance Committee to Re-Elect the President, Denver, Colorado	4- 7-72 to 3-15-73	6-12-74
The Colorado Victory '72 Dinner Committee, Denver, Colorado	9-18-72 to 12-27-72	5-20-74
The Committee for the Nomination of Hubert H. Humphrey, Inc., Washington, D.C. ¹	4- 7-72 to 2-28-73	10-12-73
The Connecticut Republican State Central Committee The Republican State-wide Dinner Committee, Hartford, Connecticut	{ 4- 7-72 to 12-31-72 9- 9-72 to 1-23-73	8-24-73
The Conservatives for Nixon-Agnew Committee, New York, New York ¹	9- 7-72 to 4-23-73	12-11-73
The Consolidated Executives' Voluntary Non-Partisan Political Fund, Clarksburg, West Virginia	4- 7-72 to 12-31-73	5- 6-74
The County Democratic Committee, Denton, Texas	8-16-72 to 3- 5-73	3- 6-74
The Dade County Democratic Executive Committee, Miami Beach, Florida	4- 7-72 to 12-31-72	3- 6-74
The D.C. Republican Committee, Washington, D.C.	4- 7-72 to 5-31-73	6-28-74
The D.N. Hanson Weyco Executive Fund, Tacoma, Washington	4- 7-72 to 12-31-73	5-20-74
The Delaware Labor for McGovern Committee, Claymont, Delaware	10-20-72 to 1-26-73	1-30-74
The 1972 Democratic Florida Host Committee, Tallahassee, Florida	6- 1-72 to 12-31-72	9- 4-73
The Democratic National Associates Committee, Washington, D.C.	8-25-72 to 5-31-73	6-20-74
The Democratic Party of Hawaii, Honolulu, Hawaii ¹	4- 7-72 to 12- 5-73	6- 5-74
The Democratic Party of Portage County, Wisconsin (voluntary), Stevens Point, Wisconsin	4- 7-72 to 12-31-72	3- 6-74
The Democratic Party of South Carolina, Columbia, South Carolina	4- 7-72 to 2-28-73	9-10-73
The Democratic Sponsors Committee, Washington, D.C.	1- 1-73 to 5-31-73	6-28-74
The Democratic State Central Committee of Illinois, Springfield, Illinois	4- 7-72 to 9-31-73	3- 6-74
The State Central Committee of Louisiana, Baton Rouge, Louisiana	4- 7-72 to 12-31-72	4-11-74
The Democratic State Central Committee of Oklahoma, The Oklahoma Republican State Committee, Oklahoma City, Oklahoma ¹	{ 4- 7-72 to 12-31-72 4- 7-72 to 5-31-73	4-11-74

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The Democratic State Committee of Missouri, Jefferson City, Missouri	3-10-72 to 6-10-72	9-14-73
The Democrats for McGovern/Shriver Committee, New York, New York	8-31-72 to 1-20-73	5-20-74
The Democrats for Nixon Committee, Washington, D.C.	8- 9-72 to 3- 7-73	11- 9-73
The Denver County Central Committee, Denver, Colorado	4- 7-72 to 12-31-73	6-28-74
The District 9 Machinists Non-Partisan Political League, Bridgeton, Missouri	4- 7-72 to 8-31-73	1- 7-74
The DNC 1972 Committee, Washington, D.C.	8- 1-72 to 12-31-72	5-20-74
The DNC Services Corporation, Washington, D.C.	9-21-72 to 5-31-73	6-12-74
The East Wisconsin Club, Milwaukee, Wisconsin	4- 7-72 to 5-31-73	9-10-73
The Five Major Fundraising Committees of the Republican National Committee, Washington, D.C.	4- 7-72 to 5-31-73	6-18-74
The Florida Committee, George McGovern For President, Miami, Florida	4- 7-72 to 1-31-73	3- 6-74
The Florida Democratic Voter Education Committee, Miami, Florida	4- 7-72 to 1-15-73	3- 6-74
The Florida Democrats for Nixon, Tallahassee, Florida	9-15-72 to 12-31-72	7- 3-73
The Frisco Employees' Committee for Good Government, St. Louis, Missouri	4- 7-72 to 1-18-73	10-25-73
The General Mills Good Government Fund, Minneapolis, Minnesota	7-6-72 to 2-28-73	11-20-73
The General Telephone Employees' Good Government Club, Santa Monica, California	4- 7-72 to 5-31-73	10-26-73
The Georgia McGovern-Shriver Committee, Atlanta, Georgia	4- 7-72 to 12-31-72	6-28-74
The Georgia Finance Committee to Re-Elect the President, Atlanta, Georgia	6-20-72 to 3-10-73	3- 6-74
The Hall-Tyner Illinois Campaign Committee, Chicago, Illinois	4- 7-72 to 6- 1-73	6-28-74
The Hanson Fund, St. Paul, Minnesota	4- 7-72 to 5-31-73	3- 6-74
The Harris County Democrats, Houston, Texas	4- 7-72 to 12-31-72	4-26-74
The Hawaii Finance Committee to Re-Elect the President, Honolulu, Hawaii	7-10-72 to 2-7-73	5-22-74
The Hughes Active Citizenship Fund, Los Angeles, California ¹	4- 7-72 to 8-31-73	4-11-74
The Humphrey Dinner Committee, Minneapolis, Minnesota	4- 7-72 to 12-31-72	7-18-73

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REPORTS BY OFFICE OF FEDERAL ELECTIONS—Continued		
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The Idaho State AFL-CIO Committee on Political Education, Boise, Idaho	4- 7-72 to 12-31-73	4-26-74
The Illinois Democrats for Nixon, Chicago, Illinois	10-72 to 5-6-73	8-22-73
The Illinois Republican State Central Committee, Springfield, Illinois	4- 7-72 to 2-28-73	9-19-73
The Indiana Republican State Central Committee, Indianapolis, Indiana ¹	4- 7-72 to 12-31-72	7-27-73
The International Ladies Garment Workers Union Campaign Committee, New York, New York	4- 7-72 to 2-28-73	5-20-74
The Jackson County Missouri Democratic Committee, Independence, Missouri	4- 7-72 to 5-31-73	8-29-73
The Kansas Banking Political Action Committee, Wichita, Kansas	4- 7-72 to 5-31-73	10-12-73
The Kansas Democratic State Committee, Topeka, Kansas	4- 7-72 to 12-31-72	11-21-73
The Kansas Finance Committee to Re-Elect the President, Kansas City, Kansas	4- 7-72 to 2- 2-73	10-18-73
The Kansas Republican State Committee, Topeka, Kansas	4- 7-72 to 12-31-72	9-19-73
The King County Republican Central Committee, Seattle, Washington	4- 7-72 to 10-31-73	3-22-74
The Louisiana Democrats for McGovern-Shriver, New Orleans, Louisiana	9-29-72 to 12-31-72	5-20-74
The Louisiana Finance Committee to Re-Elect the President, New Orleans, Louisiana	4- 7-72 to 1-29-73	11-21-73
The Maine Finance Committee to Re-Elect the President, Portland, Maine	4- 7-72 to 2-15-73	9-19-73
The Massachusetts Democratic State Committee, Boston, Massachusetts	4- 7-72 to 12-31-72	4-26-74
The Massachusetts Finance Committee to Re-Elect the President, Attleboro, Massachusetts	4- 7-72 to 1-23-73	11-20-74
The Massachusetts McGovern for President Committee, Boston, Massachusetts ¹	4- 7-72 to 12-31-72	10-17-73
The McGovern Concert Committee, Los Angeles, California	4- 7-72 to 10-16-72	8-22-73
The McGovern for President—Ohio Committee, Cleveland, Ohio	7-28-72 to 2-28-73	8- 3-73
The McGovern for President (Rhode Island) Committees, Providence, Rhode Island	4- 7-72 to 12-31-73	6- 3-74
The McGovern for President Connecticut Committee, Hartford, Connecticut ¹	4- 7-72 to 12-31-72	6-27-74
The McGovern for President—Mississippi Committee, Jackson, Mississippi	9-13-72 to 6-20-73	5-15-74

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The Michigan McGovern for President, Michigan McGovern '72, and Michigan Friends of the McGovern Campaign Committees, Ann Arbor, Michigan—Detroit, Michigan	{ 8-24-72 to 12-31-72 6- 1-72 to 12- 1-72 5- 9-72 to 1-30-73	9-17-73
The Mississippi Finance Committee to Re-Elect the President, Jackson, Mississippi	5-15-72 to 5-18-73	5-26-74
The Missouri Finance Committee to Re-Elect the President, St. Louis, Missouri	4- 7-72 to 3-26-73	4-17-74
The Missouri Republican State Committee, Missouri Agnew Dinner Committee, and Missouri Butz Dinner Committee, Jefferson City, Missouri—Clayton, Missouri	{ 6- 1-72 to 12-31-72 6-10-72 to 12-31-72 6-16-72 to 12-31-72	10-18-73
The Missouri State Finance Committee—GOP Spectacular '72, Clayton, Missouri	8-14-72 to 1-31-73	8- 3-73
The Monroe County Republican Committee and its affiliated Committees.		
The Federal Campaign Fund/Monroe County Republican Committee, and		
The Monroe County Republican Dinner Committee, Rochester, New York	{ 4- 7-72 to 8-31-72 9-14-72 to 5-31-73	10-30-73
The Montana Democratic State Central Committee, Helena, Montana	4- 7-72 to 2-28-73	3- 6-74
The Montana Republican State Central Committee, Helena, Montana	4- 7-72 to 12-31-72	6-20-74
The Montgomery County Republican Executive Committee, Dayton, Ohio ¹	4- 7-72 to 12-31-72	4-16-74
The Muskie Election Committee, Pittsburgh, Pennsylvania ¹	4- 7-72 to 2-28-73	11- 8-73
The Muskie Finance Committee		
The Citizens for Muskie Committee, Milford, Connecticut	4- 7-72 to 5-31-73	5- 6-74
The National Labor Committee to Elect McGovern-Shriver, Washington, D.C.	8-14-72 to 5-31-73	3- 6-74
The National Republican Heritage Groups Nationalities Council, Washington, D.C.	4- 7-72 to 5-31-73	6-12-74
The National Sanford for President Committee, Washington, D.C.	4- 7-72 to 1-31-73	8- 3-73
The Nebraska Citizens for McGovern, Omaha, Nebraska ¹	4- 7-72 to 1-20-73	11-27-73
The Nebraska Democratic State Central Committee, Lincoln, Nebraska ¹	4- 7-72 to 12-31-72	5-17-74
The Nebraska Finance Committee to Re-Elect the President, Lincoln, Nebraska	4- 7-72 to 1-31-73	11-26-73
The Nebraska Republican State Central Committee, Lincoln, Nebraska ¹	4- 7-72 to 2-28-73	4-26-74
The New Hampshire Democratic State Committee, Manchester, New Hampshire	4- 7-72 to 12-31-72	5-28-74
The New Hampshire Finance Committee to Re-Elect the President, Concord, New Hampshire	4-25-72 to 5- 2-73	3- 6-74

REPORTS BY OFFICE OF FEDERAL ELECTIONS—Continued

Audits of Financial Activities of Political Committees—Continued

The New Hampshire Republican State Committee, Concord, New Hampshire	4- 7-72 to 5-31-73	5- 6-74
The New York Democrats for Nixon, New York, New York	9-20-72 to 12-31-72	5-15-74
The New York for McGovern-Shriver Committee, New York, New York	8-31-72 to 1-19-73	5-20-74
The New York Humphrey for President Committee, New York, New York	5-26-72 to 1-31-73	4- 5-74
The Nixon-Agnew Appreciation Dinner Committee, Jackson, Mississippi ¹	9-26-72 to 12-31-72	6-14-74
The North Carolina Finance Committee to Re-Elect the President, Raleigh, North Carolina	4- 7-72 to 3- -73	5- 6-74
The Northampton County Republican Committee, Easton, Pennsylvania ¹	4- 7-72 to 12-31-72	6- 5-74
The Ohio Convention Committee, Columbus, Ohio	4- 7-72 to 12-31-72	12- 7-73
The Ohio Democratic Party Columbus, Ohio ¹	4- 7-72 to 12-31-72	2- 5-74
The Ohio Finance Committee to Re-Elect the President, Columbus, Ohio	4- 7-72 to 5-30-73	6-20-74
The Ohio Republican Finance Committee, Columbus, Ohio	4- 7-72 to 12-31-72	4-30-74
The Oil, Chemical and Atomic Workers International Union COPE Committee and Political Education Fund Committee, Denver, Colorado	4- 7-72 to 2-28-73	3- 6-74
The Oklahoma Finance Committee to Re-Elect the President, Oklahoma City, Oklahoma	4- 7-72 to 3- 19-73	1-30-74
The Oregon Democratic State Central Committee, Corvallis, Oregon	4- 7-72 to 12-31-72	1- 7-74
The Oregon Finance Committee to Re-Elect the President, Portland, Oregon	4- 7-72 to 4-25-73	3-14-74
The Oregon Republican State Central Committee, Salem, Oregon	6-10-72 to 12-31-72	3-14-74
The Pennsylvania Finance Committee to Re-Elect the President, Philadelphia, Pennsylvania ¹	4- 7-72 to 1-29-73	11-13-73
The People for McGovern-Shriver Committee, New York, New York	10-10-72 to 1-19-73	6- 3-74
The People for Muskie Committee, Washington, D.C.	4- 7-72 to 4-28-72	3- 6-74
The People Politics Committee and The Committee for Honesty in Politics, New York, New York	4- 7-72 to 8-31-72	6-20-74
The Political Awareness Fund Los Angeles, California	4- 7-72 to 8-31-73	3- 6-74

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REPORTS BY OFFICE OF FEDERAL ELECTIONS--Continued

Audits of Financial Activities of Political Committees--Continued

The Racine County Republican Party, Racine, Wisconsin	4- 7-72 to 12-31-73	5- 6-74
The Rensselaer County Republican Committee, Troy, New York	4- 7-72 to 12-31-72	10-30-73
The Republican Committee of Oakland County, Michigan, Birmingham, Michigan	4- 7-72 to 2-28-73	1-22-74
The Republican Convention Host Committee, Miami, Florida	7-28-72 to 12-19-72	5-28-74
The Republican Finance Committee of Berks County, Reading, Pennsylvania	4- 7-72 to 12-31-72	6-20-74
The Republican Housing Committee, Washington, D.C.	4- 7-72 to 1-31-73	5-22-74
The Republican National Committee, Washington, D.C.	4- 7-72 to 5-31-73	5-20-74
The Republican Party of Georgia, Atlanta, Georgia	4- 7-72 to 12-31-72	9-19-73
The Republican Party of Hawaii, Honolulu, Hawaii	4-14-72 to 5-31-73	5-22-74
The Republican Party of Louisiana, Baton Rouge, Louisiana	4- 7-72 to 12-31-72	6-20-74
The Republican Party of Minnesota and The Minnesota Republican Finance Committee, St. Paul, Minnesota	4- 7-72 to 8-31-73	6-20-74
The Republican State Central Committee of Colorado, Denver, Colorado	4- 7-72 to 8-31-73	6-20-74
The Republican State Central Committee of Michigan, Lansing, Michigan	4- 7-72 to 2-28-73	6-20-74
The Republican State Central Committee of New Mexico, Albuquerque, New Mexico	4- 7-72 to 5-31-73	11-13-73
The Republican State Central Committee of Washington, Olympia, Washington	4- 7-72 to 12-31-72	7- 3-73
The Republican State Central and Executive Committee of Ohio, Columbus, Ohio	4- 7-72 to 12-31-72	3- 6-74
The Republican Transportation Committee, Washington, D.C.	4- 7-72 to 4- 6-73	5-21-74
The Republican Victory Committee, Albuquerque, New Mexico	4- 7-72 to 12-31-73	5-20-74
The Riverside Civic Association, Chicago, Illinois	4- 7-72 to 12-31-73	6-22-74
The Rhode Island Democratic State Committee, Providence, Rhode Island	4- 7-72 to 12-31-73	6-14-74
The Rhode Island Finance Committee to Re-Elect the President, Providence, Rhode Island	4- 7-72 to 1-31-73	5-22-74
The Rhode Island Republican State Central Committee, Providence, Rhode Island	4- 7-72 to 12-31-72	2- 3-73
The Salute to Ted Agnew Night Committee, Baltimore, Maryland ¹	4- 7-72 to 1-29-73	7- 5-73
The Schmitz-Anderson National Campaign Committee, Richmond, Virginia	2- 4-72 to 12-31-72	11-26-73
The Shirley Chisholm for President Committee, Brooklyn, New York ¹	4- 7-72 to 2-22-73	3- 7-73

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REPORTS BY OFFICE OF FEDERAL ELECTIONS—Continued		
Audits of Financial Activities of Political Committees—Continued		
The Shriver for Vice President Committee, Washington, D.C.	8-16-72 to 8-31-73	6-12-74
The State Central Committee of The Republican Party of Alaska, Anchorage, Alaska	4- 7-72 to 1-31-74	6-20-74
The St. Louis Political Action Committee, St. Louis, Missouri	4- 7-72 to 5-31-73	10-30-73
The State Republican Executive Committee of Texas, Austin, Texas	4- 7-72 to 2-28-73	5-15-74
The Southern California Presidential Dinner Committee, Los Angeles, California	8-17-72 to 2- 4-73	9- 6-73
The South Carolina Finance Committee to Re-Elect the President, Greenville, South Carolina	4- 7-72 to 5-15-73	6-20-74
The South Carolina Republican Party, Columbia, South Carolina	4- 7-72 to 12-31-72	12-10-73
The Tarrant County Nixon-Agnew Committee, Fort Worth, Texas	10-24-72	5-20-74
The Teamsters Joint Council No. 13 Political Action Committee, St. Louis, Missouri	4- 7-72 to 5- 6-74	5- 6-74
The Tennessee Finance Committee to Re-Elect the President, Nashville, Tennessee	4- 7-72 to 5-31-73	4-29-74
The Tennessee McGovern for President Committee, Nashville, Tennessee	4- 7-72 to 6-10-73	4-26-74
The Texas Committee for Democratic Republican Independent Voter Education, Dallas, Texas	4- 7-72 to 12-31-72	4-26-74
The Texas Democrats for Nixon, Austin, Texas	8-30-72 to 12-29-72	1- 8-74
The Texas Federation of Republican Women, Austin, Texas	4- 7-72 to 8-31-72	6-28-74
The Texas Finance Committee to Re-Elect the President, Houston, Texas	4- 7-72 to 8-31-72	9-19-73
The Texas Media Committee for Nixon, Austin, Texas	10-23-72 to 5-31-73	3- 6-74
The Texas Victory '72 Dinner Committee, Houston, Texas	8-10-72 to 5-31-73	11-30-73
The Traverse County DFL Central Committee, Wheaton, Minnesota	4- 7-72 to 5-31-73	10-12-73
The Travis County Democratic Executive Committee, Austin, Texas	4- 7-72 to 12-31-72	11-30-73
The TRW Good Government Fund, Cleveland, Ohio	4- 7-72 to 7-31-72	6-20-74
The United Auto Workers Voluntary Community Action Program Committee and The United Auto Workers McGovern Million Members Club, Detroit, Michigan	4- 7-72 to 12-31-72 9-15-72 to 12-31-72	8- 3-73
The United Furniture Workers of America Committee on Political Education, New York, New York ¹	4- 7-72 to 2-28-73	10-31-73
The Vermont Citizens for McGovern Committee, Burlington, Vermont	4- 7-72 to 5-31-73	5- 6-74
The Vermont Democratic Committee, Burlington, Vermont	4- 7-72 to 12-31-72	11-16-73

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REPORTS BY OFFICE OF FEDERAL ELECTIONS—Continued

Audits of Financial Activities of Political Committees—Continued

The Vermont Finance Committee to Re-Elect the President, Montpelier, Vermont	4- 7-72 to 2-28-73	3- 6-74
The Vermont Republican State Committee, Montpelier, Vermont	4- 7-72 to 12-31-72	11-16-73
The Virginia Finance Committee to Re-Elect the President, Richmond, Virginia	4- 7-72 to 3- 73	4-26-74
The Vote Republican Committee, Chicago, Illinois	4- 7-72 to 11-15-72	9- 4-73
The Wallace Campaign, Montgomery, Alabama ¹	4- 7-72 to 12-31-72	10-30-73
The Washington State Citizens for Jackson Committee, Seattle, Washington	4- 7-72 to 8-31-73	4-30-74
The Washington State Committee on Political Education, Seattle, Washington	4- 7-72 to 8-31-73	4-26-74
The Washington Regional Democratic Telethon Committee, Washington, D.C.	6-10-72 to 9-10-72	1- 7-74
The Wisconsin Citizens for Jackson, Madison, Wisconsin	4- 7-72 to 6-10-72	5-20-74
The Wisconsin McGovern for President Committee, Milwaukee, Wisconsin ¹	4- 7-72 to 10-27-72	8-13-73
The Women's National Republican Campaign Committee, New York, New York	4- 7-72 to 6- 8-73	5- 6-74
The Wyoming Republican State Committee, Casper, Wyoming	4- 7-72 to 2-28-73	8-10-73
The Yellowstone County Republican Central Committee, Billings, Montana	4- 7-72 to 12-31-73	6-12-74
The York County Republican Committee, York, Pennsylvania	4- 7-72 to 12-31-72	4-26-74
The Yorty for President Committee, Los Angeles, California	4- 7-72 to 2-28-73	1-30-74

Other Reports:

Illinois Communist Party, Chicago, Illinois	1-28-74
The Committee for the Nomination of Hubert H. Humphrey and The Finance Committee to Re-elect the President, Washington, D.C. ¹	8- 8-73
The Finance Committee to Re-Elect the President, Washington, D.C. ¹	12-18-73

¹Referred to the Attorney General.

LEGISLATION ENACTED DURING FISCAL YEAR 1974 RELATING TO THE GENERAL ACCOUNTING OFFICE

Audits

Guam Government Comptroller Activities Relative to Pacific Island Trust Territory

Public Law 93-111, September 21, 1973, 87 Stat. 354, providing for continuance of civil government for the Trust Territory of the Pacific Islands, adds a new section 4 to the Act of June 30, 1954 (Public Law 451, 83d Congress, 68 Stat. 330) which extends the authority of the Federal Comptroller of Guam to the Trust Territory and prescribes his duties and responsibilities which are the same as those he performs at Guam. The *Comptroller General of the United States* is required to review the office and activities of the government comptroller and report to the High Commissioner, the Secretary of Interior, the President of the Senate, and the Speaker of the House of Representatives. The government comptroller shall make reports as required by the *Comptroller General*. (87 Stat. 355)

Pacific Island Trust Territory

Public Law 93-120, October 4, 1973, 87 Stat. 429, Department of the Interior and Related Agencies Appropriation Act, 1974, contains a proviso for audit by the *General Accounting Office* of all financial transactions of the Trust Territory, including transactions of all agencies or instrumentalities established or used by the Trust Territory. The proviso states that the audit shall be made in accordance with the provisions of the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950. (87 Stat. 434)

Trans-Alaska Pipeline Liability Fund

Public Law 93-153, November 16, 1973, 87 Stat. 576, contains as Title II the Trans-Alaska

Pipeline Authorization Act, which provides for the construction of the pipeline. Section 204 delineates liability for various damages along the right-of-way and with respect to discharges of oil from vessels loaded at the terminal facilities of the pipeline, places liability on the owner and operator of the vessel (jointly and severally) and the Trans-Alaska Pipeline Liability Fund established by subsection (c)(4) of section 204. The Fund is to be administered by the holders of the trans-Alaska pipeline right-of-way and subject to an annual audit by the *Comptroller General* who shall submit the report to the Congress. (87 Stat. 587)

C-5A Aircraft Procurement

Public Law 93-155, November 16, 1973, 87 Stat. 605, Department of Defense Appropriation Authorization Act, 1974, provides in section 802 for a \$28,400,000 C-5A aircraft procurement contingency fund. The section requires that all payments made to the prime contractor through a special bank account be audited by the Defense Contract Audit Agency and, on a quarterly basis, by the *General Accounting Office*. The *Comptroller General* must issue a report to Congress not more than 30 days after the close of each quarter. (87 Stat. 612)

District of Columbia Government

Public Law 93-198, December 24, 1973, 87 Stat. 774, District of Columbia Self-Government and Governmental Reorganization Act, provides for an annual audit of the accounts and operations of the District government in accordance with principles and procedures prescribed by the *Comptroller General*. The *General Accounting Office* reports are to be submitted to the Congress, the Mayor and the Council. The Mayor, within 90 days of receipt of the audit from the *Comptroller General*, shall state in

writing to the Council, with a copy to Congress, what has been done to comply with the recommendations made by the *Comptroller General* in the report. (87 Stat. 823-824)

The *Comptroller General* is also required to make annual audits of amounts set aside and deposited in the sinking fund established incident to the levy of a special tax in connection with payment of bonds and notes. (87 Stat. 807)

The role of the *Comptroller General* in the preparation, review, submission, examination, authorization and appropriation of the total budget of the District of Columbia government is reserved. (87 Stat. 814).

There are provisions for inclusion in the budget of the District of Columbia government (87 Stat. 799) and the District of Columbia courts (87 Stat. 801) of a statement indicating the status of efforts to comply with the reports of the *Comptroller General*.

Federal Financing Bank

Public Law 93-224, December 29, 1973, 87 Stat. 937, Federal Financing Bank Act of 1973, establishes the Federal Financing Bank to provide for coordinated and more efficient financing of Federal and federally assisted borrowings from the public and requires that the *Comptroller General* audit the Bank pursuant to the provisions of the Government Corporation Control Act. (87 Stat. 941)

Regional Rail Reorganization

Public Law 93-236, January 2, 1974, 87 Stat. 985, Regional Rail Reorganization Act of 1973, provides for *General Accounting Office* audit under the provisions of the Government Corporation Control Act of the United States Railway Association (87 Stat. 992) and the Consolidated Rail Corporation (87 Stat. 1005) established by this act.

The *General Accounting Office* is also provided access to the records of recipients of financial assistance by the association until expiration of 3 years after use of the final system plan (87 Stat. 1003) and to the records of recipients of rail service continuation subsidies until 3 years after completion of the project. (87 Stat. 1011)

Access to Records

Grants to States

Public Law 93-151, November 9, 1973, 87 Stat. 565, amends the Lead Based Paint Poisoning Prevention Act to provide the *General Accounting Office* access to pertinent records of recipients of grants for the elimination of lead-based paint poisoning. (87 Stat. 565)

Public Law 93-112, September 26, 1973, 87 Stat. 355, Rehabilitation Act of 1973, establishes vocational rehabilitation grants to States to assist in meeting the needs of handicapped individuals and provides the *Comptroller General* access to pertinent records of grant recipients. (87 Stat. 362)

Public Law 93-83, August 6, 1973, 87 Stat. 197, Crime Control Act of 1973, contains a provision for *General Accounting Office* access to the records of recipients of law enforcement and criminal justice assistance grants which in the opinion of the *Comptroller General* may be related or pertain to the grant until the expiration of 3 years after the completion of the program or project for which the assistance is used. (87 Stat. 215)

Department of Commerce—Ship Construction

Public Law 93-71, July 10, 1973, 87 Stat. 169, would extend to June 30, 1976, a provision contained in section 502 of the Merchant Marine Act, 1936, to permit the Secretary of Commerce to accept a price for the construction of a ship which has been negotiated between a shipyard and a proposed ship purchaser if the shipyard agrees that the *Comptroller General* shall, until the expiration of 3 years after final payment, have access to records of the shipyard or any of its subcontractors related to the negotiation or performance of the contract. (87 Stat. 169)

National Aeronautics and

Space Administration Concessioners

Public Law 93-74, July 23, 1973, 87 Stat. 171, National Aeronautics and Space Administration Authorization Act, 1974, adds a new section 203(b)(11) to the National Aeronautics and Space Act of 1958 to provide that NASA would be authorized to provide by concession

for the construction, maintenance, and operation of facilities and equipment for visitors to the various NASA installations. Each concession agreement is to specify the manner in which the concessioner's records are to be maintained and provide for access by the *Comptroller General* for a period of 5 years after the close of the business year to which the records relate. (87 Stat. 175)

National Volunteer Programs

Public Law 93-113, October 1, 1973, 87 Stat. 394, Domestic Volunteer Service Act of 1973, provides for *General Accounting Office* access to pertinent records of recipients of grants, contracts or loans with respect to the various volunteer programs to assist the poor, older Americans, and small business authorized by the act. (87 Stat. 394)

Radio Free Europe and Radio Liberty

Public Law 93-129, October 19, 1973, 87 Stat. 456, Board for International Broadcasting Act of 1973, establishes the Board for International Broadcasting to make grants and review and evaluate the activities of Radio Free Europe and Radio Liberty. The Board and the *Comptroller General* are provided access to the records of Radio Free Europe and Radio Liberty that pertain to the act. (87 Stat. 459)

Economic Opportunity Grants

Public Law 93-192, December 18, 1973, 87 Stat. 746, Departments of Labor, and Health, Education, and Welfare Appropriation Act, 1974, requires that all grant agreements provide the *General Accounting Office* access to the records of the grantee which bear exclusively upon the Federal grant in the case of the economic opportunity program of the Office of Economic Opportunity. (87 Stat. 763)

Comprehensive Employment and Training

Public Law 93-203, December 28, 1973, 87 Stat. 839, Comprehensive Employment and Training Act of 1973, requires that each recipi-

ent of assistance for employment and training of unemployed and underemployed persons provide the *Comptroller General* access to records and make reports as he requires. (87 Stat. 882)

Foreign Aid Program

Public Law 93-240, January 2, 1974, 87 Stat. 1049, Foreign Assistance and Related Programs Appropriation Act, 1974, contains a provision for access to records of the Inspector General, Foreign Assistance, by the *General Accounting Office* unless the President certifies that he has forbidden the Inspector General to furnish the records and the reason for doing so. (87 Stat. 1049)

Energy Information Collection

Public Law 93-319, June 22, 1974, 88 Stat. 246, Energy Supply and Environmental Coordination Act of 1974, requires the Federal Energy Administration to collect energy information necessary to assist in formulation of energy policy or to carry out the purposes of the act or the Emergency Petroleum Allocation Act of 1973. Section 11(d) protects the confidentiality of trade secrets or other proprietary information, except that this information is needed by the *General Accounting Office* to carry out its duties and responsibilities under the law and other statutes. The provision would expire on June 30, 1975. (88 Stat. 264)

Federal Energy Administration

Public Law 93-275, May 7, 1974, 88 Stat. 96, to reorganize and consolidate functions of the Federal Government in a new Federal Energy Administration in order to promote more efficient management, requires until June 30, 1976, when the act terminates, that the *Comptroller General* monitor and evaluate the operations of the Federal Energy Administration, including its reporting activities. The *Comptroller General* is to (1) report to Congress on studies of existing statutes and regulations governing the administration's programs; (2) review the policies and practices of the administration; (3) review and evaluate the procedures followed by the administration in gathering, analyzing, and interpreting

energy statistics, data and information related to the management and conservation of energy, including but not limited to data relating to energy costs, supply, demand, industry structure, and environmental impacts; and (4) evaluate particular projects and programs.

The *Comptroller General* is provided access to records within the possession and control of the administration, of any person owning or operating facilities or business premises who is engaged in any phase of energy supply or consumption, and recipients of Federal funds or assistance under contracts, leases, cooperative agreements and other transactions entered pursuant to the act.

The *Comptroller General* may, with the concurrence of a duly established committee of Congress, sign and issue subpoenas requiring the production of information and may invoke the aid of any district court in requiring information in case of disobedience.

Reports to the Congress by the *Comptroller General* are to be made available to the public at reasonable cost.

The *Comptroller General* may not disclose to the public information relating to trade secrets or other matter referred to in 18 U.S.C. 1905 except in a manner designed to preserve its confidentiality. (88 Stat. 106-107)

Health Maintenance Organization Evaluation

Public Law 93-222, December 29, 1973, 87 Stat. 914, Health Maintenance Organization Act of 1973, requires the *Comptroller General* to evaluate the operation of at least 50 of the assisted health maintenance organizations that have been in operation for at least 36 months and report to the Congress the results of the evaluation not later than 90 days.

The *Comptroller General* is to conduct a study and report to Congress on the economic effects on employers complying with the requirement that employees health benefits plans contain an option of membership in a qualified health maintenance organization.

The *Comptroller General* is also to evaluate and report to Congress on the operations of distinct categories of health maintenance organizations compared with each other, as a group compared with alternative forms of health care delivery, and the impact of health maintenance

organizations, individually, by category, and as a group on the health of the public. (87 Stat. 932-933)

Independent Regulatory Agency Information

Public Law 93-153, November 16, 1973, 87 Stat. 576, which authorizes a trans-Alaska oil pipeline, also adds a new section 3512 to title 44 of the United States Code requiring the *Comptroller General* to review the collection of information required by independent regulatory agencies to avoid duplication of effort by the agencies and to minimize the burden on business enterprise and other persons.

Independent regulatory agencies, before collecting information, must submit to the *Comptroller General* plans or forms to determine the availability of information required from other Federal sources.

The *Comptroller General* is to promulgate rules and regulations to carry out these responsibilities. (87 Stat. 593-594)

Public Law 93-275, May 7, 1974, 88 Stat. 96, Federal Energy Administration Act of 1974, provides that the Federal Energy Administration be considered an independent Federal regulatory agency for purposes of 44 U.S.C. 3502 and 3512 which require the *Comptroller General* to review the collection of information by the administration in accordance with its authority under the act. (88 Stat. 103)

International Organizations and Programs

Public Law 93-189, December 17, 1973, 87 Stat. 714, Foreign Assistance Act of 1973, adds a new subsection (e) to section 301 of the Foreign Assistance Act of 1961, requiring that in the case of the United Nations and its affiliated organizations, the International Bank for Reconstruction and Development, and the Asian Development Bank, the President of the United States propose the establishment, within each organization, of a group to provide independent and continuous review and evaluation of the program and activities of the organization. The proposal shall include a statement of auditing and reporting standards prepared by the *Comptroller General* for the consideration of the governing authority of the international

organization to assist in formulating terms of reference for the review and evaluation group.

The *Comptroller General* is also required to review the resulting evaluation reports and make appropriate suggestions concerning the auditing and reporting standards followed by the groups to the President and the Congress. (87 Stat. 718-719)

Department of Medicine and Surgery Personnel Administration

Public Law 93-82, August 2, 1973, 87 Stat. 179, Veterans Health Care Expansion Act of 1973, amends 38 U.S.C. 4108 providing for regulation by the Veterans Administrator of employment conditions of physicians, dentists, and nurses appointed to the Department of Medicine and Surgery, by prohibiting certain activities. Among other things, physicians, dentists, and nurses may not perform professional services for the purpose of making money for any fund or account which is maintained by an affiliated institution, i.e., medical school or other institution of higher learning, with which the administrator has a contract or agreement for the training or education of health manpower, for the benefit of such institution, or for his personal benefit, or both. In the case of any such fund or account established before the effective date of this subsection, the affiliated institution shall submit semiannually an accounting to the administrator and the *Comptroller General* and then maintain the fund or account subject to full public disclosure and audit for a period of 3 years or longer, as the Administrator shall prescribe. (87 Stat. 191)

Election Reform— Presidential Election Campaign Fund

Public Law 93-53, July 1, 1973, 87 Stat. 134, to continue the existing temporary increase in the public debt limit, also amends that section of the Internal Revenue Code of 1954 which established the Presidential Election Campaign Fund to provide for nonpartisan designations to the Fund. Payments to eligible candidates are disbursed after certification of the amount by the *Comptroller General*. (87 Stat. 138)

Child Nutrition Program

Public Law 93-150, November 7, 1973, 87 Stat. 560, National School Lunch and Child Nutrition Act Amendments of 1973, extends the time for completion of reports to Congress evaluating the special supplemental food program for pregnant or nursing women and nutritional risk infants to October 1, 1974, for the preliminary report and March 30, 1975, for the final report. (87 Stat. 563)

The *Comptroller General* is required to make recommendations which shall be considered by the Secretary of Agriculture in a comprehensive study of accruing benefits to school children from the National School Lunch and Child Nutrition Acts. (87 Stat. 564)

North Atlantic Treaty Organization Balance of Payments Deficit

Public Law 93-155, November 16, 1973, 87 Stat. 605, Department of Defense Appropriation Authorization Act, 1974, requires the Secretary of Commerce, in consultation with the Secretary of Defense and the *Comptroller General* to determine the balance of payments deficit as a result of the deployment of forces in Europe in fulfillment of North Atlantic Treaty Organization treaty commitments and obligations of the United States. (87 Stat. 619)

Accounting Procedure— General Services Administration Operations Fund

Public Law 93-143, October 30, 1973, 87 Stat. 510, Treasury, Postal Service, and General Government Appropriation Act, 1974, contains a provision for approval of the General Services Administration fund accounting system by the *General Accounting Office*. (87 Stat. 521)

Appropriations for the General Accounting Office

Public Law 93-50, July 1, 1973, 87 Stat. 99, Second Supplemental Appropriations Act, 1973, provides the *General Accounting Office* an additional appropriation of \$1,830,000 for fiscal year 1973 to cover increased pay costs authorized by or pursuant to law. (87 Stat. 119)

Public Law 93-52, July 1, 1973, 87 Stat. 130, makes continuing appropriations for the fiscal year 1974 and provides the *General Accounting Office* with amounts necessary for continuing projects and activities which were conducted in fiscal year 1973 and for which appropriations, funds, or other authority would be available in the Legislative Branch Appropriation Act for fiscal year 1974. (87 Stat. 131)

Public Law 93-145, November 1, 1973, 87 Stat. 527, the Legislative Branch Appropriation Act, 1974, provides an appropriation of \$103,850,000 for the *General Accounting Office* for salaries and expenses for fiscal year 1974, including but not to exceed \$3,500 for special studies of governmental financial practices and procedures on certification of the *Comptroller General*; services of experts and consultants authorized under 5 U.S.C. 3109 at rates not to exceed per diem rate equivalent to the rate for grade GS-18; advance payments in foreign countries; rental of living quarters in foreign countries; and travel benefits comparable with those granted to single Agency for International Development employees. (87 Stat. 547)

Public Law 93-305, June 8, 1974, 88 Stat. 195, Second Supplemental Appropriations Act,

1974, provides the *General Accounting Office* an additional appropriation of \$5,600,000 for fiscal year 1974 to cover increased pay costs authorized by or pursuant to law. (88 Stat. 215)

Pursuant to section 303 of the act, the *Comptroller General* has administrative control of the appropriations available within his organizational unit incident to determination of costs arising from the United States Court of Appeals' decision retroactively granting Federal civilian employees a pay increase from October 1 through December 31, 1972.

A complete report of the appropriations made is to be submitted not later than September 15, 1974, to the Director of the Office of Management and Budget, who shall compile and transmit to the Congress a consolidated report not later than October 15, 1974. (88 Stat. 231)

Public Law 93-324, June 30, 1974, 88 Stat. 281, makes continuing appropriations for the fiscal year 1975 and provides the *General Accounting Office* with amounts necessary for continuing projects or activities conducted in fiscal year 1974 and for which appropriations, funds, or other authority would be available in the Legislative Branch Appropriation Act for fiscal year 1975. (88 Stat. 281)

APPEARANCES BY GENERAL ACCOUNTING OFFICE REPRESENTATIVES AT CONGRESSIONAL HEARINGS DURING FISCAL YEAR 1974

Committee	Date	Subject
Senate		
Agriculture: Subcommittee on Rural Development	7-19-73	GAO's report on ways to improve the effectiveness of rural business loan programs.
Banking, Housing and Urban Affairs: Subcommittee on Housing and Urban Affairs	7-20-73	S. 2169, direct financing of subsidized housing programs under sections 235 and 236 of the National Housing Act.
Foreign Relations: Subcommittee on Multinational Corporations	7-20-73	Management of investment insurance, loan guarantees, and claim payments by the Overseas Private Investment Corporation.
Government Operations: Permanent Subcommittee on Investigations	7-23-73	Russian grain sale.
Post Office and Civil Service	7-26-73	Operation of the U.S. Postal Service.
Government Operations: Subcommittee on Budgeting, Management and Expenditures	8-1-73	Title IV of S. 2049, the proposed Accounting and Auditing Act of 1973, relating to the Comptroller General's statutory rights to have access to records of the Federal agencies and certain public or private entities receiving Federal assistance.
Government Operations	9-11-73	S. 1812, to improve the coordination of Federal reporting services.
Appropriations: Ad Hoc Subcommittee on Government Vehicle Use	9-18-73	Discussion of Government-wide survey of vehicle use by executive, legislative, and judicial branches.
Rules and Administration: Subcommittee on Privileges and Education	9-20-73	Federal financing of elections.
Banking, Housing and Urban Affairs: Subcommittee on International Finance	10-29-73	S. 1890, to amend the Export-Import Bank Act of 1945, as amended, to extend for 4 years the period within which the bank is authorized to exercise its functions.

Committee	Date	Subject
Senate		
Government Operations: Ad Hoc Subcommittee on Federal Procurement	11-15-73	S. 2510, to create an Office of Federal Procurement Policy.
Labor and Public Welfare: Subcommittee on Handicapped	11-16-73	S. 2581, the proposed Randolph-Sheppard Act Amendments of 1973 (blind vending operation).
Rules of Administration	1-15-74	S. 1541, the Federal act to control expenditures and establish national priorities.
Interior and Insular Affairs	2-6-74	S. 2782, to establish a national energy information system.
Small Business: Subcommittee on Monopoly	2-20-74	Direct and indirect expenditures by Federal agencies for prescription drugs.
Armed Services: Subcommittee on Tactical Air Power	3-12-74	Airborne warning and control systems.
Appropriations: Subcommittee on Foreign Operations	3-25-74	Foreign Assistance Appropriations for fiscal year 1975.
Banking, Housing and Urban Affairs: Subcommittee on International Finance	4-2-74	Export-Import Bank credits to Communist nations.
Appropriations: Subcommittee on Legislative	4-9-74	GAO's budget estimates for fiscal year 1975.
Government Operations: Subcommittee on Intergovernmental Relations and Subcommittee on Budgeting, Management, and Expenditures	4-24-74	Corporate disclosure and collection and tabulation of information from business firms by Federal agencies.
Commerce and Government Operations	4-29-74	U.S. actions needed to cope with commodity shortages.
Veterans Affairs: Subcommittee on Readjustment, Education, and Employment	4-30-74	Department of Labor's program for providing special employment assistance to Vietnam-era veterans.

APPENDIX 7

Committee	Date	Subject
Senate		
Agriculture and Forestry	5-20-74	Commodity Futures Trading and Department of Agriculture's Commodity Exchange Authority.
Government Operations: Subcommittee on Budgeting, Management and Expenditures	6-6-74	S. 3341, to revise certain provisions of title 5, U.S.C., relating to per diem and mileage expenses of employees and other individuals traveling on official business.
Government Operations: Subcommittee on Intergovernmental Relations	6-12-74	The general revenue sharing program.
House of Representatives		
Government Operations: Subcommittee on Legal and Monetary Affairs	7-10-73	The status of insurance funds: FHA, HUD.
Foreign Affairs: Subcommittee on Europe	7-16-73	Homeporting of U.S. Navy's 6th Fleet in Greece.
Government Operations: Subcommittee on Legislation and Military Operations	7-30-73	H.R. 9059, to establish an Office of Federal Procurement Policy.
Judiciary: Subcommittee on Civil Rights and Constitutional Rights	9-12-73	Medicare/Medicaid hospital discrimination.
Rules	9-13-73	H.R. 7130, Budget Control Act of 1973.
Banking and Currency	10-2-73	H.R. 10265, to provide for GAO audit of the Federal Reserve System.
Government Operations: Subcommittee on Government Activities	10-10-73	Federal expenditures at Presidential residences.
Armed Services: Subcommittee for Armed Services Investigations	10-17-73	The operation and use of naval petroleum reserves, particularly Reserve No. 1, Elks Hills, Calif.
Government Operations: Subcommittee on Conservation and Natural Resources	10-25-73	Coal mining near Federal reservoirs.

Committee	Date	Subject
House of Representatives		
Government Operations: Subcommittee on Foreign Operations and Government Information	10-30-73	Discussion of contracting for alien personnel by the U.S. Embassy in Laos.
Government Operations: Subcommittee on Conservation and Natural Resources	10-31-73	Department of the Interior activities under the Federal Coal Mine Health and Safety Act of 1969.
Public Works: Subcommittee on Water Resources	11-8-73	H.R. 7690, to provide for disaster assistance.
Government Operations: Subcommittee on Legislation and Military Operations	12-11-73	H.R. 11793, to establish a Federal Energy Administration.
Post Office and Civil Service: Subcommittee on Manpower and Civil Service	12-13-73	The need for increasing the number of positions in GS-16, GS-17, and GS-18.
Small Business: Subcommittee on Activities of Regulatory Agencies Affecting Small Business	1-17-74	Energy data collection in the Federal Government.
Government Operations: Subcommittee on Conservation and Natural Resources	1-22-74	Proposed power rate increase by the Bureau of Reclamation's Central Valley Project.
Government Operations: Subcommittee on Intergovernmental Relations	1-31-74	Federal regional councils, planned variations demonstrations and H.R. 11236, Joint Funding Simplification Act of 1973.
Interstate and Foreign Commerce: Subcommittee on Public Health and Environment	2-19-74	Community Mental Health Centers Programs administered by National Institute of Mental Health, Department of HEW.
Appropriations: Subcommittee on Legislative	3-4-74	GAO's budget estimates for fiscal year 1975.
Government Operations: Subcommittee on Legal and Monetary Affairs	3-26-74	Status of FHA mortgage insurance funds.

Committee	Date	Subject
House of Representatives		
Government operations: Subcommittee on Legal and Monetary Affairs	3-27-74	Management of HUD-held multifamily mortgages.
Merchant Marine and Fisheries: Subcommittee on Coast Guard	3-28-74	Radionavigation systems.
District of Columbia	4-2-74	The Washington Metropolitan Area Transit Authority's system of reporting on the status of METRO's cost and construction progress.
District of Columbia: Subcommittee on Government Operations	4-4-74	H.R. 12638, H.R. 13539, to regulate political campaign practices in D.C.
Post Office and Civil Service: Subcommittee on Postal Facilities, Mail and Labor Management	4-30-74	GAO audits of Postal Service operations.
Education and Labor: Special Subcommittee on Labor	5-7-74	General operation of the Service Contract Act of 1965.
Armed Services: Subcommittee No. 3	5-16-74	Disposal of critical materials, particularly chromite from the national stockpile.
Government operations: Subcommittee on Legislation and Military Operations	5-21-74	H.R. 14494, to raise the ceiling to \$10,000 for use of simplified procurement procedures.
Interstate and Foreign Commerce: Subcommittee on Public Health and Environment	5-29-74	H.R. 14357, H.R. 14721, to amend the Public Health Service Act (professional scholarships).
Government Operations: Subcommittee on Legislation and Military Operations	6-5-74	H.R. 12113, General Accounting Office Act of 1973.
Government Operations: Special Studies Subcommittee	6-11-74	Fire safety in federally funded nursing facilities.
Merchant Marine and Fisheries: Subcommittee on Fisheries and Wildlife Conservation and the Environment	6-26-74	Improved Federal efforts needed to equally consider wildlife conservation with other features of water resources development.

Committee	Date	Subject
Joint		
Economic:		
Subcommittee on Priorities and Economy in Government	11-14-73	Procurement policies and practices concerning the acquisition of major weapons system.
Economic:		
Subcommittee on Priorities and Economy in Government	12-17-73	Measuring and enhancing Federal productivity.
Congressional Operations	6-19-74	Efforts to strengthen congressional information and analysis capabilities.
Atomic Energy	6-26-74	The future structure of the uranium enrichment industry.

SUMMARY OF ASSIGNMENTS OF PERSONNEL TO CONGRESSIONAL COMMITTEES DURING FISCAL YEAR 1974

Committee	Length of assignment		Salary	Travel expenses	Other ¹ expenses	Total cost
	From	To				
Senate						
Armed Services:						
Fulk, Harold W.	4-23-74	5-13-74	³ 846	.....	72	918
Commerce:						
Cockerham, Gary C.	2-28-74	3-14-74	³ 532	.....	45	577
Foreign Relations:						
Subcommittee on Multinational Corporations						
Ward, Shirley C.	2-19-74	3-22-74	³ 1,972	.....	168	2,140
Government Operations:						
Ad Hoc Subcommittee on Federal Procurement:						
Murray, Loren ²	10-23-73	6-30-74	³ 21,695	.....	1,844	23,539
Permanent Subcommittee on Investigations:						
Burkett, David N.	3- 4-74	4- 5-74	³ 1,458	.....	124	1,582
Catrett, Waylon L. ²	4-22-74	6-30-74	³ 2,820	.....	240	3,060
Gibson, Roger W.	3- 4-74	4- 5-74	³ 1,410	.....	120	1,530
Mitchell, Arthur T., Jr. ²	4-22-74	6-30-74	³ 4,508	.....	383	4,891
Noel, G. William, Jr. ²	6-10-74	6-30-74	³ 725	.....	62	787
Pearson, Dana M. ²	5-23-74	6-30-74	³ 1,104	.....	94	1,198
Price, Richard J.	5-20-73	10-12-73	³ 5,805	.....	493	6,298
Pugh, Danny A. ²	6- 7-74	6-30-74	³ 773	.....	66	839
Shantz, Arthur A.	5-29-73	9- 7-73	³ 2,135	.....	182	2,317
Springer, Edward, Jr.	9-10-73	1- 4-74	³ 4,275	.....	363	4,638
Walter, Earl F.	9- 4-73	1- 4-74	³ 4,454	.....	379	4,833
Weinstein, Harold A. ²	5-23-74	6-30-74	³ 2,284	.....	194	2,478
Labor and Public Welfare:						
Feay, Herbert L. ²	3- 1-74	6-30-74	³ 2,542	³ 310	216	3,068
Rules and Administration:						
Farinella, Joseph	10-30-73	11-21-73	³ 1,055	³ 109	90	1,254
Iager, Richard E.	10-29-73	11-21-73	³ 1,166	.....	99	1,265
Lanson, Gary	10-19-73	11-21-73	³ 1,575	.....	134	1,709
Matteotti, Dennis A.	10-29-73	11-21-73	³ 1,014	³ 123	86	1,223
Rhoda, Ronald D.	10-26-73	11- 1-73	³ 271	³ 41	23	335
Schmidt, Donald R.	10-26-73	11- 1-73	³ 211	³ 161	18	390
Office of the Secretary:						
Allen, Elmo	12-10-73	5-15-74	³ 4,964	.....	422	5,386
Hamm, Robert ²	8-13-73	6-30-74	³ 11,016	.....	936	11,952
Roman, Peter	8- 1-73	5-29-74	³ 14,847	.....	1,262	16,109
Wiggins, James F. ²	12-10-73	6-30-74	³ 6,860	.....	583	7,443
Select Committee on Presidential Campaign Activities:						
Costa, Robert J.	9-24-73	3-15-74	³ 7,012	.....	596	7,608
Keema, Alexander W.	9-24-73	2-28-74	³ 6,447	.....	548	6,995

See footnotes at end of table.

Committee	Length of assignment		Salary	Travel expenses	Other ¹ expenses	Total cost
	From	To				
House of Representatives						
Appropriations:						
Subcommittee on Defense:						
Aldrich, Larry W.	2-27-73	11-24-73	8,068	³ 2,635	686	11,389
Butcher, Oral F.	2-27-73	11-24-73	9,003	.....	765	9,768
Casey, Gordon E.	2-27-73	11-24-73	7,512	³ 2,645	639	10,796
	10-15-73	11- 2-73	410	.....	35	445
Surveys and Investigations Staff:						
Benone, James O. ²	9-10-73	6-30-74	17,158	³ 2,627	1,458	21,243
Callis, James R, Jr.	11-20-72	11-16-73	6,712	³ 2,054	571	9,337
Castro, Sebastino J. ²	7-17-72	7-13-73	1,036	.....	88	1,124
Ward, Shirley C.	5-13-74	6-30-74	² 2,876	.....	244	3,120
Williams, Harlow S.	3- 4-74	6-30-74	9,513	³ 1,265	809	11,587
Cofer, Williston B., Jr. ²	11- 5-73	6-30-74	15,858	³ 3,754	1,348	20,960
Davis, Robert A.	7-24-72	7-23-73	1,752	.....	149	1,901
	1-15-74	5-7-74	8,288	.....	705	8,993
Dutt, Robert L.	11-26-73	4-23-74	7,327	³ 681	623	8,631
Huffman, Jerry D.	8-16-72	8-10-73	2,273	.....	193	2,466
Koval, Paul J. ²	1-14-74	6-30-74	13,103	³ 1,079	1,114	15,296
Kyle, Sharon H.	10- 3-73	10-26-73	564	.....	48	612
McDonough, John E.	11-12-73	4-19-74	9,290	³ 5,017	790	15,097
Mann, Kenneth A. ²	11-5-73	6-30-74	13,710	³ 2,664	1,165	17,539
Mortimer, Martin M.	10-16-72	10-12-73	5,292	³ 3,912	450	9,654
	1-28-74	3-15-74	2,590	³ 1,024	220	3,834
Nicholson, John M., Jr.	11-20-72	11-20-73	6,500	³ 1,173	553	8,226
Reese, Thomas D.	8-28-72	8-27-73	4,247	³ 490	361	5,098
Vignali, Joseph A. ²	5-29-74	6-30-74	3,001	³ 542	255	3,798
Zarrilli, Michael A. ²	11- 5-73	6-30-74	15,819	³ 2,558	1,345	19,722
Armed Services:						
Subcommittee for Armed Services Investigations:						
Cory, Gerald A. ²	6-24-74	6-30-74	451	.....	38	489
Warren, David R. ²	4- 8-74	6-30-74	4,037	.....	343	4,380
Banking and Currency:						
Dec. George W. ²	6-17-74	6-30-74	928	.....	79	1,007
Hedrick, Harry J.	11-27-73	1-15-74	2,745	.....	233	2,978
Peak, Robert A. ²	9-10-73	6-30-74	10,627	.....	903	11,530
Government Operations:						
McCreery, Charles R.	4-16-73	8- 3-73	1,372	.....	117	1,495
Subcommittee on Intergovernmental Relations:						
Gehley, Dennis M.	5-22-73	7-31-73	1,114	.....	95	1,209
	9- 5-73	9-28-73	912	.....	78	990
Rosensteel, Robert T.	1- 8-73	1- 7-74	7,472	.....	636	8,113
Subcommittee on Government Activities:						
Sheridan, Claude L. ²	2-11-74	6-30-74	9,280	.....	729	10,009
Zarrilli, Michael A.	6-27-73	10-19-73	7,649	1,332	650	9,631
Subcommittee on Foreign Operations and Government Information:						
Statton, Max ²	4-15-74	6-30-74	7,174	.....	610	7,784
Subcommittee on Legal and Monetary Affairs:						
Flaherty, Thomas J.	5-21-72	7-30-73	1,910	.....	162	2,072
McDade, Donald W.	2-11-74	3-15-74	2,322	.....	203	2,525
Judiciary (Full):						
Bowen, Frank	10-29-73	11-30-73	1,231	.....	101	1,332
Cornell, Robert A.	10-15-73	11- 9-73	1,355	.....	115	1,471
Crandall, Bruce	10-29-73	11-30-73	1,124	.....	101	1,225
Flaherty, Thomas J.	10-30-73	6-15-74	³ 17,512	.....	1,329	19,001
Glick, Jacob	10-29-73	12- 3-73	3,341	.....	222	3,563

See footnotes at end of table

Committee	Length of assignment		Salary	Travel expenses	Other ¹ expenses	Total cost
	From	To				
House of Representatives—Continued						
Judiciary (Full)—Continued						
Grace, Paul	7- 2-73	6-30-74	15,969	.....	1,357	17,326
Lawson, Gary V. ²	11-27-73	6-30-74	³ 10,167	.....	864	11,031
McGraw, Robert J.	10-30-73	6-20-74	³ 10,892	.....	926	11,818
Morek, Andrew	7- 2-73	6-30-74	20,450	.....	1,738	22,188
Murphy, Robert P. ²	12- 3-73	6-30-74	³ 11,894	.....	1,011	12,905
Rieck, Robert W.	10-15-73	11-26-73	2,846	.....	242	3,088
Subcommittee on Immigration and Nationality:						
Chunta, John A. ²	8-20-73	6-30-74	16,363	.....	1,391	17,754
House Office Building Commission:						
Mcdoiff, Mamie ²	10-20-69	6-30-74	12,464	.....	1,059	13,523
Interstate and Foreign Commerce (Full):						
Fields, Joel R.	4- 3-74	6-28-74	5,680	.....	483	6,163
Gapinski, Thaddeus J.	7-16-73	1-11-74	11,058	.....	940	11,998
Guido, Frank M.	7-16-73	1-11-74	6,141	.....	522	6,663
Special Subcommittee on Investigations:						
Allen, Walter	4- 9-73	4- 8-74	11,888	.....	1,011	12,899
Archie, Velma	11-19-73	12- 3-73	464	.....	39	503
Bothun, Roger B.	11- 1-73	2- 1-74	4,551	.....	387	4,938
	2-26-74	3-26-74	1,554	.....	132	1,686
Dinwiddie, James F.	11-19-73	2-20-74	4,575	.....	389	4,964
Foster, William ²	10-29-73	6-30-74	8,278	.....	704	8,982
Kiser, Larry	9-24-73	11-23-73	2,584	.....	220	2,804
Sienkiewicz, Walter	4- 9-73	4- 8-74	17,668	.....	1,502	19,170
Soloman, Mort	8-27-73	6-26-74	20,032	.....	1,703	21,735
Post Office and Civil Service:						
Subcommittee on Manpower and Civil Service:						
Gregory, Joseph	1- 8-73	1- 4-74	13,070	.....	1,111	14,181
Metz, C. Thomas	5-31-73	5-31-74	20,680	.....	1,758	22,438
Stoner, Merle ²	1- 7-74	6-30-74	13,990	.....	1,189	15,179
Subcommittee on Retirement, Insurance and Health						
Benefits:						
Oelkers, William	12- 4-72	11-30-73	10,176	.....	865	11,041
Science and Astronautics:						
Bushlow, Elliott H.	9-17-73	5- 3-74	16,825	444	1,430	18,699
Select Committee on Small Business:						
Subcommittee on Activities of Regulatory Agencies:						
Relating to Small Business:						
Salvatierra, George	3- 7-74	4-24-74	1,673	.....	142	1,815
Subcommittee on Special Small Business Problems:						
Ernhizer, Darrell E.	7- 2-73	6-28-74	15,729	1,016	1,337	18,082
Lundy, George Jr.	8-13-73	11- 9-73	4,939	.....	420	5,359
	5-20-74	5-23-74	323	.....	28	351
Matters, Francis R.	7-2-73	11-16-73	9,661	290	821	10,772
Sutton, William K. ²	6-18-74	6-30-74	606	.....	52	658
Thomson, John A., Jr.	8-13-73	11-16-73	4,569	.....	388	4,957
Joint						
Atomic Energy:						
Melloy, Thomas E.	1- 9-73	8- 3-73	³ 2,220	.....	189	2,409
Zenker, Larry ²	10-30-73	11-16-73	³ 1,113	.....	95	1,208
	1- 8-74	6-30-74	³ 9,947	.....	846	10,793
Total			691,432	37,952	58,779	788,163

¹ These amounts which are 8.5% of the salary costs, include the Government's estimated share for personnel benefits payable to the Civil Service Commission for (1) Life Insurance Fund (2) Retirement Fund and (3) Health Benefits Program.

² This individual's assignment continued after June 30, 1974.

³ This cost was reimbursed by the committee or subcommittee concerned.

TRANSPORTATION AND CLAIMS STATISTICS FOR THE GENERAL ACCOUNTING OFFICE, FISCAL YEAR 1974

Transportation Audit and Collections During Fiscal Years 1965-74

Fiscal year	Bills of lading and transportation requests audited	Amount paid	Notices of overcharge issued		Total collections (note a)
			Number	Amount	
1965.....	6,811,821	\$ 1,184,661,622	70,199	\$ 10,102,405	\$ 9,657,360
1966.....	7,555,366	1,474,220,901	86,970	10,694,257	8,494,453
1967.....	8,574,043	1,898,670,184	113,010	14,043,159	12,963,744
1968.....	7,892,789	2,075,358,128	112,305	15,474,645	14,681,476
1969.....	9,562,242	2,543,376,957	100,968	16,160,947	14,167,126
1970.....	9,282,062	2,374,913,448	108,499	17,708,324	16,314,622
1971.....	8,194,208	1,951,280,584	102,326	16,011,173	14,847,643
1972.....	7,061,543	1,698,483,402	84,445	14,822,726	14,165,142
1973.....	6,090,429	1,417,634,221	74,586	11,884,987	12,842,124
1974.....	6,148,250	1,519,753,642	70,082	11,256,984	9,484,638
Total.....	7,172,753	\$18,138,353,089	923,391	\$138,159,607	\$127,618,328

^aIncludes amounts collected in our adjudication of claims reported by other Government agencies.

Transportation Claims Settled During Fiscal Years 1965-74

Fiscal year	Number of claims	Amount claimed	Amount allowed
1965.....	28,959	\$ 26,974,966	\$ 23,495,481
1966.....	29,413	37,130,274	32,440,430
1967.....	26,133	86,982,712	83,893,435
1968.....	22,829	11,335,870	9,317,118
1969.....	13,902	18,879,201	16,336,715
1970.....	13,725	14,764,352	13,053,245
1971.....	15,957	20,723,867	18,865,840
1972.....	20,440	10,242,515	6,859,440
1973.....	16,505	5,268,667	2,987,140
1974.....	9,838	3,815,902	2,138,565
Total.....	197,701	\$236,118,326	\$210,387,409

Transportation and Claims Division Settlements and Collections During Fiscal Years 1965-74

Fiscal year	Claims against the United States		Claims by the United States	
	Number of claims	Amount allowed	Number of claims	Amount collected (note a)
1965.....	8,296	\$ 78,283,755	41,921	\$ 4,070,156
1966.....	8,274	52,596,937	33,977	4,128,554
1967.....	9,705	46,483,888	32,208	3,626,693
1968.....	13,812	60,988,960	16,282	2,938,681
1969.....	18,690	70,140,076	9,750	2,819,450
1970.....	14,943	55,909,237	13,201	2,626,961
1971.....	8,686	117,782,204	20,394	2,878,940
1972.....	7,819	69,977,376	22,211	4,612,775
1973.....	6,563	130,635,566	25,615	4,068,344
1974.....	^b 8,157	142,396,002	26,580	4,852,914
Total.....	104,945	\$825,194,001	242,139	\$36,623,468

^aIncludes amount collected by the Department of Justice on claims reported to that agency by GAO for possible suit.

^bThis figure does not include 570 barred claims that have been handled under an improved procedure that keeps them out of the adjudication workload. It is anticipated that this figure will diminish in future years due to constant efforts on the part of GAO to discourage the filing of this type of claim.

FINANCIAL STATEMENTS OF THE GENERAL ACCOUNTING OFFICE, FISCAL YEAR 1974

Schedule 1

U.S. General Accounting Office Statement of Assets, Liabilities, and Investment June 30, 1974

ASSETS

Funds in U.S. Treasury:		
Appropriated funds	\$ 7,252,700	
Deposit funds	<u>1,010,800</u>	\$ 8,263,500
Employees' travel advances		610,500
Accounts receivable		256,500
Supplies		91,300
Furniture, fixtures, and equipment	4,068,800	
Less: Accumulated depreciation	<u>1,847,500</u>	2,221,300
Library books (estimated)		<u>165,700</u>
Total assets		<u><u>\$11,608,800</u></u>

LIABILITIES AND INVESTMENT

Accounts payable		\$ 852,700
Accrued liabilities		4,828,100
Funds held for others, principally employees' tax and other payroll deductions		1,010,800
Liability for accrued annual leave of employees	\$ 7,160,978	
Less: Amount to be financed from future appropriations	<u>7,160,978</u>	
Total liabilities		\$ 6,691,600
Investment of U.S. Government (schedule 2)		<u>4,917,200</u>
Total liabilities and investment		<u><u>\$11,608,800</u></u>

Schedule 2

U.S. General Accounting Office
Summary of Changes in Investment of U.S. Government
Fiscal Year Ended June 30, 1974

Balance, July 1, 1973, as revised		\$ 4,308,600
Add:		
Appropriation for salaries and expenses, 1974	\$109,395,400	
Reimbursements	298,000	
Additional prior year funds required for retroactive pay increase after adjustments for cost of prior year orders	538,500	110,231,900
Total		\$114,540,500
Deduct:		
Operating expenses, 1974 (schedule 3)	\$106,439,600	
Less: Amount of annual leave earned by employees and included in operating expenses, which will be financed by future appropriations	-454,400	
Unobligated balance of 1974 appropriation lapsed	3,638,100	109,623,300
Balance, June 30, 1974		\$ 4,917,200
Composition of balances:	July 1, 1973	June 30, 1974
Investment in:		
Inventories of supplies	\$ 121,700	\$ 91,300
Furniture, fixtures, and equipment	1,932,100	2,221,300
Library books	154,800	165,700
Funds reserved for payment of unfilled orders	2,100,000	2,438,900
Total	\$ 4,308,600	\$ 4,917,200

Schedule 3

U.S. General Accounting Office
Summary of Operating Expenses for The Fiscal Year Ended
June 30, 1974

	Total	Salaries	Employee Benefits	Travel	Other
Office of the Comptroller General	\$ 972,600	\$ 856,500	\$ 68,200	\$ 29,600	\$ 18,300
Office of the General Counsel	3,953,700	3,627,100	301,000	22,600	3,000
Office of Administrative Planning and Services ...	10,189,400	3,224,200	374,000	154,400	6,436,800
Office of Federal Elections	653,100	392,500	36,100	21,500	203,000
Office of Personnel Management	3,607,300	2,955,900	241,900	178,600	230,900
Office of Policy	255,400	231,600	19,300	1,100	3,400
Office of Program Planning	161,700	141,800	11,700	4,600	3,600
Office of Internal Review	253,300	226,700	18,700	4,800	3,100
Office of Energy and Special Projects	187,600	138,300	11,900	200	37,200
Financial and General Management Studies Division	5,282,500	4,468,000	365,200	168,600	280,700
Logistics and Communications Division	3,637,700	3,267,300	275,900	78,100	16,400
Procurement and Systems Acquisition Division ...	4,254,300	3,784,900	313,300	152,500	3,600
Federal Personnel and Compensation Division ...	1,702,800	1,500,800	127,200	43,000	31,800
General Government Division	4,167,700	3,678,800	317,400	96,200	75,300
Resources and Economic Development Division ..	5,051,200	4,483,000	382,600	146,300	39,300
Manpower and Welfare Division	4,973,600	4,339,400	374,900	144,300	115,000
International Division: Washington, D.C.	3,588,700	2,973,200	310,300	239,900	65,300
European Branch	1,525,100	882,900	109,900	246,900	285,400
Far East Branch	2,037,800	1,265,800	304,500	395,600	71,900
Field Operations Division	40,842,000	33,526,000	2,879,500	4,305,900	130,600
Transportation and Claims Division	9,142,100	8,385,400	699,600	14,200	42,900
Total	\$106,439,600	\$84,350,100	\$7,543,100	\$6,448,900	\$8,097,500
Reconciliation of accrued expenditures for year with total expenses:					
Accrued expenditures	\$106,254,900				
Add:					
Increase in accrued annual leave liability ..	454,400				
Depreciation of furniture, fixtures, and equipment	246,400				
Decrease in inventory of supplies	30,400				
Deduct:					
Purchases of furniture, fixtures, and equipment	-546,500				
Operating expense	\$106,439,600				

Schedule 4

U.S. General Accounting Office
Summary of Sources and Application of Funds
Fiscal Year Ended June 30, 1974

Sources of funds:

Appropriation for salaries and expenses, 1974		\$109,395,400
Reimbursements		298,000
Funds carried over from preceding year to pay for orders placed in that year but filled in the current year		2,100,000
Additional prior year funds required for retroactive pay increase after adjustments for cost of prior year orders		538,500
Receipts for audit services		666,400
Other receipts		292,500
Total		<u>\$113,290,800</u>

Application of funds:

Accrued expenditures:		
Expenses	\$105,708,400	
Purchase of furniture, fixtures, and equipment	<u>546,500</u>	\$106,254,900
Funds reserved at the yearend for payment of unfilled orders		2,438,900
Unobligated balance of 1974 appropriation lapsed		3,638,100
Receipts deposited in U.S. Treasury		<u>958,900</u>
Total		<u>\$113,290,800</u>

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OCTOBER 1974

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