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# REPORT TO THE CONGRESS

HEH-SSA

Applying A Uniform Policy  
With Respect To Rental Charges  
For Credit Unions B-164031(4)

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

FEB 17, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B-164031(4)

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

This is our report on applying a uniform policy with respect to rental charges for credit unions. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, the Administrator of General Services, and the Administrator, National Credit Union Administration.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General  
of the United States

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ABBREVIATIONS

GAO	General Accounting Office
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
SSA	Social Security Administration
VA	Veterans Administration

D I G E S T

WHY THE REVIEW WAS MADE

Credit unions are privately owned cooperative associations. Those that serve Federal employees in Federal buildings usually are provided, without charge, office space, related services, and personal property. (See p. 4 )

The General Accounting Office (GAO) made a review to determine whether it would be reasonable for credit unions to pay for these benefits without seriously affecting their fiscal operations.

FINDINGS AND CONCLUSIONS

Federal law enacted in 1937 provided for furnishing space without charge to credit unions. At that time, only minor amounts of space were required by credit unions and it was the intent of Congress to help credit unions during their formative years. (See p 5 )

GAO believes that a uniform policy should be established requiring credit unions located in Federal buildings to pay for space, related services, and personal property where profits permit. Many credit unions now occupying substantial amounts of space in Federal buildings are able to pay for the space and other benefits provided. The rental value of space and services now provided to 831 credit unions included in this review is estimated at \$2 million a year. (See p. 8 )

Other facts support GAO's belief

- Some credit unions serving Federal employees pay for space in Federal buildings. (See p. 11 )
- Other groups which serve Federal employees <sup>and Veterans</sup> pay for space and services. (See p. 13.)
- Although there is no consistent private industry practice of providing space to credit unions, many are paying for space occupied. (See p 13.)
- Establishment of such charges would be consistent with the congressional philosophy that Federal activities which provide special benefits to recipients should be self-sustaining to the fullest extent possible (See p. 8.)

Federal law enacted in 1934 provides sufficient authority to charge credit unions for space in Federal buildings and for related services. The General Services Administration (GSA) is generally responsible for all functions pertaining to Federal buildings in cooperation with the Office of Management and Budget.

#### RECOMMENDATIONS OR SUGGESTIONS

The Administrator of General Services should establish guidelines for use by Federal agencies in determining charges to credit unions serving Federal employees for space, related services, and personal property. In establishing the guidelines, consideration should be given, among other things, to the value of the services rendered both from the standpoint of agency management and the employees (See p. 17 )

Since the Congress encourages the establishment of credit unions, the guidelines should spell out circumstances under which Federal agencies may provide space and related services without charge.

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

The Office of Management and Budget and GSA agreed that credit unions which have the ability to pay should be charged for space, related services, and personal property. GSA said that it was willing to develop the necessary guidelines and to include them in its regulations. (See p 15 )

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is reporting this matter to the Congress because of its interest in use of space in Federal buildings.

## CHAPTER 1

### INTRODUCTION

The General Accounting Office has made a review of the extent to which office space, furniture, and equipment and services are provided to Federal-chartered and selected State-chartered credit unions by Federal agencies. Our review did not include any evaluation of the credit union program or of the operations or activities of the Federal agencies which were providing office space, furniture, and equipment and services to credit unions. The scope of our review is described on page 18 of this report.

### PURPOSE AND ADMINISTRATION OF THE FEDERAL CREDIT UNION PROGRAM

The Federal Credit Union Act of June 26, 1934 (48 Stat. 1216, 12 U.S.C. 1751), established a Federal Credit Union System to provide a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, which would thereby help stabilize the credit structure of the United States.

The Federal Credit Union program was administered until recently by the Bureau of Federal Credit Unions of the Social Security Administration (SSA), Department of Health, Education, and Welfare (HEW). Public Law 91-206, approved March 10, 1970, established in the executive branch of the Government an independent agency to be known as the National Credit Union Administration. The Administration's central office is in Washington, D.C., but most of its activities are decentralized at six regional offices in the United States. Its activities are financed through charter, examination, and supervision fees paid by individual Federal credit unions.

The Administration's central office establishes Federal credit union rules and regulations; prescribes standards, procedures, and accounting forms for use by Federal credit unions; issues manuals and instructional material;

provides advice and technical assistance to credit union officials, and compiles and analyzes financial and statistical data on credit union operations. It also develops legislative proposals concerning changes in the Federal Credit Union program. The Administration's field organization supervises and periodically examines the operations of all Federal credit unions, in addition to granting and canceling charters.

Federal credit unions are privately owned cooperative associations, which are controlled by their shareholders through periodic election of officers and directors. The two types of credit unions serving Federal employees are Federal-chartered credit unions and State-chartered credit unions. Federal credit unions are corporations chartered by the United States and operated under the provisions of the Federal Credit Union Act. State-chartered credit unions are corporations organized under State laws and are not supervised by the Administration.

Pursuant to the 1950 Reorganization Plan No. 18 effective July 1, 1950, the Administrator of General Services became generally responsible for all functions with respect to the operation, maintenance, and custody of Government-owned office buildings and of Government-leased office buildings or parts thereof, including those post-office buildings which are not used predominately for post-office purposes, as determined by the Director, Office of Management and Budget in accordance with section 490 of Title 40, United States Code.

#### LEGISLATIVE HISTORY ON ALLOCATION OF SPACE TO CREDIT UNIONS BY FEDERAL AGENCIES

In the early years of the Federal Credit Union program, the space needs of many, if not all, credit unions were minor. Because of the growth of the program, the space needs have increased significantly.

The Federal Credit Union Act of June 26, 1934, contained no provisions concerning the use of space by credit unions in Federal buildings. The act, as amended by the act of July 9, 1937 (Public Law 75-197; 50 Stat. 487), provided that the officer or agency of the United States charged with the allotment of space in Federal buildings may in his or its discretion allot space to any credit union organized under State law or under the act, if space

is available, without charge for rent or services. The act provided also that free space may be furnished only to credit unions which had memberships composed exclusively of Federal employees and members of their families.

The act, as further amended in September 1959 (12 U.S.C. 1770), permitted the allocation of space, if available, in Federal buildings without charge to those credit unions having memberships composed of at least 95 percent of persons who are Federal employees, or were Federal employees at the time of admission into the credit unions, and members of their families.

In May 1937 the Senate Subcommittee on Agricultural Finance, Farm Mortgages, and Related Matters, Committee on Banking and Currency, and the House Committee on Public Buildings and Grounds held hearings on the bill which was enacted as Public Law 197, Seventy-fifth Congress.

During the hearings before the Senate Subcommittee, the Executive Officer of the Farm Credit Administration, which at that time administered the Federal Credit Union program, stated that the amount of space needed by some credit unions was very small and was usually limited to the space needed for a desk for use by one or two clerks and that some credit unions were using only part of a desk, part of the time. The president of the National Association of Letter Carriers testified that many postal credit unions were so small that hardly even a desk was needed.

During the hearings before the House Committee, the president of the National Association of Federal Employees testified that most credit unions were comparatively small, that the amount of space needed was negligible, and that only a desk was required where books could be kept and interviews could be held. Also, the secretary of the United National Association of Post Office Clerks stated that, in 99 cases of 100, the Federal office space occupied by Federal credit unions contained only a desk or a table.

#### CHANGE IN NEED FOR SUBSIDIZING CREDIT UNIONS

Although there appears to be an increased recognition of the decrease in the need for the Government to subsidize

credit union activities, many Federal agencies continue to provide space, related services, and equipment to credit unions without charge.

Public Law 322, Eighty-second Congress, approved April 17, 1952 (12 U.S.C. 1755), amended the Federal Credit Union Act to increase the Federal supervision fees payable to the Administration by Federal credit unions. The report of the Senate Committee on Banking and Currency on the bill which was enacted as Public Law 82-322 contains statements indicating that, although financial assistance by the Federal Government was necessary and essential during the formative years of the Federal Credit Union program, sufficient stability had been obtained to permit the program to be self-supporting.

The Administration, in its Handbook for Federal Credit Unions, recognizes that many sponsoring organizations have provided to credit unions space free of rent. At the same time, the handbook warns that "\*\*\* subsidy is dangerous \*\*\*" and states further that credit unions are self-help organizations and as such are anxious to avoid subsidies and to pay rent for their quarters as soon as possible.

#### GROWTH OF CREDIT UNIONS

There has been a remarkable growth in the number and financial condition of Federal- and State-chartered credit unions. As of December 31, 1967, there were 22,997 active Federal- and State-chartered credit unions having over 19 million members and total assets exceeding \$12.7 billion.

The following table shows the growth of Federal- and State-chartered credit unions at 10-year intervals beginning in 1937.

<u>Year</u>	<u>Type of charter</u>	<u>Number of credit unions</u>	<u>Number of members</u>	<u>Total assets (millions)</u>
1937	Federal	2,313	483,920	\$ 19
	State	<u>3,128</u>	<u>1,055,736</u>	<u>97</u>
Total		<u>5,441</u>	<u>1,539,656</u>	<u>\$ 116</u>
1947	Federal	3,845	1,445,915	\$ 210
	State	<u>5,097</u>	<u>1,893,944</u>	<u>381</u>
Total		<u>8,942</u>	<u>3,339,859</u>	<u>\$ 591</u>
1957	Federal	8,735	4,897,689	\$ 1,789
	State	<u>9,314</u>	<u>4,963,813</u>	<u>2,021</u>
Total		<u>18,049</u>	<u>9,861,502</u>	<u>\$ 3,810</u>
1967	Federal	12,210	9,873,777	\$ 6,208
	State	<u>10,787</u>	<u>9,188,993</u>	<u>6,568</u>
Total		<u>22,997</u>	<u>19,062,770</u>	<u>\$12,776</u>

Included in the above tabulation are credit unions serving employees of the Federal Government. Like other credit unions, these too have shown remarkable growth. We have obtained statistics showing the growth of Federal credit unions serving Federal employees, but we were unable to obtain similar statistics for State-chartered credit unions serving Federal employees.

Of the 8,735 Federally chartered credit unions in 1957, about 860 served Federal employees. These credit unions had more than 700,000 members and had assets amounting to about \$193 million. By 1967 the number of Federally chartered credit unions serving Federal employees had increased to about 965. These credit unions had more than 2,300,000 members and had assets amounting to about \$1,208 million.

## CHAPTER 2

### OFFICE SPACE AND RELATED SERVICES

#### FURNISHED BY FEDERAL AGENCIES TO CREDIT

##### UNIONS WITHOUT CHARGE

On the basis of information developed during our review, we have found that space requirements of credit unions located in Federal buildings have increased significantly. We believe that a uniform Government-wide policy should be established to require credit unions which have attained an adequate degree of financial stability to pay for Federal space and related services which they use. We believe also that such a policy is warranted because many of the credit unions occupy substantial amounts of space and do not need Government financial assistance since they have attained a degree of financial stability that would enable them to pay for space, services, and personal property.

We estimate that the rental value of the space and related services that are being provided to the credit unions serving Federal employees which were included in our review approximates about \$2 million a year.

At the time the statutory authority for furnishing space to credit unions without charge was provided, it appeared that only minor amounts of space were required by individual credit unions and that there was an intention to provide assistance to the credit union system during its formative years.

Title V of the Independent Offices Appropriation Act of 1952 (31 U.S.C. 483a) sets forth the congressional philosophy that all Federal activities which provide special benefits to recipients above and beyond those accruing to the public at large shall be self-sustaining to the fullest extent possible. Therefore, the Congress authorized the head of each Federal agency to prescribe by regulations such charges that are fair and equitable, and in so doing take into consideration, among other things, direct and indirect costs to the Government.

We have noted that other organizations which serve Federal employees reimburse the Government for space and services furnished and that some credit unions serving Federal employees are not furnished rent-free space in Government buildings. Although there is no consistent practice in private industry with respect to charging rental for space furnished to credit unions, many private industries do not provide free space to credit unions.

EXTENT OF SPECIAL BENEFITS FURNISHED TO CREDIT UNIONS SERVING FEDERAL EMPLOYEES

We requested data from 1,110 credit unions concerning the amount of Federal space occupied, services, office furniture and equipment furnished by the Government in calendar year 1967. The credit unions from which such data was requested consisted of 965 Federal-chartered credit unions which serve Federal employees and 145 State-chartered credit unions identified as serving Federal employees by officials of the five States having the largest number of Federal civilian employees (California, Illinois, New York, Pennsylvania, and Texas).

Replies received from 1,078 credit unions--940 Federal-chartered and 138 State-chartered credit unions--showed that 733 Federal-chartered credit unions occupied about 511,000 square feet of free Federal space and that 98 State-chartered credit unions occupied about 54,000 square feet of free Federal space. On the basis of the information in a General Services Administration table showing average rental rates by location, we estimate that the rental value of space and related services furnished to the 831 credit unions amounts to about \$2 million a year.

Our analysis of the data received from the 831 credit unions showed that they occupied free Federal space as follows:

<u>Square feet of space occupied</u>	<u>Number of credit unions</u>		
	<u>Federal-chartered</u>	<u>State-chartered</u>	<u>total</u>
5,000 to 9,000	5	0	5
2,001 to 5,000	49	7	56
1,001 to 2,000	101	10	111
501 to 1,000	116	16	132
101 to 500	349	47	396
100 or less	<u>113</u>	<u>18</u>	<u>131</u>
	<u>733</u>	<u>98</u>	<u>831</u>

The 831 Federal- and State-chartered credit unions occupied an average of 680 square feet of space, or an area of about 26 by 26 feet. Of these credit unions, 700, or about 84 percent, occupied more than 100 square feet of space each.

In addition to the above 831 credit unions that occupy free Federal space, 74 other credit unions have informed us that they also occupy Federal space free of charge. We were unable, however, to estimate the value of the space and services provided for the 74 credit unions because some of these credit unions indicated that they (1) operated in Federal buildings but only during nonduty hours or on a part-time basis, (2) had constructed their own buildings on Government land or had made large leasehold improvements to the Government space they occupied, (3) occupied Federal space, but did not inform us of the amount of space occupied or did not provide us with certain other necessary data, and (4) occupied Federal space, but we were unable to determine a reasonable rental rate for the locality of the credit union.

The data received from the credit unions showed that Federal agencies had furnished 5,280 items of office furniture and equipment to the credit unions without charge. The property furnished included such items as desks, tables, chairs, adding machines, calculators, typewriters, cabinets, and safes.

ABILITY OF CREDIT UNIONS TO PAY  
FOR SPECIAL BENEFITS FURNISHED  
BY THE GOVERNMENT

The 831 Federal- and State-chartered credit unions serving Federal employees furnished us information which showed that their combined total net income for calendar year 1967 amounted to about \$52 million. The effect that a rental charge would have on these credit unions is indicated by the percentage by which the credit unions' net income from operations in calendar year 1967 would have been reduced had they paid the Federal agencies rentals based on the estimated value of space occupied, as shown below:

Percentage reduction in 1967 <u>net income</u>	<u>Number of credit unions</u>		
	<u>Federal- chartered</u>	<u>State- chartered</u>	<u>Total</u>
0 to 5	357	60	417
Over 5 to 10	193	17	210
" 10 to 15	63	4	67
" 15	<u>120</u>	<u>17</u>	<u>137</u>
	<u>733</u>	<u>98</u>	<u>831</u>

This table shows that, 627, or 75 percent, of the 831 credit unions occupying free Federal space, would experience a reduction in their net income of 10 percent or less and indicates the degree of stability achieved. We believe, therefore, that most credit unions have obtained sufficient financial stability to enable them to pay the Government for the reasonable value of the space and other benefits now being provided without charge.

CREDIT UNIONS SERVING FEDERAL EMPLOYEES  
NOT RECEIVING COMPARABLE BENEFITS

Our review showed that there is no uniform policy within the Federal Government with respect to rental charges for credit unions. Information received from 1,078 Federal- and State-chartered credit unions showed that 822 received Federal space and services at no charge while 256 credit unions either were not receiving any Federal space or services or were making at least partial payments for the space and services provided to them by the Federal Government.

Of the 256 credit unions, 169 were not being provided any Federal space or services, 68 were being provided free Federal space but were paying for services or utilities used in their operations, four were paying rent for Federal space provided, and 15 had their own buildings located on Government land or had made large leasehold improvements to the free Federal space provided.

FEDERAL CREDIT UNIONS SERVING  
EMPLOYEES OF PRIVATE INDUSTRIES

To determine whether private industries were also subsidizing the operations of Federal-chartered credit unions by providing them with free space and services, we requested 365 credit unions in New York and California to furnish us with information showing the extent of free space provided by selected industries in those States. We selected New York and California because of the large concentration of private business in these two States. Information furnished by 297 of the credit unions showed that, although there was no consistent private industry practice with respect to furnishing space to credit unions, about 59 percent of the space occupied by the credit unions was being paid for by the credit unions.

The 365 credit unions from which we requested information serve the employees of a large variety of private businesses, such as manufacturers of textile mill products, rubber and miscellaneous plastic products, paper and allied products, printing products, chemical products, petroleum products, leather products, and primary metal products, and other types of businesses, such as transportation, communications, electric, gas, sanitation services, banking, credit agencies, and insurance.

Of the 365 Federal credit unions from which we requested information, 312 responded. Of these 312, 15 either furnished incomplete information or indicated that they occupied no space on a full-time basis and 297 furnished information showing that they occupied a total of 195,517 square feet of space.

The following table shows the extent to which the 297 credit unions were provided free space or were paying rent for space provided.

	<u>Number of credit unions</u>	<u>Number of square feet occupied</u>	<u>Percent of total space occupied</u>
Free space provided in:			
Buildings of industries served	199	75,680	39
Other buildings	<u>5</u>	<u>4,725</u>	<u>2</u>
	<u>204</u>	<u>80,405</u>	<u>41</u>
Paying for space provided in:			
Buildings of industries served	37	27,805	14
Other buildings	<u>56</u>	<u>87,307</u>	<u>45</u>
Total	<u>93</u>	<u>115,112</u>	<u>59</u>
	<u>297</u>	<u>195,517</u>	<u>100</u>

The above data shows that the credit unions which were provided free space occupied an average of 394 square feet and that the credit unions which were paying for space occupied an average of 1,237 square feet.

It appears, therefore, that there is no consistent private industry practice with respect to furnishing space to credit unions serving industry employees. It is evident, however, that many of the credit unions are paying for space, regardless of whether they are located in the buildings of the industries served or elsewhere.

OTHER ORGANIZATIONS SERVING FEDERAL  
EMPLOYEES AND VETERANS PAY FOR  
SPACE AND SERVICES

We have determined that certain other organizations serving Federal employees and veterans are paying the Federal Government for space and services provided.

One example is the Veterans Canteen Service which is an organization established within the Veterans

Administration (VA) for the primary purpose of making certain merchandise and services available to patients in VA hospitals. Its operations are substantially self-sustaining, and it is required to pay for space and utilities furnished by the Government.

## CHAPTER 3

### AGENCY COMMENTS

Comments on a draft of this report were requested from the Director, Office of Management and Budget;<sup>1</sup> and the Administrator of General services, since each of these officials has certain responsibilities in relation to the matters discussed in this report.

The Director, Office of Management and Budget, advised us (see app. I) that he agreed with our position that the original rationale for providing credit unions with space, utilities, and the use of equipment without charge was no longer valid in many instances. He stated further that he believes that it would not be contrary to the intent of the Congress concerning the fostering of the establishment and growth of credit unions if those credit unions which were able to do so were required to pay for Federal space, utilities, and equipment provided.

The Administrator of General Services agreed (see app. II) that requiring credit unions to reimburse the Government for space, related services, and personal property furnished would be in the best interest of the Government. He also advised us (see app. III) that the General Services Administration would be willing to develop the necessary guidelines governing reimbursement by credit unions for space and related services provided by the Government for inclusion in its Property Management Regulations.

By letter dated September 11, 1969, the Assistant Secretary, Comptroller, HEW, furnished us the Department's comments on a draft of this report. The Department reiterated the position of the Commissioner of social security supporting the existing general policy of providing space to credit unions without charge. Since, in March 1970, the functions of the Bureau of Federal Credit Unions, which was formerly part of the Social Security Administration, were taken over by the National Credit Union Administration, an independent agency, we have not included the HEW comments in this report.

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<sup>1</sup>The President's Reorganization Plan 2 redesignated the Bureau of the Budget as the Office of Management and Budget effective July 1, 1970.

## CHAPTER 4

### CONCLUSIONS AND RECOMMENDATIONS

#### CONCLUSIONS

Our review showed that most credit unions serving Federal employees occupied more than minor amounts of Federal space and that many occupied substantial amounts of Federal space and were provided related services and office furniture and equipment without charge. We estimate that the value of space and services provided to the credit unions serving Federal employees which were included in our review approximates about \$2 million a year. In our opinion, many of the credit unions have reached a degree of financial stability that would enable them to pay for space and other services being furnished by the Government, and it therefore appears unnecessary for the Government to continue to subsidize their operations.

Our review showed that about 75 percent of the Federal and State-chartered credit unions that were occupying Federal space had substantial net income from operations in calendar year 1967 and that the effect of a rental charge would have been a reduction in their net income of 10 percent or less. About 60 percent of space used by those Federal credit unions serving private industry which were included in our review was paid for by the credit unions. Also, other organizations serving Federal employees pay rent for space in Government buildings.

We therefore believe that a uniform Government-wide policy should be established to require credit unions which have attained an adequate degree of financial stability to pay for Federal space and related services which they use. In our opinion, the Federal Credit Union Act of 1934, as amended, contains sufficient authority to charge credit unions for space occupied in Federal buildings and for personal property furnished by the agencies.

In view of the coordination involved in making arrangements with the various Federal agencies that provide space, equipment, and services to credit unions, without charge, we believe that the Administrator of General Services, in

cooperation with the Director, Office of Management and Budget, should make the necessary arrangements for the establishment of charges for the space and other services provided pursuant to the authority granted to them by Executive Order 11035, dated July 9, 1962.

We believe that the establishment of such charges would be consistent with the congressional philosophy, as set forth in title V of the Independent Offices Appropriation Act of 1952 (31 U.S.C. 483a), that all Federal activities which provide special benefits to recipients above and beyond those accruing to the public at large be self-sustaining to the fullest extent possible.

#### RECOMMENDATIONS TO THE ADMINISTRATOR OF GENERAL SERVICES

We therefore recommend that the Administrator of General Services establish guidelines for use by Federal agencies in determining charges to be made to credit unions serving Federal employees for space, related services, and personal property furnished in those cases where the credit unions have attained a degree of financial stability that would enable them to pay for the space and other services. In establishing the guidelines, consideration should be given, among other things, to the value of the services rendered both from the standpoint of agency management and the employees.

Because the purpose of the Federal Credit Union Act is to encourage the establishment of credit unions, we recommend also that the guidelines prescribe the circumstances under which Federal agencies may furnish without charge space, related services, and personal property to credit unions serving Federal employees.

## CHAPTER 5

### SCOPE OF REVIEW

Our review included an examination into

--the legislative history of the Federal Credit Union Act to determine the authority for Federal agencies to provide credit unions with space, services, and personal property;

--the extent to which space, services, and office furniture and equipment are provided by Federal agencies to (a) Federal-chartered credit unions serving Federal employees and (b) State-chartered credit unions serving Federal employees in the States of California, Illinois, New York, Pennsylvania, and Texas;

--the extent to which space and related items are provided by selected private industries to Federal credit unions in the States of California and New York; and

--the practices with respect to obtaining reimbursement from certain other organizations occupying office space in buildings owned or leased by the Federal Government which provide services to the employees of the Federal Government.

**APPENDIXES**

COPY  
EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
WASHINGTON, D.C. 20503

SEP 24, 1969

Mr. A. T. Samuelson  
Director, Civil Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Samuelson:

This will acknowledge your letter of August 5, 1969, requesting the comments of the Bureau of the Budget with respect to a proposed report to the Congress on office space and related services furnished by Federal agencies to credit unions without charge.

We agree with the position taken in the proposed report that the original rationale for providing Federal and State chartered credit unions with space, utilities, and the use of equipment without charge is no longer valid in many instances. It appears that many credit unions are now well established and have the financial resources to bear the full costs of their operations. At the same time the report recognizes that other credit unions would be severely hampered if required to bear all the costs incurred on their behalf by the Federal agencies whose employees they serve.

Congressional intent is quite clearly to foster the establishment and growth of credit unions as savings and lending institutions serving Federal employees. However, we believe that it would not be contrary to that intent, as expressed in the Federal Credit Union Act, to require those credit unions that are able to pay for Federally provided space, utilities and equipment without detriment to their ability to function to do so. Consideration should be given to the bases on which the decision to require or not require payment would be made and to the means for calculating the pertinent costs. We believe it would be to the advantage of the Government to develop criteria to guide Federal agencies in making these decisions.

[See GAO note.]

We believe it would be more appropriate for the General Services Administration to study this question and determine what regulations might be developed. Should it prove feasible to write such regulations, GSA could then include them in its Property Management Regulations, which are intended to guide all Federal agencies in the management of Federally-owned and leased space. We also believe that, since financial capacity to bear the costs in question will be a central issue in this consideration, the General Services Administration should work closely with the Bureau of Federal Credit Unions of the Social Security Administration [1] on this aspect of the problem of developing regulations.

Sincerely,

/s/ Robert P. Mayo

Robert P. Mayo  
Director

<sup>1</sup>Since March 10, 1970, the National Credit Union Administration.

GAO note: The material deleted relates to matters which were presented in the draft report but which were revised in the final report.

## GENERAL SERVICES ADMINISTRATION

Washington, D C 20405



AUG 29 1969

Honorable Elmer B. Staats  
Comptroller General of the  
United States  
General Accounting Office  
Washington, D.C. 20548

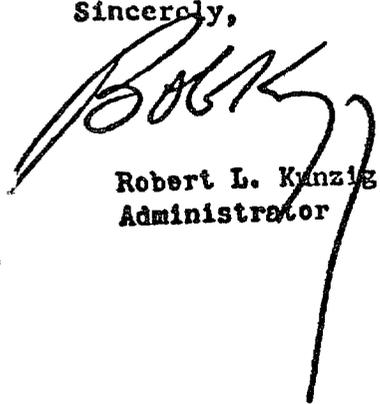
Dear Mr. Staats:

This is with reference to letter of August 7, from Mr. V. L. Hill, forwarding a draft of your proposed report to the Congress entitled "Office Space and Related Services Furnished by Federal Agencies to Credit Unions Without Charge."

Our review of the draft report indicates that the recommendation which would require the affected credit unions to reimburse the Government for space, related services, and for personal property furnished by Federal agencies, is in the best interest of the Government.

Accordingly, we would be pleased to cooperate with Bureau of the Budget in developing guidelines to achieve this purpose, with particular consideration being given to the ability of credit unions to make such payments and still retain their financial stability.

Sincerely,



Robert L. Kinzig  
Administrator

GENERAL SERVICES ADMINISTRATION

Washington, D C. 20405



OCT 27 1969

Honorable Elmer B. Staats  
Comptroller General of the  
United States  
General Accounting Office  
Washington, D. C. 20548

Dear Mr. Staats:

This is with reference to a letter dated October 2 from Mr. V. L. Hill concerning your proposed report to the Congress entitled "Office Space and Related Services Furnished by Federal Agencies to Credit Unions Without Charge."

We would be pleased to undertake the task of developing the necessary guidelines and making them a part of our Property Management Regulations.

[See GAO note.]

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Chapman, Jr.", written in a cursive style.

John W. Chapman, Jr.  
Acting Administrator

GAO note. The material deleted relates to matters which were presented in the draft report but which were revised in the final report.

PRINCIPAL OFFICIALS HAVING  
RESPONSIBILITY FOR THE ACTIVITIES  
DISCUSSED IN THIS REPORT

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

NATIONAL CREDIT UNION ADMINISTRATION

ADMINISTRATOR:

J. Deane Gannon (note a)	Mar. 10, 1970	Sept. 20, 1970
Herman Nickerson Jr.	Sept. 21, 1970	Present

OFFICE OF MANAGEMENT AND BUDGET

DIRECTOR.

Robert P. Mayo (note b)	Jan. 22, 1969	June 30, 1970
George P. Shultz	July 1, 1970	Present

GENERAL SERVICES ADMINISTRATION

ADMINISTRATOR:

Robert L. Kunzig	Mar. 17, 1969	Present
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<sup>a</sup>Mr. Gannon was Director, Bureau of Federal Credit Unions, Social Security Administration, from June 15, 1953, until March 10, 1970, when he became Acting Administrator, National Credit Union Administration.

<sup>b</sup>Mr. Mayo was Director, Bureau of the Budget, until the effective date of the President's Reorganization Plan 2 of 1970 which redesignated the Bureau as the Office of Management and Budget.