REPORT TO THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

RELEASED

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

B-106190

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

FEB. 6, 1974

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

B-106190

The Honorable George H. Mahon
Chairman, Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

This report contains significant audit findings developed during our audits and other examinations in the civil departments and agencies of the Government. These findings pertain for the most part to matters on which we believe administrative action, and in some cases legislative action, is required to achieve greater economy or efficiency in Government operations. Some findings and recommendations on which the departments and agencies have reported that corrective action was being taken also have been included because we have not yet observed the effectiveness of the reported action.

This compilation is made in response to the request that information of this type be made available to your Committee before the commencement of appropriation hearings at each session of the Congress. Concurrently with the release of this report, we are sending to the departments and agencies copies of the sections specifically applicable to them so that they may be in a position to answer any inquiries which may be made on these matters during the appropriation hearings.

A report on significant audit findings involving the Department of Defense and the three military departments is being submitted separately.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

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DEPARTMENT OF AGRICULTURE

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DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE AND COMMODITY CREDIT CORPORATION

Need intensifies to amend legislation to reduce Government losses on the peanut price-support program

In May 1968 GAO reported to the Congress that the Commodity Credit Corporation (CCC) had lost about $270 million on the peanut price-support program between 1955 and 1966 and would lose at least $248 million over the next 5 years, 1967 through 1971. At that time GAO recommended that the Department develop for the Congress' consideration a program to more effectively control peanut production.

Because the program was not changed and CCC incurred greater losses, GAO reassessed the program to determine what should be done to effectively control production and reduce losses.

In an April 1973 report to the Congress, GAO stated that the Agricultural Adjustment Act of 1938, as amended, requires the Secretary of Agriculture to control peanut production on the basis of demand but specifies also that he authorize annually not less than 1,610,000 acres for growing peanuts. The sponsors of the act had expressed hope that this acreage would be sufficient on all occasions to supply the edible trade without any substantial surplus. Since 1955, however, fewer than 1,610,000 acres have been needed annually to satisfy commercial demand because advances in farm technology have increased yields per acre by an average of 70 pounds a year. An average of 1,015,000 acres annually would have produced the necessary supply during 1967 through 1971.

Under the program, CCC has to buy the surplus peanuts and store them until they are sold. CCC sells them for significantly lower prices than it pays for them. From 1967 through 1971 CCC recovered through sales 53 percent of its cost of buying surplus peanuts and lost $279 million on the program, a 66-percent increase over the loss of $168 million from 1962 through 1966. In March 1972 the Department's Agricultural Stabilization and Conservation Service (ASCS), which administers the program for CCC, projected that, if the present program were continued, losses from 1973 through 1977 would total $537 million, a 92-percent increase over the losses incurred between 1967 and 1971.

Although GAO made no recommendations to the Department, it recommended to the Congress that the Agricultural Adjustment Act of 1938 be amended to rescind the minimum acreage provision to give the Secretary more flexibility to adjust production so that it will be consistent with commercial demand.

Although the Department agreed that such a change could help bring peanut production more in line with demand, it said that it was not completely satisfied that the change was the most desirable solution in the long run. It said further that it was studying GAO's recommendation and possible alternatives.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE AND COMMODITY CREDIT CORPORATION (continued)

GAO recognized that alternatives existed for bringing production and demand more in line but noted that removal of the minimum acreage provision would not preclude any actions the Secretary may wish to take as a result of the Department's study of alternatives. (B-163484, Apr. 13, 1973.)

Fees for processing price-support loans and storage facility and equipment loans not related to actual costs

GAO examined into the fee assessment policies and practices of ASCS concerning its processing of price-support loans and storage facility and equipment loans authorized under CCC programs.

Title V of the Independent Offices Appropriation Act of 1952 and Circular No. A-25 of the Office of Management and Budget state that Government activities which provide identifiable recipients with special benefits or privileges should be financially self-sustaining to the maximum extent possible. The act states that fair and equitable fees should be prescribed which consider direct and indirect costs to the Government, value to the recipients, public policy or interest served, and other pertinent facts. Circular No. A-25 states that, in addition to those costs directly related to the activity, the cost to the Government should include a proportionate share of an agency's management and supervisory costs and that the cost of providing the service should be reviewed every year and fees should be adjusted as necessary.

GAO's review showed that ASCS charged fees for processing price-support loans--established in 1969 and based on 1967 information--that were not directly related to the costs which should have been recovered and did not charge for processing storage facility and equipment loans. ASCS did not annually review its costs to process these loans.

In a July 1972 report to the Secretary of Agriculture, GAO recommended that ASCS:

--Systematically establish fees for processing price-support loans and storage facility and equipment loans on a basis that would provide for recovering the related costs, including overhead costs, to the fullest extent possible and would consider value to the recipient, public policy, interest served, and other pertinent facts.

--Review the costs of these activities every year and adjust the fees as necessary.

ASCS replied that, although it did not totally agree with GAO's recommendations, it would review its loan-fee arrangements. On May 31, 1973, ASCS issued a directive to its State and county offices ordering an increase in price-support loan service fees, beginning with loans made in the 1973

crop year. However, ASCS rescinded these increases on June 22, 1973, in response to Executive Order 11723, dated June 13, 1973, which froze certain prices for a maximum of 60 days. ASCS officials advised GAO in September and August 1973, respectively, that:

--The price-support loan service fees were no longer frozen under Phase IV guidelines and it was considering increasing such fees for the 1974 crop year.

--The matter of establishing a fee for processing storage facility and equipment loans was still under consideration. (B-163484, July 13, 1972.)

EXPORT MARKETING SERVICE

Russian wheat sales and weaknesses in Agriculture's management of wheat export subsidy program

The President announced the signing of an agreement with Russia on July 8, 1972, making $750 million in credit available for 3 years for purchasing various U.S. grains. By then Russia was already purchasing U.S. wheat. Within a few weeks, cash and credit wheat sales to Russia, heavily subsidized by the U.S. Government, approximated $700 million, the largest private grain sales in U.S. history.

The wheat export subsidy program began in 1949 to help the United States meet its obligation to export wheat at prices agreed to under the International Wheat Agreement. The program's major objectives are to generally insure that U.S. wheat is competitive in world markets and to reduce Government wheat inventories.

The Export Marketing Service establishes daily subsidy rates for wheat. The Service has maintained a zero subsidy rate for all types of wheat since September 22, 1972, allowing wheat prices to seek their own levels, but, during the preceding 4 months, rates ranged from a few cents to as high as 51 cents a bushel. Before its suspension, the program incurred about $4.3 billion in subsidy costs for exporting about 10.5 billion bushels of U.S. wheat. There is little doubt that the program has been instrumental in competitively pricing U.S. wheat moving into export markets.

GAO reported to the Congress that the large sales of U.S. wheat to Russia and other exports in the summer of 1972 caused a dramatic rise in the price of U.S. wheat. Hard Winter wheat sold at gulf ports for $1.68 a bushel in July brought $2.49 a bushel in September and even more later. An export goal of 650 million bushels and a fiscal year 1973 budget estimate of $67 million in subsidy mushroomed to 1.1 billion bushels in exports and over $300 million in subsidy.

Agriculture claims that the U.S. Treasury will accrue net benefits totaling about $457 million as a result of the wheat sales to Russia in addition to other benefits.

Agriculture is committed to pay over $300 million in subsidies on the Russian and other export sales. GAO expressed the belief that many of these sales would have been made even with reduced subsidies and that Agriculture should have responded more rapidly to the available information and reduced or eliminated the subsidies sooner.

Wheat export subsidy program

After October 1971 the key determinant in establishing daily wheat subsidy rates was the export target price. The difference between the target price and the domestic price was the daily export subsidy rate. Maintenance of a low target price throughout the period of the Russian sales and for

several subsequent weeks was a crucial factor in obligating the U.S. Government to pay excessive subsidies.

GAO questioned the maintenance of a low target price in view of available intelligence reports and analyses indicating adverse Russian crop conditions. Agriculture also knew that the United States was the dominant wheat supplier and that purchasers of large supplies had to come to the United States.

Agriculture officials recognized early in 1972 that the world wheat situation was changing but decided against increasing the export target price for several reasons. GAO expected to find a detailed analysis to support such a major policy decision, but it seems to have been based largerly on intuitive judgments made by Agriculture officials.

Speculating in subsidy registrations

Changes made in 1967 to the basic wheat export subsidy program, permitting subsidy registrations at exporters' options, and other program features in effect at the time of the Russian wheat sales tended to minimize risks and created an environment whereby exporters could make substantial profits. Although Agriculture sought to increase the flexibility for exporters to price U.S. wheat competitively in international markets, the program lacked appropriate administrative controls.

Some exporters making sales in August 1972 registered sales several weeks later at higher subsidy rates. In five examples, a total subsidy of about $604,493 was paid. Had exporters been required to register on the dates of sales, the subsidy would have been $286,188, or $318,305 less.

Export Marketing Service officials contend there is no evidence that the program had allowed excess profit because of intense competition among exporters.

Carrying-charge payments

In addition to the basic export subsidy, Agriculture provided a carrying-charge subsidy to cover the estimated costs of owning wheat for future delivery. The subsidy registration date, instead of the sale date, is used to calculate subsidy entitlement. In 28 instances totaling about $360,000, had the sale contract dates rather than the registration dates determined the carrying-charge subsidies, the payments would have been about $350,000 less.

Program evaluation needs

Despite annual subsidy outlays of millions of dollars, Agriculture has not comprehensively evaluated the wheat export subsidy program. Limited evaluations indicating that the subsidy program was not fully effective were dismissed by operating officials.

EXPORT MARKETING SERVICE (continued)

GAO examined several pertinent statistical relationships indicative of program effectiveness. It concluded, on the basis of making U.S. wheat competitive in international markets, that Agriculture seemed to have paid greater subsidies than the marketplace required. Other agricultural economists questioned the need for subsidy payments and suggested that the program needed to be completely reevaluated.

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The major GAO recommendation to the Secretary of Agriculture was that the wheat export subsidy program be reviewed in its entirety and that its reinstatement be predicated on a meaningful justification for its existence.

The Secretary of Agriculture said GAO's study would help the Department improve the program. The Secretary agreed with GAO's major recommendation but took issue with GAO on some other observations and conclusions.

GAO suggested that the Congress should consider requiring that agencies develop definitive ground rules so that expected benefits from exports can be appropriately weighed against their impact on various segments of the domestic economy. (B-176943, July 9, 1973.)

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Ways to improve effectiveness of rural business loan programs

The Economic Opportunity Act of 1964, as amended, authorized several special programs to combat poverty in rural areas. One of these programs--the Economic Opportunity Cooperative Loan Program--administered by the Farmers Home Administration (FHA) provided loans to cooperative associations in rural areas.

Although the program was terminated on June 30, 1971, GAO's findings could be helpful to FHA in administering the new rural business and industrial loan programs authorized by the Rural Development Act of 1972.

GAO found that many economic opportunity cooperatives encountered problems, such as weak management and adverse market conditions, and therefore failed to stay in business or became delinquent in their loan repayments. Not all problems encountered by the cooperatives could have been foreseen. Many problems, however, could have been identified and corrected had FHA required adequate determinations of the economic soundness and feasibility of cooperative projects and had FHA improved its policies and procedures for supervising and evaluating cooperatives' activities.

In accordance with GAO's recommendations for implementing the business and industrial loan programs authorized by the Rural Development Act of 1972, FHA stated that it (1) was preparing regulations that would require applications for loan assistance to include feasibility studies, marketing agreements, management evaluations, and an analysis of the adequacy of working capital, (2) had taken steps to provide employee training, (3) had considered additional staffing of new types of professional and technical skills, and (4) would, when practical, express program objectives in specific goals and use such goals to periodically measure program effectiveness.

FHA plans to implement the new business and industrial loan programs in fiscal year 1974. (B-114873, May 2, 1973.)

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Need for more accurate information on schools not participating in the school lunch program and on the cost of lunches served under the program

Food and Nutrition Service (FNS) statistics showed that, in fiscal year 1972, 82,900 schools, with about 45 million students enrolled, were participating in the school lunch program. However, FNS data also showed that, early in the 1971-72 school year, about 24,900 eligible schools, with about 8.7 million students enrolled, were not participating in the program. About 18,100 of these schools did not have any type of food service; and FNS identified at least 4,400, with 1.4 million students enrolled, as needy schools. An FNS survey in March 1972 showed that about 1.5 million needy students attending participating schools were not eating free or reduced-price lunches.

GAO found that some schools did not participate because they lacked the equipment and facilities to prepare and serve the food and others did not participate for reasons based on local preference or on special local conditions not susceptible to Federal persuasion. FNS did not have reliable data concerning which schools needed assistance and the extent of their needs. Such data would help FNS resolve these problems and determine the assistance or changes in administrative policies or legislation needed to enable such schools to participate.

GAO also found that FNS had not sufficiently guided the schools on how to compute accurate per-lunch costs which FNS needs to insure that Federal reimbursements do not exceed the actual cost of lunches, as required by existing legislation.

GAO recommended that actions be taken to obtain better information on schools needing assistance and the extent of their needs, promote the school lunch program, and define reimbursable costs. The Department generally agreed with GAO's conclusions and described actions that were being taken to implement the recommendations. (B-178564, June 29, 1973.)

DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE

Progress in meeting important objectives of the Great Plains Conservation Program could be improved

The Soil Conservation Service (SCS), Department of Agriculture, combats climatic hazards in the Great Plains by helping farmers, ranchers, and other landowners and operators voluntarily carry out planned soil and water conservation practices through technical assistance and direct cost sharing under contracts of from 3 to 10 years.

In June 1973 GAO reported to the Congress that progress in converting unsuitable cropland to permanent vegetative cover and reseeding badly depleted rangeland had been less than expected in view of the program's legislative history, which stressed the importance of meeting these needs.

To provide for greater progress before the program's scheduled expiration in 1981, GAO recommended that SCS (1) revise its fund allocation system to insure that program funds are used, to the extent practical, for highest priority work first and (2) increase a $25,000 administrative limitation on any one contract to recognize cost increases since the limitation was established and to increase the rate of achieving important program objectives.

GAO also noted a conflict between the program and certain features of the commodity price-support programs and suggested that the Congress explore with the Department the feasibility and desirability of enacting legislation to provide additional incentives for farmers to convert unsuitable cropland to permanent vegetative cover, giving consideration to disincentives resulting from commodity price-support programs.

In response to GAO's recommendations, the Department stated that SCS:

--Had studied and will continue to study the feasibility of revising the fund allocation system, giving due consideration to priorities.

--Had recognized the inadequacy of the $25,000 limitation per contract and was reevaluating the limitation in view of the increasing costs of conservation practices.

The Department did not comment on the conflict between the program and commodity price-support programs. SCS headquarters officials, however, agreed that the conflict was one of the significant constraints on the progress of achieving program objectives. (B-114833, June 28, 1973.)

DEPARTMENT OF COMMERCE

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DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Continuation of the Fish Protein Concentrate Program would yield only limited benefits

At the request of the Chairman, Subcommittee on Fisheries and Wildlife Conservation, House Committee on Merchant Marine and Fisheries, GAO reviewed the Fish Protein Concentrate (FPC) Program administered by the Administration's National Marine Fisheries Service. Under this program a Government-owned experimental plant was established at Aberdeen, Washington, to demonstrate the economic feasibility of commercial production of FPC.

GAO concluded that, although the plant was useful in developing a process for producing FPC, it did not demonstrate the economic feasibility of commercial production of FPC. The domestic market potential for the type of FPC produced by the Service was limited at that time and the U.S. fishing industry would not be enhanced by a commercial FPC industry.

GAO expressed the belief that the Government could realize only limited benefits if it were to continue operating an experimental plant. It appeared that if a strong domestic and foreign need for FPC becomes evident, industry may become interested and begin to produce it. GAO also expressed the belief that, if an extension of the program is authorized, it would be more beneficial to move the experimental plant to a Gulf location in order to be closer to the source of fish supply.

GAO suggested that, if the Subcommittee favors extending the program, the Subcommittee should include in a report on the subject language instructing the Service to (1) continually develop information on the present and potential FPC markets, both domestic and foreign, (2) determine the present and future available fish resources for producing FPC commercially, (3) evaluate sites on the Atlantic and Gulf Coasts, including a determination of the detailed costs for each site and industry's willingness to participate, and (4) complete the research into storage methods to develop and demonstrate alternatives to using frozen fish.

The National Oceanic and Atmospheric Administration stated that GAO's report presented a fair evaluation of the FPC program and situation and that the information in the report was generally consistent with its records. (B-157927, May 25, 1973.)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH SERVICES AND MENTAL HEALTH ADMINISTRATION

Need for Neighborhood Health Centers to seek increased third-party reimbursements and improve administrative and operating practices

At the request of the Chairman, Subcommittee on Health, Senate Committee on Labor and Public Welfare, GAO reviewed certain actions taken by the Health Services and Mental Health Administration to implement its announced policy of eventually replacing direct Federal support in all of its health service delivery projects with increased third-party and other reimbursements.

The Subcommittee was particularly interested in the potential impact of this policy on the Neighborhood Health Center (NHC) program funded under Section 314(e) of the Public Health Service Act (42 U.S.C. 246(e)). NHCs provide, directly or indirectly, a range of services designed to meet the majority of health needs of a defined target population. These services include, as a minimum, preventive, diagnostic, therapeutic, and general health maintenance elements.

In May 1973 GAO reported to the Subcommittee that NHCs' administrative and operating practices and the nature of available third-party reimbursement programs severely limited NHCs' prospects to improve their level of self-support. In its selective review of five NHCs, GAO noted evidence of (1) lack of control over accounts receivable, (2) ineffective use of available health services, and (3) inadequate efforts to qualify for and use third-party reimbursements. GAO noted also that the NHCs offered a variety of services, such as nutrition, optometry, and speech therapy, for which third-party reimbursement was not available and that these services would have to be reduced or eliminated if greater reliance were placed on third-party reimbursement programs.

GAO expressed its belief that the NHCs could substantially increase their level of self-support by eliminating inefficient administrative and operating practices and by obtaining recognition as providers of services eligible under Federal and federally assisted programs. (B-164031(2), May 2, 1973.)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

NATIONAL INSTITUTES OF HEALTH

Better management needed of health research equipment by grantees

Research grants to such institutions as universities, colleges, and medical schools constitute the largest part of the research program of the National Institutes of Health (NIH). These grants provide funds for such expenses as salaries, supplies, travel, and equipment. About 13 percent of the direct costs incurred under NIH research grants was for equipment during 1965--the latest year for which data was compiled on funds spent in this category.

GAO reviewed the management of major research equipment costing $1,000 or more per unit and reported to the Secretary of Health, Education, and Welfare (HEW) on July 17, 1973, that:

1. Although HEW instructions specify that a grantee carefully screen existing equipment before purchasing more and require that a grantee certify that equipment is not already on hand and available, institutions lacked records adequate to enable them to comply with these instructions. Moreover, NIH had not issued guidelines suitable for grantees to carry out HEW's instructions. Adequate records would have enabled researchers to locate and use available equipment and would have prevented unnecessary expenditure of research money for equipment.

2. At the grantee institutions visited, the most effective use of equipment was not being made because NIH has not taken appropriate steps to carry out HEW instructions urging researchers to share equipment.

3. In 1970 NIH established an equipment pool in Bethesda, Maryland, for researchers' use. However, NIH does not require researchers to use available pool equipment or have any procedures for determining whether researchers' equipment needs can be met with available equipment. As a result, the amount of equipment used averaged only 13 percent from July 1971 through February 1972. Another factor contributing to the low use rate is that less than 1 percent of NIH's equipment, worth $64 million, is in the pool.

GAO recommended that the Secretary of HEW direct NIH to:

--Instruct grantees to improve their records so that their officials can screen all major items of equipment before purchasing new equipment.

--Issue guidelines or instructions to its grantees to develop policies and procedures for establishing equipment pools and other means for sharing equipment.

--Establish screening procedures to determine whether equipment from the NIH pool is available for use before purchasing new research equipment.

NATIONAL INSTITUTES OF HEALTH (continued)

--Consider expanding the NIH equipment pool by including more of NIH's scientific equipment and requiring participation in the pool, unless special research situations or the need for extended continual usage of certain equipment requires individual purchases of equipment.

NIH officials generally agreed with GAO's findings, conclusions, and recommendations. (B-164031(2), July 17, 1973.)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Need for improved coordination of federally assisted student aid programs in institutions of higher education

The Office of Education administers four major programs providing financial aid to students attending colleges, universities, and vocational schools. These include the Guaranteed Student Loan program, the National Defense Student Loan program, the College Work-Study program, and the Educational Opportunity Grant program. The 4 programs provided assistance of about $1.7 billion to approximately 2.3 million students in fiscal year 1971. GAO examined the coordination of these programs because student enrollment and tuition costs have increased significantly in recent years and have added to the demand for financial assistance and to the Government's potential liability in the case of defaulted loans.

In an August 1972 report to the Congress, GAO pointed out that seven of eight institutions visited generally awarded aid to students under Office of Education programs that require a showing of need without considering whether the students also had obtained or requested loans from lending institutions under the Guaranteed Student Loan program. As a result, some students were provided with aid in excess of their indicated financial needs and some students borrowed under both loan programs and incurred large debts that could be difficult to repay.

GAO reviewed 400 student aid cases selected at random from a list of approximately 6,500 students who had obtained loans under the Guaranteed Student Loan program. Of the 400 students, 57 (14 percent) were awarded aid, totaling about $51,800, in excess of their indicated financial needs. On the basis of the sample, GAO estimated that 900, or 14 percent of the 6,500 students, had been awarded aid, totaling at least $761,000, in excess of their indicated needs.

GAO also noted that some institutions have not had sufficient Federal aid funds to meet the financial needs of their students and that sutdents who received excess aid made such aid unavailable to others who qualified.

GAO suggested that the Congress consider establishing an overall limitation on the amount that a student may borrow when participating in more than one loan program.

Also, GAO recommended that HEW take certain actions to improve the coordination of federally assisted student aid programs. HEW concurred in the intent of GAO's recommendations; however, prior to implementing the recommendations, HEW planned to study the matter. (B-164031(1), Aug. 2, 1972.)

OFFICE OF EDUCATION (continued)

Additional efforts needed to fully achieve the objectives of the Vocational Education Act

The objective of the Vocational Education Act of 1963, as amended in 1968, is to provide all persons who need vocational education with access to vocational training which is realistic and suited to their needs, interests, and abilities. Particular emphasis is placed on meeting the needs of the disadvantaged.

GAO reviewed Federal vocational programs in California, Michigan, Ohio, and Pennsylvania to find out if legislative objectives were being achieved and to identify major problems. These States received $104 million, or 22 percent of the total Federal assistance for vocational education, in fiscal year 1972. GAO's review concentrated on high school vocational education, because the States' programs emphasized this level of education.

GAO reported to the Congress that additional efforts are needed to fully achieve the objectives of the act. GAO noted that:

--The objective of the legislation had not been achieved nationwide or in any of the four States reviewed. Thirty-seven percent of the Nation's high school students presumed to need vocational education were not receiving it according to HEW data, and in the 4 States even greater proportions--44 to 75 percent--were not receiving it. Vocational educators say that causes of this situation are insufficient funds and an unfavorable image of vocational education. However, no specific studies on the image problem had been made.

--In the four States, funds intended by the act to support special programs or services for disadvantaged persons unable to succeed in the regular vocational education program were often not used for this purpose. This happened because some State and local education officials did not fully understand the intended use of funds for disadvantaged persons and therefore used these funds for regular vocational programs.

GAO also reported that HEW, the four States, and independent evaluators believe that the current management information system of HEW and the States did not provide sufficient data to adequately evaluate the results of programs, as required by the act. Data furnished to HEW by the States was often inaccurate or incomplete.

HEW concurred with all of GAO's recommendations and has taken or promised to take action to research vocational education's financial and image problems, to properly control the use of disadvantaged funds, and to improve the management information systems. State officials also generally concurred with GAO's recommendations, but they and HEW said that GAO should have included more information on the accomplishments and potential of vocational education. Although GAO found that some programs appeared to be operating effectively, incomplete and inaccurate management information prevented unqualified conclusions on overall program effectiveness. (B-164031(1), Oct. 18, 1972.)

SOCIAL AND REHABILITATION SERVICE

Need to improve effectiveness of vocational rehabilitation in helping the handicapped

In April 1973 GAO reported to the Congress on its review of the effectiveness of programs under the Vocational Rehabilitation Act. The act authorized Federal grants to assist States to rehabilitate handicapped persons so they might prepare for and engage in gainful employment. The Rehabilitation Services Administration (RSA) is responsible for providing leadership to the States in planning, developing, and coordinating State programs.

State vocational rehabilitation agencies carry out programs authorized under the act. State and Federal costs for basic support services--services generally rendered directly to handicapped persons--were $697 million (the Federal share was $548 million) for fiscal year 1972.

Helping all handicapped persons

The vocational rehabilitation program has not been able to help all handicapped persons--possibly 7 million--who need and would benefit from the program. The number of persons rehabilitated annually, although increasing, is still not as great as RSA's estimates of the number becoming eligible each year (increment).

RSA projects that rehabilitations may exceed its estimates of the annual increment in 5 to 10 years. Then the universe of persons in need would begin to decrease. Whether rehabilitations will exceed the increment within this time could be affected by many factors, such as new legislation making more groups eligible for services. Better estimates of the size of the universe and annual increment are needed to properly plan for the size and direction of the program and the resources needed.

Further, some of the services provided under this program are available under other Federal programs. Therefore, it is probably not necessary to meet the needs of the total universe through resources available only to RSA.

Helping each handicapped person served

GAO randomly selected and reviewed 820 of the 31,650 cases 3 States reported closed in 1970 to determine how well the program served individual clients.

In many instances benefits were limited, although some clients may have improved or progressed to the extent of their individual capability. Others needed additional services even though they might have been assisted to a considerable extent.

Although large numbers of persons were reported as having been successfully rehabilitated, GAO found that many had not become self-sufficient or competitive with nonhandicapped persons.

SOCIAL AND REHABILITATION SERVICE (continued)

GAO made several recommendations to HEW which it believed would improve management and increase effectiveness of the program. HEW and State agencies generally agreed with these recommendations. HEW said that most had been adopted or were being worked out. (B-164031(3), Apr. 3, 1973.)

Social services have only a minor impact on directly helping welfare recipients achieve self-support or reduced dependency

Social services provided to recipients of aid to families with dependent children (AFDC) under provisions of title IV, parts A and C, of the Social Security Act are supposed to help recipients get off welfare and to prevent or reduce illegitimate births, strengthen family life, attain or retain personal independence, and protect children. GAO wanted to know if the goal of getting people off welfare is being achieved as intended by the Congress. HEW has been unable to answer this question, although it has begun developing data so that it can.

GAO reported to the Congress in June 1973 that social services had only a minor impact on directly helping recipients to develop and use the skills necessary to achieve reduced dependency or self-support. Therefore, one of the basic congressional goals for the services has not been achieved. It is unrealistic to expect that social services can play a major role in helping recipients achieve reduced dependency or self-support, considering the nature of services provided, the method for determining who should receive certain services, and present economic constraints.

GAO also reported that:

--Because local welfare departments did not have adequate systems to assess recipients' potential, they could not insure that their service resources would be allocated for the maximum benefit of recipients. An inventory approach developed by the Denver Welfare Department could systematically measure the employment potential of recipients and lead to better resource allocation.

--Federal leadership in services programs had not been aggressive, program accountability had not been emphasized, and administration at all levels of government needed strengthening.

--Certain barriers which cannot be influenced by social services, such as high unemployment rates, greatly affected whether welfare recipients achieved self-support or reduced dependency and therefore could greatly limit the effectiveness of services.

GAO's recommendations to the Secretary of HEW to improve program administration and accountability for services included:

--Start a number of demonstration projects, using the inventory approach or similar approaches, to assess the potential of all welfare recipients and to allocate service resources accordingly.

SOCIAL AND REHABILITATION SERVICE (continued)

--Report to the Congress at the end of the test period on actions to be taken to improve the allocation of service resources as a result of the study.

--Develop by July 1974 in conjunction with the Secretary of Labor a system so certain characteristics of recipients--shown in this report to indicate high potential for achieving self-support or reduced dependency--serve as the basis for determining which recipients registered under the 1971 amendments will be afforded priority in receiving work incentive program services.

HEW, by letter dated May 22, 1973, agreed with GAO's recommendations and said that action would be taken to implement them. (B-164031(3), June 27, 1973.)

Need to improve administration of certain eligibility aspects in the aid to families with dependent children program in Pennsylvania

In response to his request, GAO reported to the Chairman, House Committee on Ways and Means, that administration of the incapacity and unemployed father eligibility aspects of the AFDC program had not been effective in Pennsylvania. GAO reported also that this had been caused by inadequate guidance on the part of HEW, fiscal problems in the State, and increasing AFDC caseloads. GAO noted that:

--Recipients with minor impairments, such as needs for eyeglasses or dentures, became eligible for AFDC when Pennsylvania broadened its definition of incapacity in 1970. The State could do this because Federal regulations did not describe an applicant's eligibility in terms of the extent to which the incapacity must affect his ability to support or care for the child.

--Nonvisible impairments were inadequately verified for about 35 percent of all incapacity cases included in a GAO sampling.

--Initial eligibility information was not adequately verified in 71 percent of the unemployed-father cases sampled.

--In 74 percent of the incapacity cases and 81 percent of the unemployed-father cases, redeterminations of eligibility were late, inadequate, or overdue.

--Caseworkers did not receive adequate training and HEW had not monitored or evaluated the adequacy of State inservice training.

To improve administration of these aspects of the AFDC program, GAO made a number of recommendations, including the following, to the Secretary of HEW.

SOCIAL AND REHABILITATION SERVICE (continued)

--Revise the applicable section of the Code of Federal Regulations in such a manner that, for an applicant to be eligible for AFDC because of an incapacity, the incapacity must have a direct or immediately apparent bearing on diminishing parental support or care to the child.

--Determine whether initial eligibility and redetermination problems similar to those in Pennsylvania exist nationwide.

--Take the necessary action, including implementation of HEW's policy of reducing the Federal share of welfare payments to recipients whose ineligibility is detected after redeterminations are due, to insure that States improve their eligibility and redetermination processes.

HEW generally agreed with GAO's recommendations and has taken or agreed to take action to implement them. The Code of Federal Regulations was subsequently revised in line with GAO's recommendation. (B-164031(3), June 27, 1973.)

Some problems in contracting for federally assisted child-care services

The Federal Government shares with the States the expense of child-care services under the AFDC program, the largest of several federally funded child-care programs. In recent years, the program has been expanding and concern about rapidly rising costs has been expressed.

GAO reported to the Congress in June 1973 that contracted child-care services were provided in fiscal year 1971 to about 39,000 children in California and Pennsylvania at a total Federal and State cost of about $60 million. The children obtained educational, social, nutritional, and health benefits. In some instances, the program enabled parents to obtain or continue employment or training.

A significant number of available spaces provided by contracted child-care services were used for children of nonworking, nontraining parents because many of those who were working or training elected to make their own child-care arrangements or applied for services after the nonworking, nontraining parents had already enrolled their children. Some welfare recipients could not get child-care services primarily because their communities could not provide the local share of the cost.

GAO also reported that HEW had not (1) provided adequate guidance to States to assist them in contracting for child-care services, (2) implemented a system to provide data for assessing program effectiveness, or (3) adequately monitored the States' administration of the program. As a result contract requirements and procedures had weaknesses, free child-care services were provided to some financially ineligible families, financially able families were not required to pay service fees, facilities were underused, the cost of contracted childcare for similar services varied significantly, State claims for reimbursement were inaccurate because of fiscal weaknesses, and private contributions were inappropriate.

SOCIAL AND REHABILITATION SERVICE (continued)

GAO recommended that HEW:

--Assist States in developing plans for gathering information needed to (1) assess the seriousness of program shortcomings and (2) establish a systematic method of meeting priority needs.

--Establish ways to insure effective and timely monitoring of fiscal and program aspects of State contracts, including more audits by HEW and States.

--Establish criteria which can be used in evaluating the reasonableness of the overall costs for the services procured.

--Clarify eligibility requirements to help avoid providing services to ineligible families.

--Help the States establish sliding fee scales for families able to pay for some portion of child-care services.

--Follow up on California and Pennsylvania actions to adjust the incorrect claims for Federal funds discussed in the report.

--Provide guidelines to the States for controlling the use of private contributions toward the local share of child-care costs.

HEW concurred with GAO's findings and recommendations, stating that corrective actions had been taken or were being developed. HEW also advised GAO that $622,000 in overclaims had been recovered from the State of Pennsylvania. Recent changes to Federal regulations on social services and revised Federal day-care requirements will also affect some of the problems discussed in GAO's report. (B-164031(3), June 13, 1973.)

Improvement needed in the administration of the program to provide Medicare benefits for welfare recipients

Section 1843 of the Social Security Act provides that States may enroll eligible welfare recipients in Medicare's supplementary benefits program. This is referred to as the buy-in program and is managed through the coordinated efforts of the Social Security Administration, Social and Rehabilitation Service, and State and local health and welfare agencies.

As of December 1971 about 2 million persons were enrolled in the buy-in program. In 1971 the States paid about $134 million in premiums on behalf of these persons. The Federal Government pays its share of premiums through Medicaid, but these payments are limited to premiums paid for persons receiving cash assistance.

In August 1973 GAO reported to the Congress that since 1966 the program has experienced major administrative problems. As a result (1) not all eligible welfare recipients were enrolled, because local welfare offices had

SOCIAL AND REHABILITATION SERVICE (continued)

not obtained necessary information to enroll them or because identification data was not current or complete, and (2) two States received about $2.9 million in overpayments for premiums that should have been paid entirely by the States, because the States' procedures did not adequately identify premiums paid for persons not receiving cash assistance.

GAO made several recommendations designed to improve administration of the program. In response to these recommendations, HEW stated that:

--It will reemphasize to the States the importance of periodic reconciliation of their lists of eligible persons with their lists of enrollees as a means of identifying eligible persons and the urgency of timely enrolling all eligible persons.

--As a part of the Medicaid Management Information System, procedures will be developed to assist States in identifying and claiming Federal funds paid only on behalf of persons receiving cash assistance.

--Reviews have been or will be made to determine whether any of 29 States which have included persons not receiving cash assistance in their buy-in programs are improperly claiming Federal participation. (B-164031(3), Aug. 14, 1973.)

Problems in functioning of State systems for reviewing use of medical services financed under Medicaid

At the request of the Chairman, House Committee on Ways and Means, GAO reviewed the functioning of the utilization review systems under the Medicaid program in Massachusetts and Maryland. The purpose of the review systems is to safeguard against unnecessary medical care and services and to insure that Medicaid payments are reasonable and consistent with efficiency, economy, and quality care.

GAO concluded that neither State had developed an effective review system to be applied uniformly throughout the State. Massachusetts' system, however, produced some positive benefits. The use of regional dental consultants to approve or disapprove dental services before the services were provided resulted in savings of about $1.7 million in calendar year 1970. Maryland established procedures to determine that claims paid were for services authorized and rendered and did not exceed amounts established by the State. The Maryland claims processing system, however, did not include procedures for identifying or preventing duplicate payments.

GAO reported that, because of the manner in which the review function is organized and operated in Massachusetts, it is difficult to judge the adequacy of the aggregate resources applied to this function. The State has recognized the need for more effective controls over all public assistance expenditures, including those for Medicaid, and has developed a plan for an automated payment and control system. State officials informed GAO that Maryland had the necessary computer capability and funds for developing a

SOCIAL AND REHABILITATION SERVICE (continued)

review system, but the biggest problem was a lack of sufficient personnel for making reviews.

GAO recommended that HEW assist both States and monitor their actions to

--study the HEW model system for the purpose of adopting design features offering opportunity for improvement and

--provide for the systematic accumulation of data required by management officials to efficiently administer review systems.

GAO recommended that HEW assist Maryland and monitor its actions to develop an effective utilization review system and assist and monitor actions by Massachusetts to

--apply its utilization review regulations to intermediate care facilities,

--provide for central State administration of the Medicaid utilization review system, and

--assist participating hospitals and skilled nursing homes to develop adequate utilization review plans.

In commenting on GAO's reports, HEW outlined steps it was taking to improve utilization reviews. In August 1973 HEW told GAO that it had undertaken a pilot project in Ohio and that, during fiscal year 1974, the Model System is expected to be installed in about 10 States with planning and negotiations proceeding on implementing the system in additional States during fiscal year 1975. HEW also informed GAO that an additional incentive to meaningful State utilization review was provided by a provision in the 1972 Social Security Amendments which requires reduced Federal matching where the Secretary had not made a positive finding of adequate utilization review for institutional care. HEW informed GAO that it is preparing for the implementation of this provision by promulgating additional regulations regarding minimal utilization review activities and by preparing for the enforcement of the provision. (B-164031(3), Nov. 24, 1972, and Dec. 21, 1972.)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Opportunities to increase competition among suppliers of data processing services

At the request of the Chairman of the Subcommittee on Intergovernmental Relations, House Committee on Government Operations, GAO examined procurement policies and practices followed by Nationwide Mutual Insurance Company under its contract with the Social Security Administration (SSA) in subcontracting in September 1972 for electronic data processing services. Nationwide serves as the carrier, or organization making Medicare payments for physicians' services and other medical services, in Ohio and West Virginia.

GAO reported to the Subcommittee that in this procurement action (1) Nationwide did not follow sound, competitive procurement practices in developing specifications or in soliciting and evaluating proposals, (2) SSA allowed Nationwide considerable discretion in determining how to evaluate proposals and what factors to consider in selecting a particular subcontractor, and (3) SSA's stated policy of fostering competition among the various suppliers of data processing services was not fostered by this procurement.

Nationwide's evaluations were based on the offerors' estimates of the total cost of processing claims under each system rather than on the offerors' proposed prices for processing a Medicare claim. Because of the emphasis on evaluation factors other than costs, Nationwide selected the offeror with the highest cost proposal.

SSA made two evaluations and concluded that approval of the recommended award was not warranted because of the cost difference between the proposal selected by Nationwide and the lowest cost proposal. SSA's approach to evaluating the cost of proposals and its assumptions on future workload, salary increases, and manpower requirements differed from Nationwide's approach and assumptions.

Nationwide and the selected offeror agreed to modify the proposed subcontract substantially. The modifications involved guarantees of the total claims processing costs; but, despite SSA's suggestion that other offerors be given the opportunity to compete on this basis, Nationwide did not give the other offers such an opportunity.

GAO expressed the belief that this procurement action was not consistent with SSA's stated policy of fostering competition among the various suppliers of data processing services because (1) SSA's intervention to permit other offerors to respond to the modified terms and conditions was ineffective and (2) only one of the offerors could meet Nationwide's preference for a proven online system.

GAO recommended that, in line with its policy of fostering competition, SSA should:

SOCIAL SECURITY ADMINISTRATION (continued)

--Consider requiring that potential offerors be advised, in writing, of the evaluation criteria which will be used to evaluate their proposals and that they be advised of the relative importance that will be given to all evaluation factors.

--Give careful attention to the validity of the basic approaches and assumptions to be used in computing the total cost of a proposal and should advise carriers--as well as potential data processing subcontractors--just how the factors, over and above the quoted prices, are to be computed.

HEW concurred in GAO's suggestions and said it would revise its instructions to the carriers. (B-164031(4), Aug. 2, 1973.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY DEVELOPMENT

Improvement needed in the San Antonio Model Cities Program

The Model Cities Program was established to demonstrate that the environment and general welfare of people living in slum and blighted neighborhoods could be improved substantially through concentration of Federal, State, and local efforts. A city demonstration agency is responsible for developing and executing the Model Cities Program at the local level, and the Department of Housing and Urban Development (HUD) has overall administrative responsibility at the Federal level. Because of the importance of the Model Cities Program as a means of demonstrating new approaches to solving the social, economic, and physical problems of the cities, GAO examined into major areas of the planning, development, and implementation of the program in San Antonio from its inception in May 1968 to June 1971.

The two functional areas of the Model Cities Program designated by the city demonstration agency as having the highest priority were education and physical environment. GAO found that the agency had not met its objectives in implementing the program in these two areas during the first 2 action years of the program. Although it is difficult to identify major factors which affected the city demonstration agency's rate of progress in implementing the Model Cities Program, GAO identified certain factors which may have influenced the results and/or impact of the program. GAO noted:

--A minimum of State support in the first year of the program.

--A low level of citizen participation.

--Little coordination of effort between the city demonstration agency and Federal and local agencies.

--Inadequate technical assistance provided to the agency by Federal agencies.

--Problems with conflicting Federal and State regulations and policies which delayed the initiation of some projects.

--Difficulty for the agency in obtaining financial support.

--Limited and untimely program evaluations by the agency.

GAO recommended that the Secretary of HUD:

--In line with HUD's program guidelines, require the city demonstration agency to solicit the views of model-neighborhood residents in evaluating Model Cities Programs and projects.

COMMUNITY DEVELOPMENT (continued)

--In cooperation with the city demonstration agency, review the agency's day-to-day practices in coordinating its efforts with those of established agencies and after such a review, assist the agency in establishing procedures necessary for interagency cooperation and participation.

--Examine into the practices of the city demonstration agency in soliciting and using technical assistance from Federal agencies and, as appropriate, assist the agency in obtaining such assistance.

--Require HUD's regional and area offices to review the results of city demonstration agency evaluation efforts to insure that the agency makes project evaluations which are timely and of sufficient scope to measure project impact and performance.

HUD generally agreed with GAO's findings and recommendations. HUD said that, although it was certain that some difficulty would continue in the management of the San Antonio Model Cities Program, it was encouraged by the results and increasing responsiveness at all government levels. HUD also anticipated that its decentralization of the Model Cities Program to its area offices should further strengthen the program and help alleviate many of the problems noted in the San Antonio program. (B-171500, Jan. 9, 1973.)

Improving the Model Cities Program

GAO examined the planning, implementation, administration, and evaluation of four functional areas--manpower, economic development, education, and health--of the Model Cities Programs in Kansas City and St. Louis, Missouri, and New Orleans, Louisiana. These functional areas were selected because (1) they had been designated by the cities as high priority areas, (2) they required a high degree of Federal agency assistance and coordination, and (3) Federal agencies allocated and the cities spent significant amounts of funds in these areas.

GAO reported to the Congress that the three cities had had varying degrees of success in attaining the annual goals of their Model Cities projects in the manpower, economic development, and health areas; in the educational area, all three cities accomplished their annual project goals. The following weaknesses in HUD's and city demonstration agencies' administration of the program may have affected the attainment of project goals.

--Development of plans on the basis of data on neighborhood conditions that was, in many cases, neither current nor sufficiently complete.

--Use of HUD supplemental funds to expand existing programs instead of to develop new and innovative projects.

COMMUNITY DEVELOPMENT (continued)

--Lack of success in obtaining Federal grant-in-aid funds or States and local funds to support the programs.

--Insufficient efforts to timely develop evaluation plans to measure progress.

GAO recommended that HUD:

--Require city demonstration agencies to periodically obtain and analyze information on the extent and causes of problems in the model neighborhoods and to use the results of such analyses to (1) plan the types of projects that will help alleviate the neighborhood problems and (2) ascertain whether existing projects represent the most suitable approaches to accomplishing their program goals.

--Ascertain, in its reviews of cities' plans, whether the cities are developing new and innovative approaches to solve their social, economic, and physical problems and, when it appears that the cities are using HUD supplemental funds primarily to expand existing programs, assist city demonstration agencies, through its regional and area offices, to develop new and innovative projects.

--Examine city demonstration agency efforts to establish organizational structures (including staffing) for conducting required evaluations of projects; define program goals and objectives for measuring progress and for identifying problems of projects; and use evaluation results in planning, refining, and revising their comprehensive plans and in designing and initiating new programs and activities.

--Periodically review the evaluation efforts of city demonstration agencies to insure that HUD's requirements are being met.

HUD generally agreed with GAO's findings and recommendations. It said, however, that city demonstration agencies' administrative capabilities and economic conditions, rather than insufficient data, were the more salient causes of difficulties in the manpower and economic development areas. It said also that neither the statute nor HUD's guidelines required innovation within each project or as an essential approach to the cities' longstanding problems. GAO believes that the legislative history of the Model Cities Act clearly shows that the Congress anticipated that emphasis would be placed on new and innovative projects and that supplemental funds would be used for such projects.

HUD also stated that it was aware that local evaluation efforts were deficient. (B-171500, Jan. 16, 1973.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GENERAL INSURANCE

Actions needed to provide greater flood insurance protection

To compensate people suffering loss of property because of floods, the Congress established the National Flood Insurance Program administered by the Federal Insurance Administration (FIA). GAO reviewed the program to determine whether it was meeting its objectives to provide property owners with flood insurance and to encourage flood-prone communities to adopt land use and control measures designed to reduce flood damage.

GAO reported that much more needs to be done if the program is to fully meet its objectives. Responses to questionnaires sent to a sampling of nonparticipating communities indicated that many communities were not aware of the program. Maximum benefits were not available to many participating communities because FIA had not made the required flood plain studies. FIA review and approval of communities' land use and control measures was not timely, and FIA had not established a program to monitor community implementation of the measures.

GAO recommended that FIA send literature describing program benefits and eligibility requirements to officials of nonparticipating communities to help them decide whether they should apply to participate in the program. GAO recommended also that FIA use private engineering firms to make flood plain studies to the extent that funds are available and that Federal agencies cannot make them on a timely basis. GAO further recommended that FIA review communities' land use and control measures, notify communities having deficient measures of needed corrective action, and establish a monitoring program of communities' compliance with FIA land use and control measures.

The Administrator, FIA, agreed with GAO's recommendations but stated that lack of staff had prevented FIA from making such improvements. (B-178737, July 19, 1973.)

HOUSING PRODUCTION AND MORTGAGE CREDIT

Benefits could be realized by revising policies and practices for acquiring existing structures for low-rent public housing

The low-rent housing program is designed to make decent, safe, and sanitary dwellings available to low-income families at rents within their financial means. HUD provides financial and technical assistance to LHAs, which develop and/or acquire, own, and operate low-rent public housing projects to accomplish this aim.

To provide low-rent public housing, LHAs use several methods--conventional construction, turnkey, direct acquisition of existing privately owned dwellings, and leasing.

Use of direct acquisition method does not increase housing supply

GAO reviewed HUD's and LHAs' practices and procedures relating to the direct acquisition method of obtaining existing, occupied standard structures and found that, although the method was expendient, it had certain disadvantages which tended to make it less desirable than other methods.

By using the direct acquisition method, the LHAs increased the supply of low-rent public housing but did not directly help to achieve the national housing goal f increasing the housing supply.

GAO's review of 15 projects in 8 selected cities or metropolitan areas showed that LHAs had expended about $80 million to acquire the projects without increasing the supply of standard housing by a single unit. HUD's analyses of housing-market conditions showed that, in seven of the eight cities, a need for both subsidized and nonsubsidized standard housing existed when these projects were acquired. The LHAs' action, therefore, did not improve the overall condition of the housing market. It appears that, in such cases, the construction of new housing and the rehabilitation of substandard housing would be the preferred method and would use Federal funds more effectively by adding to the supply of standard housing.

GAO proposed that HUD limit its financial assistance to LHAs to the acquisition of privately owned standard housing where the supply of such housing exceeds the demand and terminate the acquisition of existing, occupied, privately owned standard housing which is in the planning or early development stages and use the funds instead to finance the construction of new low-rent public housing projects or to purchase and rehabilitate existing substandard housing.

HUD did not agree because it felt that such a practice would be too restrictive. HUD commented that, despite an overall demand for unsubsidized housing in a community, some structures would not meet the demand for various reasons.

HOUSING PRODUCTION AND MORTGAGE CREDIT (continued)

GAO agreed that, if certain standard housing had a high vacancy rate and could be purchased at an acceptable price, acquisition of such housing by an LHA would be beneficial. Of the 15 projects reviewed by GAO, however, all had low vacancy rates.

Acquired units are not being used to house those most in need

GAO's review showed that the acquisition of privately owned standard housing generally had not substantially reduced the number of families or persons living in substandard housing, because many of the occupants of the acquired housing units had previously lived in standard housing. Some of the families occupying the acquired units had incomes exceeding the established limits entitling them to public housing. Also, some persons were occupying units larger than those suggested in HUD's guidelines.

Because only a relatively small number of the occupants of the acquired housing projects included in GAO's review had previously occupied substandard housing, there appeared to be a need for specific standard admission policies to insure that those families or persons most in need are given preference.

GAO suggested that the Congress might wish to require that LHAs give preference for admission to public housing to occupants of private substandard housing over those who are occupying private standard housing.

Hardships to former occupants of acquired properties

The acquisition of privately owned standard housing has provided standard housing to certain low-income families sooner than it could have been provided under the other methods, but it has resulted in (1) hardships to former occupants of acquired projects who were forced to move and (2) loss of tax revenues to local governments. In some cases, the people forced to move were not assisted in relocating, although HUD regulations provided for it. Other displaced occupants were subjected to physical and financial hardships.

GAO recommended that HUD, prior to approving LHAs' acquisition of occupied, privately owned standard housing, require LHAs to adequately demonstrate that housing of comparable quality and rent existed in the area and that adequate relocation assistance would be available for tenants to be displaced.

Because it is awaiting the results of its housing studies, HUD took no action on GAO's recommendation.

Need to insure that prices of acquired properties are reasonable

GAO's review indicated that HUD needed to improve its procedures to provide adequate assurance that the prices of acquired properties are

HOUSING PRODUCTION AND MORTGAGE CREDIT (continued)

reasonable. GAO recommended that HUD establish appraisal requirements for the direct acquisition method similar to those established for the turnkey method which requires that two independent cost estimates be obtained and provide that the total price be no greater than the average of the cost estimates. Although HUD agreed with this recommendation, it took no action pending the results of the housing studies. (B-114863, Sept. 7, 1972.)

Reducing costs in acquiring properties resulting from defaults on home loans

Privately financed home loans are insured by HUD or are guaranteed by the Veterans Administration (VA). VA also makes loans to veterans unable to obtain private financing and to purchasers of properties which VA acquired as a result of loan defaults. When a borrower defaults on a HUD-insured or VA-guaranteed loan, the lender terminates the loan, acquires the property, and generally conveys the property to HUD or VA in exchange for insurance or guaranty payments. When a borrower defaults on a VA-financed loan, VA terminates the loan and acquires the property.

In a report to the Congress, GAO stated that the Government could reduce foreclosure costs on HUD-insured, VA-guaranteed, and VA-financed loans by wider use of the "power of sale" method of foreclosure. Defaulted loans generally are terminated by foreclosures conducted in accordance with State statutes. In the District of Columbia and in the 26 States which authorize the use of the power-of-sale method of foreclosure, foreclosures are generally less costly and less time consuming than the judicial and other methods of foreclosure authorized by the other 24 States because the power-of-sale foreclosures can be completed without court action.

GAO reported that costs could further be reduced by HUD's and VA's greater emphasis on the "voluntary deed" method of terminating such loans; by VA paying mortgage claims on defaulted loans as HUD does; and by HUD's reliance on mortgagees' title evidence for foreclosed properties.

GAO recommended that HUD and VA:

--Provide mortgagees with data on loan termination costs to enable them to determine when they should attempt to obtain voluntary deeds to properties securing defaulted loans.

--Require mortgagees to furnish justifications for foreclosing mortgages instead of accepting voluntary deeds.

In addition, HUD should stop requiring mortgagees to purchase additional title evidence for properties acquired by foreclosure and conveyed to HUD. VA should adopt HUD's policy for paying mortgagees for costs involved in terminating defaulted loans and in conveying the mortgaged properties to VA.

GAO also 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.

HOUSING PRODUCTION AND MORTGAGE CREDIT (continued)

HUD expressed support for new initiatives to encourage mortgagees to accept voluntary deeds but stated that mortgagees are well aware of the costs involved in either the voluntary deed or the foreclosure method. HUD also stated that it planned to amend its mortgage instructions to require justifications from mortgagees for foreclosing in lieu of accepting voluntary deeds, but has not yet done so. VA stated that its existing policy was adequate. GAO believes HUD and VA need to encourage mortgagees to seek a greater number of voluntary deeds, especially in those States where it would result in reducing property acquisition costs.

HUD objected to discontinuing the purchase of title evidence for foreclosed properties because many foreclosures are faulty. GAO believes the risk to HUD of title defects is minimal and that the costs incurred by HUD for additional title evidence are unnecessary.

VA objected to adopting HUD's policy of paying mortgagees for loan termination and property conveyance costs on the basis that its existing policies make VA loans an attractive investment and encourage mortgagees to be lenient with defaulting mortgagors. GAO noted, however, that HUD's policy also encourages leniency.

HUD and VA generally agreed with GAO's recommendation that the Congress establish a Federal power-of-sale foreclosure law for all federally financed, insured, or guaranteed home mortgages. (B-114860, Oct. 20, 1972.)

Opportunity for reducing interest costs

As authorized by sections 235 and 236 of the National Housing Act, HUD makes monthly assistance payments to mortgagees so that low-income families may purchase or rent housing. HUD insures that the mortgage loans will be paid and charges the mortgagees for the insurance premiums. HUD's monthly assistance payments include the monthly amounts of the mortgage insurance premiums. Annually, on the anniversary month of each mortgage, the mortgagees pay the accumulated premium to HUD.

GAO reported to the Congress that, because HUD's monthly assistance payments include the mortgage insurance premiums, HUD is paying out funds which it must collect from the mortgagees and that the Government loses the use of such funds for an average of 6 months each year. GAO estimated that the interest costs applicable to the insurance premiums for the sections 235 and 236 mortgage balances of about $11 billion would be at least $1.6 million during fiscal year 1973. GAO proposed that HUD save such interest costs by deducting the premiums from the monthly assistance payments.

HUD did not agree with the proposal and stated procedures under the section 236 program already met the proposal objective. HUD stated that implementing the proposal for the section 235 program would offset any savings that would result because of the cost of the additional work necessary to implement the proposal. GAO disagreed and therefore recommended that the Congress authorize HUD to waive the mortgage insurance premiums for the section 235 and 236 housing programs similar to the waiver of premiums provided for mortgages insured under the low- and moderate-income rental

HOUSING PRODUCTION AND MORTGAGE CREDIT (continued)

housing program authorized by section 221(d) (3) of the National Housing Act. (B-171630, Nov. 22, 1972.)

Opportunities to improve effectiveness and reduce costs of homeownership assistance programs

Low- and moderate-income families are assisted in becoming homeowners through mortgage insurance, loans, and interest subsidies administered by HUD and the Department of Agriculture (USDA). Because of the magnitude of Federal funds involved in these programs and indications of problems encountered in administering the programs, GAO reviewed the programs to determine whether HUD and USDA could improve program effectiveness and reduce costs.

In a report to the Congress, GAO reported that HUD and USDA, in allocating program resources, did not insure that all eligible families had the same opportunities to participate in the programs regardless of where they lived. The need for subsidized housing had not been identified adequately and was not used as the primary basis for allocating limited resources. An area's capacity to produce housing was a major factor in distributing HUD program resources at both national and local levels. Allocations of USDA program resources at the national level were based primarily on prior years' housing production and allocations at the local level were based primarily on a first-come, first-served basis.

GAO also reported that HUD and USDA (1) had approved for mortgage insurance or loans housing with significant defects which concerned the health and safety of the occupants and (2) had not determined the causes of mortgage defaults and ways of reducing the default rate.

GAO informed the Congress that HUD could save about $1 billion if its homeownership assistance program were financed through Government borrowings rather than through private lenders because of the lower interest rate at which the Government could borrow.

GAO recommended that HUD and USDA:

--Insure that program resources are allocated primarily in proportion to identified needs.

--Reinspect all houses within the 1-year warranty period after purchases to insure that housing defects have been properly identified and corrected.

--Require in-depth studies to determine reasons for defaults and use such studies to develop guidelines for screening and counseling program applicants.

USDA should make separate allocations of program resources for subsidized and unsubsidized housing loans according to need. In addition, it should establish procedures or seek legislation, if necessary, to provide

HOUSING PRODUCTION AND MORTGAGE CREDIT (continued)

the purchasers of existing rural housing with a right of recourse to the sellers for defects existing at the time of purchase.

GAO also recommended that the Congress consider legislation which would permit HUD's homeownership assistance program to be financed by the Government rather than by private lenders because of the possible savings in interest costs. A similar recommendation by GAO had previously been made to the Congress on legislation for financing rural housing programs.

HUD said it has increasingly considered needs in its allocations of program resources, and USDA directed that at least 50 percent of its program resources be allocated to subsidized rural housing. GAO believes that both agencies should identify true needs and allocate resources accordingly.

HUD agreed, within the constraints of available funding, to make reinspections; USDA notified its field staff to make inspections prior to expiration of the warranty period. Both HUD and USDA mentioned procedures for determining causes of defaults. GAO believes, however, that they should give attention to analyzing causes of defaults and minimizing future defaults.

USDA said it was considering a legislative proposal which would authorize it, as a last resort, to advance funds to correct any defects.

HUD, the Treasury Department, and the Office of Management and Budget agreed that the cost of Government financing would be lower than financing through private lenders but said that factors other than cost must be considered. (B-171630, Dec. 29, 1972.)

Opportunities to improve effectiveness and reduce costs of rental assistance housing program

GAO reviewed HUD's program to increase rental housing units for low- and moderate-income families to determine whether HUD could improve its effectiveness and reduce costs. The review showed that HUD, in allocating program resources, had not insured that all eligible families had the same opportunity to participate in the rental assistance program regardless of where they lived. The need for subsidized housing had not been identified adequately and had not been used as the primary basis for allocating the limited program resources. A major factor in allocating resources was an area's capability to produce housing.

GAO also found that HUD did not adequately consider purchase or option price data in its land appraisals. However, in April 1972, HUD issued revised guidelines which, if properly followed, should improve the appraisals.

In its report to the Congress, GAO stated that HUD could save about $1.2 billion in rental assistance program costs if mortgage loans for fiscal years 1973 through 1978 could be financed through direct Government borrowings, rather than through private lenders, because of the lower interest rate at which the Government could borrow.

HOUSING PRODUCTION AND MORTGAGE CREDIT (continued)

GAO questioned whether existing incentives to private investors, such as low capital investment and income tax shelters, would insure high-quality management services over the lives of the projects. Tax shelters, in particular, generally expire within the first 10 years of project ownership and are available to project owners regardless of how well or how poorly they manage projects.

GAO recommended that HUD (1) insure that rental assistance program resources be allocated primarily in proportion to needs and (2) monitor field offices' land valuation practices to insure compliance with HUD's revised guidelines. GAO also recommended that HUD and the Treasury Department should jointly study the adequacy of project ownership incentives in promoting good project management and, if necessary, take appropriate action to restructure the incentives.

GAO recommended that the Congress consider legislation which would permit the rental assistance housing program to be financed by the Government, rather than by private lenders, because of the possible savings in interest costs. GAO previously made similar recommendations to the Congress on the financing of HUD's homeownership assistance program and the Department of Agriculture's rural housing program.

HUD stated that it had been considering a more intensive effort to stimulate housing production where it was most needed and agreed that field compliance with appraisal guidelines needed to be monitored. If subsidized housing is to be fairly distributed throughout the Nation, GAO believes HUD must identify true needs and allocate resources accordingly.

Treasury questioned whether the existing tax shelters encourage investors to sell or neglect properties after the shelters expire. HUD believed that new incentives, rather than a change of existing incentives, were needed and said that it planned to explore the matter in depth.

HUD, the Treasury Department, and the Office of Management and Budget agreed that direct Government financing would result in cost savings, but they favored the present method of private financing because of other factors. (B-171630, Jan. 10, 1973.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

INTERSTATE LAND SALES

Improved consumer protection needed in interstate land sales

To help protect the public in interstate land transactions, the Congress, in August 1968, enacted the Interstate Land Sales Full Disclosure Act, to be administered by HUD. Because HUD received complaints of abuses in such transactions, GAO reviewed how HUD's Office of Interstate Land Registration was carrying out its regulatory responsibilities.

GAO's review showed that, because HUD's Office of Interstate Land Sales Registration had only 55 full-time staff members and no field support, it could not identify all unregistered land developers, effectively coordinate consumer protection activities with the States, and adequately verify land developers' registration information. The Office could not investigate all significant violations of the law or take prompt enforcement action against developers.

GAO recommended that HUD, to the extent practicable, decentralize the Office's regulatory activities--assigning responsibility to HUD field office personnel. HUD commented that it was evaluating GAO's recommendation and had budgeted to increase its permanent staff to 74 employees in fiscal year 1974.

GAO also recommended that HUD:

--Selectively inspect subdivisions before and after registration to verify the accuracy and reliability of land developers' disclosures and to help determine the adequacy of State regulatory programs.

--Establish agreements with the States for exchanging information on land subdivisions and developers.

--Improve followup procedures to insure that land developers respond promptly to consumer complaints referred by the Office.

--Investigate alleged significant violations of the act indicated by consumer complaints.

--Promptly act against developers who, contrary to law, fail to amend statements of record and property reports and who may be offering unregistered land for sale.

HUD disagreed that subdivisions should be inspected before registration because it believed the States could better perform this function. GAO believes that, until HUD is reasonably satisfied that the States' inspection programs are adequate, the Federal Government should take the initiative in making such inspections.

HUD also stated it plans to eliminate its complaint backlog and to take more effective action against violators. (B-118754, June 13, 1973.)

DEPARTMENT OF THE INTERIOR

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DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Need for reevaluation of acreage limitation on irrigation benefits

The Reclamation Act of 1902 limits to 160 acres the land on which any one owner is entitled to receive irrigation benefits from a federally subsidized water resources project. Objectives of the limitation are to break up large, private landholdings, spread the benefits of the irrigation program to the maximum number of people, and promote the family-sized farm as a desirable form of rural life.

GAO's review of the Central Valley project, the largest project administered by the Bureau of Reclamation, Department of the Interior, showed that the 160-acre limitation had not resulted in preventing (1) large landowners and farm operators from benefiting under the program and (2) landowners and farm operators from retaining or acquiring large landholdings. These beneficiaries were receiving project water on large landholdings by leasing eligible land from the individual owners and retaining or controlling eligible land by establishing corporations, partnerships, and trusts.

The impact of modern technology and techniques on farming raises a question as to the practicability of limiting the use of water from Bureau water resources projects to a landowner's 160 acres of irrigable land.

GAO recommended that the Congress reevaluate the appropriateness of the 160-acre limitation. If the Congress determines that establishment of family-sized farms should still be encouraged by retaining the limitation, it should enact clarifying legislation to preclude large landowners and farm operators from circumventing the limitation through controlling numerous 160-acre tracts by organizing corporations, partnerships, and trusts, and/or by leasing additional tracts. Should the Congress consider the 160-acre limitation no longer desirable, however, it should enact legislation which would (1) establish a new maximum acreage limit for family-sized farms that would be eligible to receive Federal project water at subsidized rates, (2) preclude large landowners and farm operators from circumventing the limitation, and (3) require the payment of the full cost of irrigation water furnished to larger areas.

The Department generally agreed with GAO's findings and stated that there was good reason to undertake the difficult task of restating, consolidating, and modernizing the acreage limitation provisions of reclamation law and that it was earnestly endeavoring to develop a proposal for that purpose. (B-125045, Nov. 30, 1972.)

GEOLOGICAL SURVEY

Improved inspection and regulation could reduce the possibility of oil spills on the Outer Continental Shelf

At the request of the Chairman, Conservation and Natural Resources Subcommittee, House Committee on Government Operations, GAO reviewed the adequacy of the Department's inspection and regulation of oil and gas operations on Federal leaseholds on the Outer Continental Shelf (OCS) to prevent oil spills. In its June 1973 report to the Subcommittee, GAO pointed out that the Department's Geological Survey could improve supervision of these operations in several respects.

Strengthening enforcement proceedings

The law authorizes the Department to fine lessees for knowingly and willfully violating OCS regulations and to cancel leases for not complying with the law, regulations, or lease provisions. These sanctions generally require proceedings in a U.S. district court. GAO found that, to enforce its regulations, the Survey usually issued written warnings to lessees. The Gulf Coast Region also ordered stoppages of equipment operations until deficiencies were corrected.

GAO further observed that Survey inspectors in the Gulf Coast Region did not always follow prescribed regional enforcement actions. For example, in a case involving a violation of required safety procedures, the inspector orally warned the operator instead of suspending operations until the deficiency was corrected. The Gulf Coast Region had not specified circumstances under which inspectors would be authorized to alter or waive prescribed enforcement actions.

The Survey's Pacific Region used only written warnings which were not always effective in obtaining prompt remedial action by the operators. Survey officials told GAO that the policy in the Santa Barbara Channel was not to require shutting down wells where natural oil seepage was a special problem.

However, the failure of a safety device, unless promptly corrected, could result in a blowout causing greater pollution than the seepage. Therefore, GAO recommended that the Survey consider the advisability of halting operations, if necessary, on individual wells as is required in the Gulf Coast Region.

Improving inspection activities

The Survey has issued written policies on the frequency of inspections for only the operation of producing wells, but not the drilling of new wells, remedial work on producing wells, or abandonment of nonproductive wells.

Making sufficient inspections was not a problem in the Pacific Region where relatively few offshore structures are operating. However, in the

GEOLOGICAL SURVEY (continued)

Gulf Coast Region, where many structures are spread over 108,000 square miles, the district offices did not inspect structures as frequently as required by regional standards or by official Survey policy. For example, only half of 50 wells started in fiscal year 1972 were inspected during the drilling operations although the region's unwritten policy called for inspecting each well.

Although the Gulf Coast Region's inspection staff had been increased from 10 engineers and technicians in 1969 to 39 in 1972, regional officials explained that additional personnel would be needed, along with additional transportation means, before frequency of inspections could be increased.

GAO recommended that the Survey establish a realistic policy on how frequently each type of OCS operation must be inspected, considering the resource available and the risks of oil spills involved. GAO also recommended that the Survey consider establishing a formal training program for its inspectors, because of their increasing inspection responsibilities and changing technologies in offshore oil and gas operations.

Regulation of offshore operations

GAO noted a need for regulating certain offshore operations not covered by Survey regulations.

--A program to control erosion of pipes and other equipment which often causes safety devices to fail and contributes to spills.

--Regulations governing remedial work on producing wells, known as workover and wireline operations.

--Regulations governing concurrent drilling, production, and remedial operations on a single structure which, according to Survey officials, are dangerous because of the confusion caused in a confined area.

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Department officials informed GAO that actions were underway to implement most of GAO's recommendations. Also, the Department had sponsored three studies, completed between November 1971 and December 1972, to recommend improved Federal safety and pollution control regulations and procedures for OCS oil and gas operations. The Survey assigned a special work group to evaluate these studies, and in May 1973 the group presented 15 recommendations to implement its findings. (B-146333, June 29, 1973.)

SOUTHWESTERN POWER ADMINISTRATION

Financial progress and problems in the Southwestern Federal power system

The Department of the Interior's Southwestern Power Administration (SPA) is the marketing agency for power generated at Federal water resources projects in the Southwestern United States. SPA is required to recover, through revenues from sales of power, the Federal investment in the power features of these projects within 50 years from the date each project is placed in service.

At the end of fiscal year 1970, after 25 years into the repayment period, SPA had not repaid any portion of the Federal investment in the system and was about $29.7 million in arrears in recovering other costs. It had, however, prepared rate and repayment studies showing that the repayment requirements would be met.

GAO questioned the validity of the most current study (February 1971) because long range cost and revenue projections were based on data, the reliability or currentness of which was doubtful.

The Department of the Interior concurred in two principal recommendations that (1) a revised rate and repayment study be made and (2) action be taken to firm up tentative cost allocations. The Department did not agree, however, with GAO's recommendation that SPA supplement future rate and repayment studies for the system with comparisons of actual repayments of the Federal investment with annually scheduled repayments established on either a compound interest amortization method or on any other orderly method. GAO believes that such information would be useful to the Congress and SPA management, as a basis for inquiring into the adequacy of power rates. (B-125031, Nov. 22, 1972.)

DEPARTMENT OF JUSTICE

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DEPARTMENT OF JUSTICE

LAW ENFORCEMENT ASSISTANCE ADMINISTRATION

Need to determine cost and improve reporting of the nationwide criminal data exchange system

In January 1973 GAO reported to the Congress that the Department of Justice needed to determine the cost of developing and operating a nationwide criminal data exchange system and to improve the reporting of data contained in the system. The Law Enforcement Assistance Administration (LEAA) awarded grants, totaling about $4 million, to develop a prototype of such a system and to enable 20 States to participate when it became operational.

GAO reported that, because the cost to develop a fully operational system had not been determined, State and local governments could not determine whether they would be able, or willing, to meet the financial requirements of developing and operating the system. It also reported that system users had no assurance that the data they received was complete or accurate because arrest information was maintained and disseminated without the related disposition information to show whether an individual was innocent or guilty.

GAO recommended that, before authorizing substantial additional expenditures, the Attorney General should require that either the Federal Bureau of Investigation (FBI) or LEAA determine the total cost of developing and operating the criminal data exchange system. It also recommended that the FBI and LEAA implement a program for improving the reporting of arrests and dispositions by criminal justice agencies to the State agencies which enter data into the national system.

The Department agreed with GAO's recommendations and in July 1973 said that it was developing a method to estimate system costs. However, the Department stated that to improve reporting Federal legislation was needed to insure that States provide timely disposition data on reported arrests. (B-171019, Jan. 16, 1973.)

DEPARTMENT OF LABOR

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MANPOWER ADMINISTRATION

Concentrated Employment Program in New York City has not met its employment objectives

The Concentrated Employment Program (CEP) is designed to combine all manpower services necessary to help unemployed and low-income persons obtain and hold regular jobs. GAO wanted to determine how well this was being done in New York City.

About $675 million was allocated for CEP in the 4-year period ended June 1971. At that time, CEP was operating in 69 urban and 13 rural locations and CEP had reached 384,000 persons. CEP was established in New York City in three areas, South Bronx, East Harlem, and Central Harlem. GAO's evaluation mainly covered South Bronx because CEP was just getting underway in East and Central Harlem when GAO's field work began.

GAO reported that CEP, after a reasonable start in South Bronx, fell considerably short of its goals pertaining to the number of persons enrolled in CEP and the number of persons placed in jobs in all three areas. For example, in the South Bronx during the second contract period, October 1968 to September 1971, about 2,160 persons were enrolled in CEP and 831 were reported to have been placed in jobs. The goals for that period were to enroll 3,670 persons and to subsequently place 3,200 in jobs.

GAO also reported several shortcomings in CEP administration which had been responsible for the South Bronx CEP's failure to reach its program goals. These shortcomings included:

--CEP did not have an active outreach function--an intensive on-the-street and door-to-door activity--to identify and recruit eligible persons.

--Procedures for screening enrollees for eligibility were not adequately followed. As a result, many enrollees were ineligible or their eligibility could not be determined on the basis of recorded information.

--Although the agency responsible for training enrollees was changed repeatedly, the agencies were unable to establish a suitable training program.

--CEP staff members had high turnover rates in both key and lower positions and were inadequately indoctrinated in CEP objectives and approaches.

Subsequent to GAO's review, corrective actions were taken or planned by Labor and New York City to strengthen CEP in the South Bronx and Central Harlem areas. The East Harlem CEP was substantially revised in June 1971 and was administered under more flexible guidelines, which Labor considered more responsive to the need of the community.

MANPOWER ADMINISTRATION (continued)

GAO recommended that the Department of Labor monitor the planned improvements in CEP in the South Bronx and the two Harlem areas to make sure that (1) the contractual responsibilities of the prime sponsor and participating agencies are clearly understood and carried out, (2) an active outreach activity that will bring into CEP those area residents most in need of manpower assistance is performed, and (3) all possible assistance is extended to CEP enrollees who experience problems in attending training courses and in finding or retaining suitable employment.

The Department of Labor agreed that the recommendations must be implemented if CEP is to attain satisfactory performance. The Department also recognized that CEPs should not continue to be funded unless a specific plan is developed to implement the recommendations and to establish necessary performance standards. (B-130515, Sept. 7, 1972.)

Need to improve effectiveness and management of Neighborhood Youth Corps in-school program

The in-school component of the Neighborhood Youth Corps (NYC) program provides paid work experience and supportive services to youths from low-income families to encourage their continued enrollment in school. GAO reviewed the 1970-71 NYC in-school program in three locations to determine whether the program's effectiveness had been improved since GAO's prior reviews of the NYC program in 1968 and to evaluate certain aspects of program administration.

GAO reported to the Congress that the effect of the in-school program on school drop-out tendencies had not changed. Enrollees in the projects GAO reviewed dropped out at about the same rate as those who were eligible but not enrolled. GAO's latest review, as had its earlier reviews, showed the sponsors did not consider an applicant's drop-out potential in determining his eligibility. The Department told GAO that it would reassess the dropout-potential aspects of the eligibility criteria to improve selection of eligible youths and emphasized to its regional offices that, in the meantime, all projects should be reminded to fully use current drop-out characteristics data along with other enrollment requirements.

GAO also reported on weaknesses in the work experience and training, counseling, and remedial education provided to enrollees. The Department needed to monitor sponsor operations more effectively to better insure compliance with NYC contracts and departmental guidelines and controls over enrollee payrolls needed to be improved to insure that accurate and complete records are maintained and unauthorized expenditures are avoided.

GAO made several recommendations to the Department of Labor for improving program operations and management. The Department agreed that corrective action was needed in all areas discussed in the report and advised GAO that new guidelines were sent to the field to eliminate or diminish the problems cited. (B-130515, Feb. 20, 1973.)

MANPOWER ADMINISTRATION (continued)

Selection and enrollment of participants in programs under the Emergency Employment Act of 1971

Pursuant to his request, GAO reported to the Chairman, Subcommittee on Employment, Manpower, and Poverty, Senate Committee on Labor and Public Welfare, on the selection and enrollment of participants in programs under the Emergency Employment Act of 1971 (EEA).

Procedures for reaching, screening, and hiring participants

As of June 1972 EEA had obtained public service jobs in State and local governments for 168,700 persons. About 17,000 of these persons had been previously employed in State or local governments but had been laid off, generally because of budgetary problems.

The special publicity and outreach efforts of the program agents (States, counties, and cities), as well as the rate of unemployment and the number of unemployed persons in the areas served by the agents, undoubtedly had some effect on the number of persons applying for EEA jobs. Although GAO's analysis did not establish any direct correlation between the outreach efforts or the number of unemployed persons and the number of job applicants, it did show that generally the higher the rate of unemployment, the higher the ratio of applicants to jobs.

Matching applicants to the available jobs has largely been achieved through existing administrative units of government, without creating new bureaucracies and apparently without changing much in the existing institutions. Efforts to get unemployed persons into jobs as soon as possible met a number of obstacles, some of which could not have been anticipated and others which could have been eliminated by better planning and program information.

Reaching target groups

Program agents established various priorities for hiring persons to fill jobs under EEA. The majority of program agents had hiring procedures which gave preference to veterans. Almost all the program agents stated that they also gave preference to other significant segments of the unemployed, such as disadvantaged persons and members of minority groups.

Data on the extent of unemployment among the significant segments of the population was generally not available on a localized basis. GAO therefore was unable to determine whether the various groups of unemployed persons, such as young or disadvantaged persons, were being properly represented among those being hired. (B-163922, Oct. 12, 1972.)

MANPOWER ADMINISTRATION (continued)

Types of jobs offered to unemployed persons under the Emergency Employment Act of 1971

Pursuant to his request, GAO reported to the Chairman, Subcommittee on Employment, Manpower, and Poverty, Senate Committee on Labor and Public Welfare, on the types of jobs offered to unemployed and underemployed persons under the EEA, GAO reported that:

--Program agents selected and established job opportunities to meet a wide variety of public service needs. The largest number of jobs were to provide educational, law enforcement, public works, and transportation services.

--Factors most often cited as affecting the types of jobs selected were (1) unmet public service needs of the area and (2) needs and skills of unemployed persons. Lack of funds for job-related training, lack of time to adequately assess public service needs, and potential for permanent employment also affected job selection.

--Controversies arose over the types of jobs selected by 11 of the 23 program agents in the GAO review. Except in one case, these controversies did not seriously delay program implementation. In about half the cases, the controversies were resolved by modifying the job types or the employment practices which affected job selection.

--Most jobs provided program participants with the same wages and benefits as comparable employees of the program agents and subagents included in the GAO review. A number of agents and subagents, however, established special job classifications for EEA participants and, for this reason, the participants did not qualify for retirement benefits or promotional opportunities available to regular permanent employees. Other rights or benefits for which some participants did not qualify included severance pay, maternity leave, tenure, regular merit and special in-grade salary adjustment, night or overtime pay differential, and appeal rights for grievances.

--Overall, program agents were able to use EEA funds to establish public service jobs which would result in employment for a substantial number of persons. Some program agents, however, were not always able to establish jobs to meet their highest public service needs, due to a lack of funds for equipment and supplies or for training potential employees. Also, certain local conditions, such as established civil service rules and limited opportunities for advancement within existing job structures, differed among the program agents reviewed. As a result, program implementation was less than uniform and, in some cases, agents were precluded from complying with all of the act's requirements. Nevertheless, agents generally made genuine efforts to meet the act's requirements and to provide advantageous job opportunities to EEA participants. (B-163922, Nov. 27, 1972.)

MANPOWER ADMINISTRATION (continued)

Impact of grants to Indian tribes under the Emergency Employment Act of 1971

In a report to the Chairman, Subcommittee on Employment, Manpower, and Poverty, Senate Committee on Labor and Public Welfare, pursuant to his request, GAO reported that:

--The EEA program has created additional jobs for unemployed Indians and alleviated some of the public service needs of the tribes reviewed. The EEA program, however, as presently funded, cannot be expected to have a major impact on the chronic shortage of jobs on or near most reservations.

--Overall, program agents serving Indian tribes were more effective than other program agents in placing EEA participants in permanent nonsubsidized jobs on or near reservations. After about 10 months of program operation, about 200 participants of the tribes reviewed had been permanently placed. There were some prospects for additional permanent placements. However, in some cases, the prospects for permanent placement were somewhat limited.

--Because of limitations on the use of EEA funds and the general lack of tribal funds, tribes have had problems financing costs of program administration and supportive services and some enrollees have had to pay for work related costs.

--A departmental decision that other program agents could not allocate EEA funds to tribes would have significantly decreased funding for tribes in the State of Washington. According to Department officials, the Secretary of Labor plans to allocate discretionary EEA funds to cover any amounts which tribes may lose.

GAO also reported that jobs established by the tribes reviewed were chosen to meet tribal needs and to fit the skills of the unemployed. The establishing of types of jobs was limited by the lack of funds to purchase certain needed equipment and the lack of persons with appropriate skills for the jobs. Most jobs provided the tribes with needed public services. Benefits included improved housing and roads, improved management of tribal affairs, and assistance to tribal enterprises. (B-163922, Mar. 14, 1973.)

Public service benefits from jobs under the Emergency Employment Act of 1971

In a report to the Chairman, Subcommittee on Employment, Manpower, and Poverty, Senate Committee on Labor and Public Welfare, pursuant to his request, GAO reported that nationwide about 200,000 public service jobs were established by State and local governments under EEA during fiscal year 1972, the first year of the program. Although GAO found it somewhat difficult to determine the extent of changes in public services resulting from the

program, according to statements made to GAO by program agents, it appears that the public service benefits objective of the act was being met.

A related review by GAO of other program agents in rural and urban areas showed that, in the urban areas, the program generally served to prevent a decrease in city services rather than to provide additional services and that, in the rural areas, the program generally provided additional needed public services. (B-163922, June 8, 1973.)

DEPARTMENT OF LABOR

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

More concerted effort needed by the Federal Government on occupational safety and health programs for Federal employees

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 work conditions for Federal employees. The Occupational Safety and Health Administration (OSHA) by executive order is required to issue regulations to provide guidance to Federal agencies in fulfilling their responsibilities under the act.

In a report to the Chairman, Senate Committee on Labor and Public Welfare, GAO stated that much more needed to be done if the Federal Government were to insure that its own agencies were complying with the standards which it was enforcing in the private sector and if Federal employees were to be assured of safe and healthful conditions in workplaces. GAO noted that:

--OSHA's enforcement and inspection practices differed significantly between private businesses and Federal agencies. For private businesses OSHA enforces compliance with safety and health standards through inspections and penalties authorized by the act. Although required to evaluate each Federal agency's program annually, OSHA had not evaluated many Federal programs.

--GAO inquiries at 49 Federal agencies indicated that Federal agency workplace inspections often varied from a walk-through by a safety official to an inspection which was part of a review involving matters unrelated to safety. Most Federal agencies used only part-time inspectors.

--GAO inspected workplaces of four Federal agencies in the Washington, D.C., area and found about 200 instances of noncompliance with OSHA's safety and health standards. About 50 of the instances were sufficiently severe that, had they been found in private businesses, the businesses would have been subject to monetary penalties assessed by OSHA. These inspections are covered in the following GAO reports to the cited agencies: (1) General Services Administration, B-163375, January 30, 1973, (2) Department of Commerce, B-163375, January 31, 1973, (3) Department of the Interior, B-163375, January 31, 1973, and (4) Government Printing Office, B-163375, February 28, 1973.

--Although most Federal agencies surveyed had established some sort of safety program before the act was passed, the programs lacked consistency and overall direction.

--OSHA has imposed a uniform recording and reporting system on Federal agencies, which is a potential improvement over past systems, but a number of problems remain to be overcome. Definitions of job-related incidents and incompatibilities in existing agency reporting systems must be remedied.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (continued)

--OSHA has not provided the centralized leadership needed to effect a uniform Federal policy. OSHA has also neither produced guidelines for Federal agency programs nor adequately evaluated those in existence.

GAO made several recommendations to strengthen OSHA's leadership role in the areas cited above. The Department advised GAO that it concurred generally with all the recommendations and that OSHA had taken or planned to take various actions along the lines GAO suggested.

GAO recommended also that the Committee consider amending the act to bring Federal workplaces under the inspection responsibility of OSHA. These inspections should supplement, and not replace, inspections by the agencies' own personnel. (B-163375, Mar. 15, 1973.)

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

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DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Need for U.S. concessional assistance to Brazil

The United States provided about $50 million in concessional aid to Brazil in fiscal year 1973 and planned to provide about $17 million in fiscal year 1974. GAO reported that Brazil's need for such assistance, however, was questionable.

--Its gross national product has grown at an average annual rate of about 9.9 percent since 1968 and totaled about $50 billion in 1972.

--It accumulated $3 billion in foreign exchange in 1971 and 1972. Total reserves at the start of 1973 were about $4.2 billion.

--It is able to obtain substantial economic assistance from other sources. For example, the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Export-Import Bank of the United States authorized over $900 million in external assistance in fiscal year 1972 alone.

--Brazil, in turn, pledged some of its resources in 1972 to the Special Fund of the African Development Bank. The resources of this fund, like the more concessional loan funds of the Inter-American Development Bank and the Asian Development Bank, will be used to finance high-priority development projects.

--Authorized but undisbursed Agency for International Development loans amounted to over a quarter of a billion dollars as of May 1, 1973.

The Department of State and the Agency for International Development (AID) said that current U.S. assistance levels were consistent with U.S. foreign policy objectives. GAO noted that program managers have not addressed the question of when a foreign aid recipient like Brazil reaches the point in its development when it no longer needs further U.S. concessional assistance.

GAO believes the Congress should 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. (B-133283, July 30, 1973.)

Limiting U.S. development assistance to Ecuador

The United States contributed modest assistance to Ecuador, one of the lesser developed countries in Latin America, in the 1940s and 1950s and introduced relatively significant amounts of capital and technology in the 1960s and 1970s. From 1962 through 1972 U.S. direct and indirect assistance commitments amounted to about $360 million. This assistance accounted for about 78 percent of the outside assistance to Ecuador and amounted to about 13 percent of Ecuador's Central Government revenues.

GAO concluded that:

--Short-term U.S. program objectives, goals, and priorities in Ecuador have shifted frequently; the long-term U.S. objective is uncertain.

--U.S. assistance has helped to construct or modernize transportation and power production facilities, health accommodations, and schools; feed people; transfer skills; change attitudes; cement United States-Ecuadorean relations; and protect certain U.S. economic interests. Some accomplishments were small, measured against the aggregate need.

--U.S. assistance has not served as a catalyst causing or permitting Ecuador to achieve increased political stability or to achieve accelerated progress in economic and social development.

GAO also concluded that U.S. assistance has served to a large degree as a substitute for Ecuador's own self-help, due principally to a lack of real commitment to basic reform and development on the part of the Ecuadorean Government.

GAO recommended that the Secretary of State and the Administrator of AID reassess the purpose and value of U.S. assistance to Ecuador. The agencies took the position that weakness in the Ecuadorean commitment to its own development during the past decade was not a sufficient reason for the United States to abandon its assistance unless by so doing it would cause the Ecuadoreans to respond more effectively in the future.

GAO suggested that the Congress consider:

--Whether it may be in the U.S. interest to limit U.S. development resources which can be made available to Ecuador until the country can demonstrate a reasonable commitment to its own development.

--The appropriateness of creating statutory standards limiting the aggregate amount of U.S. public resources that can be provided to recipients who have not demonstrated a reasonable commitment to their own development. (B-146998, Feb. 27, 1973.)

Need to consider terminating development loan program in Korea

During fiscal years 1968 through 1972, Korea received $3,829 million in U.S. direct bilateral economic and military assistance. Korea has also benefited substantially from U.S. expenditures supporting U.S. military forces stationed in Korea and additional sums provided for sending its troops to Vietnam.

Korea's economic growth indicators have been most impressive since 1965, but this has been achieved at the expense of a steadily mounting external debt and an increasing trade deficit. Expansion of industry has been emphasized, with much less attention being given to social and welfare

needs. The rural and urban income gap and the food grain production and consumption gap also widened.

U.S. assistance undoubtedly stimulated Korea's economic expansion, but it also may have contributed, inadvertently, to its economic problems. For example, U.S. concessional aid has helped to make it possible for Korea to get large amounts of nonconcessional credit, but this 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.

Over the past 10 years, the United States has reduced its AID program considerably. However, other U.S. inputs--such as Public Law 480, Export-Import Bank, military assistance, and U.S. expenditures in Korea--have remained high or have increased. This fact and the increased inputs from multilateral organizations mean that external assistance to Korea actually has increased.

For many years AID focused on developing Korea's industries and subsidizing its commercial import requirements. In recent years, however, AID has restructured its program to emphasize development of the lagging agricultural and social sectors. The Korean Government has not given adequate attention toward correcting this imbalance of its economy. Korean emphasis on capital development, rather than on such sectors as agriculture, has aggravated the situation.

During 1971 and 1972 most of the AID development loan funds were used to import rice. The AID development loan program has been, in essence, an extension of the Public Law 480 program. Together these two programs seem to serve as a disincentive for the Korean Government to seek an early solution to problems in its agricultural sector.

With the United Nations and the international lending institutions increasing their assistance to Korea, the Public Law 480 program generating increased amounts which can be used in the lagging sectors, and the Korean Government's continuing emphasis on other sectors, GAO questions the need for continuing the AID development loan program.

The State Department and AID believe that the timing for a phasedown of U.S. economic aid should remain flexible because of the recent irregular performance of the Korean economy and events which have clouded its economic outlook.

GAO suggested that the Congress should review with the Department of State and AID the feasibility of terminating the development loan program for Korea. (B-164264, July 12, 1973.)

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Providing for a coordinated program of family planning, health, and nutrition

In 1967 the Congress enacted an amendment to foreign aid legislation entitled "Title X--Programs Relating to Population Growth." Thereafter, amounts earmarked for population and family planning programs increased sharply--to $35 million in fiscal year 1968 (from $5 million the previous year), $45 million in 1969, $75 million in 1970, $100 million in 1971, and $125 million in both 1972 and 1973.

AID provided $35 million directly to family planning programs in Indonesia, Laos, Thailand, and the Philippines between 1968 and 1972. GAO reviewed AID's problems in implementing programs in these countries, particularly in view of the relatively short period AID had to develop and implement programs to use the large amounts of money provided.

For each of the four countries, title X funds were used to a greater or lesser degree for purposes related indirectly to controlling population growth rates. Various maternal and child health and nutrition programs in the Philippines, Thailand, and Laos previously funded by regular AID appropriations were considered family planning projects when title X funds became available.

AID obligated large amounts during the last month of the fiscal years for undefined program requirements so that funds would not be lost to the program. Inadequate administrative and logistics systems contributed to the problem of defining program requirements, making proper distribution, and maintaining accountability for the commodities. In all four countries, services were made available in excess of demand so that clinics were unproductive, commodities were overstocked, and equipment either was not used or was underused.

AID used title X funds for health and nutrition programs not related directly to reducing population growth rates, because it believed that such use in some cases was the best means to promote family planning. Through this means a very humanitarian service has been provided. GAO therefore suggested that the Congress consider whether title X may need to be revised to provide for a coordinated program of family planning, health, and nutrition.

AID said it would concur in this recommendation, provided that additional funds for health and nutrition are included in the title X appropriation. In implementing a coordinated family planning, health, and nutrition program, AID would be glad to give increased emphasis to health and nutrition but would in no way wish to reduce the emphasis given to family planning. (B-173240, May 23, 1973.)

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Questionable effectiveness of grant supporting India's family planning program

In mid-1970, AID announced that it was providing a grant of $20 million to India to help expand its population control program. AID stated that the grant was made in accordance with title X of the Foreign Assistance Act and that the funds would be spent in the United States for goods and services normally imported by India and financed by development loans.

In its report to the Administrator of AID, GAO concluded that:

--The effectiveness of the $20 million grant was questionable. Effective expansion of the Government of India's family planning program and use of the funds was contingent upon administrative reforms. India failed to expend its own funds, and administrative reforms continued to be the major constraint on India's program.

--The grant will probably have little if any effect on the size of India's family planning program. The program has not suffered from a lack of funding and, in fact, has recently failed to use its budgeted funds. There is little indication that this situation will change in the near future.

--The $20 million grant in dollars was given to India without any substantive performance prerequisites which would reasonably insure that the funds would be used effectively to achieve the objectives of the family planning progam. If additional funding was in fact needed, rupees could have been made available from the huge excess of U.S.-owned rupees on hand. It would appear that the inherent pressures of obligating funds in conformance with the expressed wishes of the Congress to assist programs concerned with population control and family planning were factors in obligating the funds without an adequately developed program.

--GAO questioned neither India's need to control the growth of its population nor the legality of this transaction. However, it did question whether AID beneficially influenced or assisted the objectives of India's family planning program by providing resources under the circumstances described. In GAO's opinion, the $20 million grant resulted in additional general development assistance.

GAO recommended that the Administrator of AID (1) reconsider the use of dollars, earmarked for population control, for purposes unrelated to foreign exchange costs of the population program for those countries where ample amounts of U.S.-owned foreign currencies are available, and (2) obtain from the Auditor General periodic evaluations of the extent to which the purposes of the grant are being achieved.

AID said that expansion of the Indian program simply could not be achieved by allocating additional U.S.-owned, excess local currencies. Moreover, AID might provide dollars to support expanded local currency expenditures in the future, if such aid would help to significantly improve family planning programs.

GAO expressed the belief that U.S.-owned excess foreign currencies should be used first. To further the objectives of a program when resources are not adequate in excess-currency countries and when a direct and positive relationship has been established, dollar support could then be provided to meet foreign exchange costs.

GAO noted that the Senate, in the bill (H.R. 16705) making appropriations for foreign assistance and related programs for fiscal year 1973, provided guidance on the use of dollars for programs in excess-currency countries. However, the Congress adjourned before enactment. (B-161854, Jan. 12, 1973.)

Problems of the land reform program in Vietnam

As of March 31, 1973, the United States had contributed about $38 million to the land reform program in Vietnam. The primary aim of the program is to broaden the political base of the Government of Vietnam (GVN) by breaking up large landholdings and giving rural families title to the land they farm.

The GVN land reform program was relatively strong from 1954 to 1961, but little real progress took place between 1962 and 1969. A law passed in March 1970 marked the beginning of considerable land reform activity once again.

The present program consists of two subprograms: the Land-to-the-Tiller (LTTT) program and the Montagnard program. Under the LTTT program 1,007,217 hectares had been distributed to about 650,000 tenant farmers as of March 1973. This exceeded the initial goal of 1 million hectares.

The Montagnard land reform program, however, has made slow progress. It has been carried out poorly, has not received adequate GVN support, and has received a disproportionately low share of U.S. support. In many cases where land has been transferred, problems exist which prevent the Montagnards from receiving full program benefits. These problems include allocations for less than the amount of land area indicated in program guidelines and land encroachments.

If the United States continues its past level of support to the GVN budget, the cost of the program to the United States might reach over $300 million. Compensation payments to former landlords under the LTTT program alone are expected to cost about $537 million. This will place a serious additional burden on the GVN budget.

Agency officials agreed problems still exist in the land reform program but contend that since November 1972 progress has been made in overcoming some problems hindering the attainment of the program's initial objectives. (B-159451, June 22, 1973.)

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Developing countries' external debt and U.S. foreign assistance

In a growing number of developing countries, external public debt has become a heavy burden on further economic growth. By December 1970, 80 developing countries had accumulated over $66 billion of external debt. Debt service (interest and amortization) payments on this debt increased by about 18 percent in 1970, reaching nearly $6 billion. Such payments, which are expected to continue rising, represent an almost critical drain on resources and underscore the developing countries' debt burden.

Although the United States is the largest single creditor to the developing countries, all creditor nations are under increasing pressure to reschedule, refinance, or cancel outstanding debts. Any form of debt relief provided is comparable to new aid. And as the need for relief becomes more frequent, debt relief is increasingly an important form of economic assistance.

The assistance which the United States provided developing countries through debt relief is not now included in the President's proposals to the Congress for new economic assistance. Nor is it shown in a meaningful manner in subsequent reports summarizing the actual assistance provided. GAO recommended that this assistance should be systematically and comprehensively reported to the Congress by the Secretary of State. The Department of State and AID commented that AID has in the past, for those countries in which net aid flows were of major importance, presented the Congress information on net aid, debt, and related balance of payments problems.

GAO expressed the belief that the Congress may wish to consider legislation to require comprehensive annual reporting by the Secretary of State, to be submitted in January of each year and thus 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 July 1973 the House passed an amendment to the Foreign Assistance Act which would accomplish these reporting objectives. (B-177988, May 11, 1973.)

End of rupee financing of U.S. programs in Nepal

The basic U.S. Foreign policy objective in Nepal reflects the broader Asian context wherein the United States seeks to assist in development and to contribute to peace and stability. The United States has no vested interests in Nepal.

The AID program is consistent with U.S. interests in Nepal. Its emphasis on manpower and institutional development also helps develop the technical skills and the economic and administrative infrastructure necessary

for Nepal to absorb capital assistance from other donors. A unique feature has been the use of U.S.-owned excess Indian and, to a small extent, Pakistani rupees from program financing. In fiscal year 1971, over 80 percent of AID's $15.4 million program in Nepal was financed by these rupees.

U.S. program strategy in the 1970s calls for an end to the present Indian and Pakistani rupee-financed AID program. U.S. technical assistance is to continue and AID planned to begin a development lending program in late fiscal year 1973.

With foreign aid financing most of its development effort, Nepal has progressed--though limited in relation to the needs of its people--from the low base starting point in 1951. At that time, Nepal had no civil service and virtually no schools, hospitals, roads, electric power, or industry.

The United States has contributed about $166.5 million--including about $81 million in Indian and Pakistani rupees--of the $405.5 million total economic grants, loans, and credits extended by external donors to Nepal from fiscal years 1952 through 1971.

GAO suggested in its report that the Congress may wish to consider the future funding of the Nepal assistance program, of which almost half has been financed with U.S.-owned Indian rupees. India had been unwilling to extend its longstanding agreement for such use of rupees beyond fiscal year 1973. Unless rupee support is continued, dollar financing would need to be increased if the assistance program is to continue at its present level.

In May 1973 AID said that it had taken steps to substitute dollar funding for rupee use, commencing in fiscal year 1973. AID also said that its fiscal year 1974 appropriation request included both grant and loan funds for kinds of activities which in the past would have been financed by Indian rupees. (B-177681, Mar. 16, 1973.)

DEPARTMENT OF TRANSPORTATION

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DEPARTMENT OF TRANSPORTATION

DEPARTMENT-WIDE

Regulating the transportation of hazardous materials

Hazardous materials shipments represent an increasing danger to public safety. Each year hundreds of new materials are developed; thousands of such shipments are made daily; and the annual volume is estimated to reach 1.5 billion tons by 1980. Four units of the Department of Transportation--the Federal Railroad Administration, the Federal Highway Administration, the Federal Aviation Administration, and Coast Guard--are responsible for regulating the safe transportation of hazardous materials for railroads, motor carriers, civil air carriers, and vessels.

GAO reported to the Congress that the Department needed to work toward a more effective inspection and enforcement program to insure compliance with regulations for safely transporting hazardous materials. The Department's program was handicapped by (1) lack of basic data on hazardous materials movements, (2) insufficient and unsystematic inspection efforts, and (3) inadequate enforcement actions. Because a Federal agency can directly assess civil penalties without the delays of processing criminal cases, effective enforcement would be promoted if authority to impose civil fines were extended to the Federal Railroad Administration and the Federal Highway Administration.

The Coast Guard and the Federal Aviation Administration already had such authority.

GAO recommended that the Secretary of Transportation:

1. Establish a management information system to develop and maintain data on hazardous materials movements.

2. Reassess the adequacy of the Department's effort compared with the volume and danger of the materials.

3. Develop a plan for a more effective inspection and enforcement program.

4. Present the plan to the Congress for it to evaluate and consider needed resources.

The Department said it found much of value in GAO's recommendations for improving the program and that it planned to initiate several actions similar to those GAO suggested. (B-164497, May 1, 1973.)

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Identifying and correcting safety defects on light aircraft

At the request of the Chairman, Government Activities Subcommittee, House Committee on Government Operations, GAO reviewed the Federal Aviation Administration's (FAA) aircraft safety regulatory activities involving selected manufacturers of light aircraft to whom FAA had delegated certain authority for determining that their aircraft met Government regulations.

GAO reported that FAA should more actively participate in the design and flight testing leading to type certification of new and modified aircraft.

FAA had not implemented a program to independently flight test major inservice light aircraft for the adverse flight characteristics identified in the Government's 1967 and 1969 aircraft design-induced pilot error studies.

In a number of cases, aircraft certified by the Government as airworthy were later found to have design weaknesses. Although some aircraft with design weaknesses were certified after the Government participated directly in design development and testing of the aircraft, most of them were certified under delegation procedures whereby manufacturers determined whether the aircraft complied with applicable Government regulations.

After it became known that aircraft had been manufactured with design weaknesses, FAA and manufacturers usually delayed modifying the designs to correct the weaknesses.

GAO recommended that the Secretary of Transportation require FAA to:

1. Participate fully in flight and other critical testing of newly designed or modified light aircraft before they are type certified for mass production.

2. Establish procedures for systematically monitoring manufacturers' problems in interpreting FAA light aircraft safety regulations.

3. Establish criteria for guiding regional offices in identifying design weaknesses promptly, assessing seriousness of weaknesses in relation to safety, and undertaking effective and prompt corrective action.

Since FAA had not implemented a program to independently flight test light aircraft for the adverse flight characteristics identified in the 1967 and 1969 studies, GAO suggested that the Government Activities Subcommittee may wish to discuss with FAA the need for such a program.

FAA stated that it had recently become further involved in the delegation certification process because of rapidly changing state-of-the-art capabilities in aircraft and changes in airworthiness rules and policy. As

instructed by the Subcommittee, GAO did not obtain written comments from the Department of Transportation on the report contents.

Manufacturers generally favored use of delegation procedures for type certification as the most economical and practical method of producing light aircraft in the United States. (B-164497(1), June 8, 1973.)

DEPARTMENT OF TRANSPORTATION

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Enforcement of Federal motor vehicle safety standards

The National Traffic and Motor Vehicle Safety Act of 1966 was enacted to protect the American public from unreasonable risk of motor vehicle accidents, injuries, and deaths by means of a coordinated national safety program and the establishment of safety standards for motor vehicles. Responsibility for enforcing this law rests with the National Highway Traffic Safety Administration (NHTSA).

In a report to the Congress, GAO expressed the opinion that the NHTSA's testing program--its major activity for determining manufacturers' compliance with Federal motor vehicle safety standards--provided little assurance that motor vehicles would comply with the standards and thereby provide the safety benefits intended--protection against unreasonable risk of accidents, injuries, or death.

Testing had not been systematically focused on problems identified through analysis of available accident data as having a high potential for reducing highway accidents, deaths, and injuries. NHTSA did not use manufacturers' certification data to supplement and refine its limited testing program and did not take timely action to resolve test failure cases.

GAO recommended that the Secretary of Transportation require:

1. Systematic use of accident data and studies as a key factor in selecting vehicles, equipment, and standards areas for compliance testing.

2. Evaluation of compliance testing priorities on the basis of accident data and studies and the results of prior compliance tests.

3. Expanded and systematic use of manufacturers' certification data to supplement and refine the NHTSA's standards enforcement coverage.

4. Timely action in resolving test failure cases, particularly in having unsafe vehicles and equipment conditions corrected.

The Department stated it was doing as much and as well as could be expected with available resources. The Department and automobile industry representatives cautioned that use of accident data should involve meaningful evaluation of its relationship to specific vehicle safety standards. The representatives agreed, however, that results of accident investigations could be helpful in determining priorities for compliance checking and enforcement. (B-164497(3), Apr. 24, 1973.)

DEPARTMENT OF TRANSPORTATION

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. The railroads are reimbursed by AMTRAK for operating costs exceeding revenues. AMTRAK receives Federal financial assistance through grants from the Department.

The Chairman, Subcommittee on Transportation and Aeronautics, House Committee on Interstate and Foreign Commerce, asked GAO for a report and evaluation of railroad passenger service provided by AMTRAK.

Need to improve train conditions through better maintenance

GAO inspected AMTRAK's trains and reviewed the maintenance, repair, and refurbishment of its locomotives and passenger cars in 1972. GAO reported to the Subcommittee Chairman that the general cleanliness of passenger cars and the condition of on-board equipment, such as air-conditioning, was unsatisfactory on many of the trains it inspected. AMTRAK did not carry out the congressional directive to take direct control over maintenance and repair, and it was not able to keep its trains in good operating condition because its contractual arrangements with the railroads did not provide for an effective maintenance program and because it did not adequately monitor the railroads' activities. AMTRAK lost revenue and incurred additional costs by renting cars because one third of its fleet was out of service during much of 1972 for maintenance, repair, or refurbishment.

GAO recommended that AMTRAK:

--Take direct responsibility for maintaining and repairing its passenger cars and locomotives.

--Establish procedures for inspecting car maintenance and repairs and increase the number of employees assigned to inspection of cars and locomotives.

--Enforce train crews' use of car condition trip reports.

--Establish a maintenance record system for passenger cars.

--Expedite establishment of a parts inventory control system for passenger cars.

--Award refurbishment contracts on the basis of open competition.

--Schedule passenger cars in advance for refurbishment.

--Prepare detailed specifications for refurbishment.

--Hold contractors responsible for defective refurbishment.

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK) (continued)

AMTRAK, the Department of Transportation, and the Interstate Commerce Commission generally agreed with GAO's conclusions and recommendations. AMTRAK said that it was taking actions similar to those recommended by GAO to improve the condition and operation of its trains. (B-175155, June 21, 1973.)

Analysis of railroad passenger service train scheduling and operations

GAO engaged a firm of transportation consultants to study intercity passenger train scheduling and operations to determine how well passenger rail service matched user demands and desires. The consultant firm's report was furnished to the Subcommittee Chairman.

On the basis of its study, the consultant firm said that:

--AMTRAK should better match train make-ups to traffic requirements to obtain better use of equipment.

--Because many passengers ride coaches only, use of coaches should be maximized and use of parlor cars, sleeper cars, and separate dining cars, which are costly to operate, should be minimized except where profitable.

--Given the low loadings on many AMTRAK routes, particularly the shorter haul routes, alternate equipment, especially the rail diesel car, should be considered.

--To reduce variations in traffic, AMTRAK should experiment with differential fares, i.e., charging lower fares on days when traffic is light and premium fares in peak periods.

--Because terminal costs are substantial and AMTRAK makes many train stops at low-revenue-producing cities, AMTRAK should study the location and frequency of its stops and the costs associated with them.

--Because passenger rail service is generally a leisure-time transportation mode, AMTRAK should study how it could tap the growing market of recreational travel.

--AMTRAK should establish and finance an adequate program to collect and analyze market data as a basis for operational planning.

AMTRAK said that it recognized the validity of the consultant's observations but that it had found many institutional railroad practices which inhibited instant and dramatic change. AMTRAK said that it was striving to overcome these practices and expected continued improvement. (B-175155, Feb. 22, 1973.)

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK) (continued)

Railroad reservation, information, and ticketing services being improved

GAO interviewed 1,900 passengers concerning reservations on 340 train trips in June and July 1972. GAO reported to the Subcommittee Chairman that about 60 percent of these passengers commented on their difficulties in getting train information, making reservations, and obtaining tickets. They mentioned long delays in making telephone inquiries; long lines and slow service at ticket offices; incorrect information on fares, schedules, and accommodations; errors in seat and compartment assignments; and AMTRAK's inability to confirm reservations for the return portion of round trips.

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. GAO found that obtaining reservations, information, or tickets, whether by telephone or in person, was slow. Reservation and ticket agents frequently gave out incorrect information regarding fares, sleeping accommodations, dining facilities, and departure times; and many agents did not know of AMTRAK's policy to accept major credit cards.

Poor telephone service at the Chicago reservation office, which controlled reservations for trains operating from Chicago, adversely affected the ability of other offices to serve customers requesting space on those trains. Many Los Angeles customers, for example, started train trips with only partially confirmed reservations because Los Angeles office personnel could not confirm reservations by telephone with the Chicago office. The Chicago reservation staff was not promptly advised of changes in ticket policy because of poor communication with AMTRAK's headquarters office.

Unserviceable cars were frequently removed from trains, and cars with different capacities were substituted. Without prompt notification of such changes, reservation and ticket offices were uncertain of train capacities and sold space on the basis of the capacity of the smallest car. As a result, many AMTRAK trains operated with some vacant coach or sleeping spaces although there had been many requests for those accommodations.

Reservation offices did not enforce AMTRAK's reservation cancellation policy resulting in underused space because of no-shows. During a 6-week period in the summer of 1972, the no-show rate was 27 percent at Chicago.

During July and August 1972, AMTRAK headquarters was unable to provide a majority of the extra cars requested by reservation offices to meet increased customer demand and did not promptly notify them whether they would receive the cars. AMTRAK headquarters received requests for about 1,360 extra cars during that period, but provided only 571 cars, or 42 percent. It denied requests for 87 cars and took no action on requests for 702 cars. The reservation offices were notified less than 24 hours before departure of about one-fourth of the extra cars they would receive.

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK) (continued)

To improve these conditions, AMTRAK has:

--Transferred the staffs of the major reservation offices from the railroads' employment to its own.

--Begun installing a new, systemwide automated reservation service, which is scheduled to be operational by the end of 1974.

--Increased the staffs of, and added telephone and other communication equipment to, the Chicago and Los Angeles reservation offices; trained the staffs; and issued new operation instructions.

--Assigned fixed train make-ups for the period of peak demand and assigned backup cars having the same capacity. However, a large number of cars out of service would reduce the effectiveness of this move.

--Taken over the car control system from the railroads to provide faster and more accurate response to car requests.

--Begun over selling space on the basis of experience that no-shows would result in unused space and begun enforcing its policy for cancelling reservations.

In regard to our proposal that AMTRAK monitor the effectiveness of its improvements and consider emergency measures to prevent repetition of the unsatisfactory conditions of 1972, AMTRAK stated that it had a monitoring program which showed that some offices still had staffing problems and that it believed the present system would eliminate many of the problems experienced in 1972, although it did not expect full benefits until the new system was completely operational late in 1974. (B-175155, Aug. 22, 1973.)

DEPARTMENT OF THE TREASURY

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DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Appropriations Committees not advised on reprograming of funds

During fiscal year 1966 appropriations hearings, the Secretary of the Treasury stated that it was Treasury's practice to notify both House and Senate subcommittees when it desired a significant reprograming of funds that would result in use of funds for a purpose different from that justified originally to the subcommittees. Reprograming involves the transfer of funds between such program activities as data processing operations and statistical reporting or between object classes which are categories of expense, such as personnel compensation, travel, and equipment.

In a report to the Senate and House Appropriations Committees, GAO reported that during fiscal years 1970, 1971, and 1972, the Internal Revenue Service (IRS) reprogramed $10.1 million, $13.7 million, and $18.9 million, respectively, between object classes without notifying and receiving the approval of the Appropriations Committees. Although reprogramed funds were small in relation to total appropriations, they had a significant effect on expenditures for selected object classes.

GAO recommended that the Commissioner of Internal Revenue:

--Consult with the Treasury and the Appropriations Committees to limit the amount of reprograming activity IRS will be allowed without the Committees' approval.

--Advise the Appropriations Committees of any proposed reprograming of funds exceeding the agreed limits and explain (1) why such funds are available for reprograming, (2) the actual need for reprograming, and (3) the reprograming's effect on the following year's budget estimate.

The Commissioner of Internal Revenue stated he favored these recommendations and believed they would clarify what IRS could do on its own initiative and when the Committees would expect to be consulted. (B-133373, May 1, 1973.)

DEPARTMENT OF THE TREASURY

INTERNATIONAL FINANCIAL AFFAIRS

The Exchange Stabilization Fund finances most of the Treasury's international activities and functions

Section 10 of the Gold Reserve Act of January 30, 1934 (31 U.S.C. 822a), established in the Department of the Treasury a stabilization fund to be operated under the exclusive control of the Secretary of the Treasury, with the approval of the President, to stabilize the exchange value of the dollar.

In a report on a survey of the Department of the Treasury's international activities, GAO stated that the Secretary of the Treasury has consistently used the broad discretionary power provided him to finance virtually all of Treasury's international activities. This authority has allowed the Secretary of the Treasury, in effect, to shield international operations from external scrutiny.

GAO recommended that the Secretary of the Treasury have an independent assessment made of all stabilization fund financed activities to delineate and separate any that are not part of the stabilization fund activities within the legislative intent of section 10.

The Department of the Treasury informed GAO and the Congress that it has taken action on the recommendation. GAO is evaluating these actions. (B-154506, May 22, 1973.)

Need for improvements in management of U.S. participation in international financial institutions

In February and May 1973, GAO reported on its reviews of the management of U.S. participation in the World Bank, International Development Association, and Asian Development Bank. GAO reported on its review of the Inter-American Development Bank in August 1972.

The Secretary of the Treasury has primary responsibility for managing U.S. interests in the international financial institutions with the assistance of the National Advisory Council on International Monetary and Financial Policies (NAC).

Although improvements such as the earlier receipt of information on proposed loans were being made, the Department of the Treasury did not then have a fully functioning system for managing U.S. participation in the international financial institutions. As a result, Treasury could not assure the Congress that funds contributed by the United States were being used efficiently and effectively by the international financial institutions to accomplish their objectives.

DEPARTMENT OF THE TREASURY

INTERNATIONAL FINANCIAL AFFAIRS (continued)

GAO recommended that the Secretary of the Treasury arrange for the following improvements to strengthen the U.S. system of management.

--More timely, substantive information on proposed bank loans, before receipt of the formal loan proposal documents.

--Guidelines for U.S. officials to follow in appraising and evaluating loan proposals.

--Instructions requiring U.S. missions (U.S. embassies and AID missions) to furnish information on the international financial institutions.

The Department generally agreed with GAO's recommendations and stated that corrective actions were being taken.

GAO also suggested that the Congress should consider having the U.S. representative to these international financial institutions propose a program of continuing independent reviews of the development activities of the intitutions to provide the Department of the Treasury and other agencies in the executive branch with adequate information to determine whether funds are being used efficiently and effectively to accomplish objectives. A legislative proposal to accomplish these objectives in the World Bank, the Asian Development Bank, and the United Nations system was introduced as an amendment to the Foreign Assistance Act in July 1973. (B-161470, Feb. 14, 1973, and B-173240, May 8, 1973.)

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

Additional Treasury interest costs caused by delays in the payment of duty on imported lead and zinc

During 1971 American smelting and refining companies imported about 128 million pounds of lead and about 455 million pounds of zinc into bonded warehouses. Duties on these imports totaled about $4 million.

The Tariff Act of 1930 permits deferring payment of duties until the metal enters domestic commerce, or until 3 years elapse, whichever happens first. If metals are exported, charges are canceled. The Tariff Act also provides that any lead and zinc in a company's inventory may be considered as imported metal not entered into domestic commerce.

In a report to the Chairmen, Senate Committee on Finance and House Committee on Ways and Means, GAO stated that:

--Some companies did not reduce the quantity of their inventories by the statutory wastage deduction used to compute the metal content subject to duty at the time of entry.

--Two companies included the lead and zinc content of slag piles in their inventories. Most of this slag had been accumulated more than 30 years ago.

Including wastage and slag metal in inventories results in continuous delays in payment of duties because such metal is used as a basis for deferring duty payments on imports. GAO estimated the annual interest cost to the Government to borrow a sum equal to the duty payments deferred by one company at December 31, 1968, to be about $200,000. GAO also found that the liabilities for duty payments were transferred from one company to another solely to delay payment of duty.

The Acting Commissioner of Customs advised GAO that Customs does not have authority to require the exclusion of wastage from inventories or to limit transfers of liability for duty payments. The Acting Commissioner informed GAO that such restrictions must come from the Congress rather than from the administration. He did not take a position on a GAO suggestion that legislation be proposed to prohibit using metals in slag piles to defer duty payments.

GAO recommended that the Committees consider amending Section 312 of the Tariff Act of 1930 to

--prohibit including wastage metal in lead and zinc inventories used as a basis for deferring duty payments on imported material,

--prohibit using lead and zinc contained in slag piles as a basis for deferring duty payments on imported material, and

U.S. CUSTOMS SERVICE (continued)

--delete the provision permitting transfer of the liability for duty payments from one company to another without a transfer of the metal. (B-114898, Jan. 18, 1973.)

Questionable need for duty refunds on products exported under programs of the Agency for International Development

Section 313 of the Tariff Act of 1930, as amended (19 U.S.C. 1313), provides for the refund of duty (drawback) on exports of items manufactured from duty-paid imported material or like domestic material substituted for duty-paid imported material. This provision is designed to encourage exports by permitting the recovery of duties on exports which compete with foreign made goods.

GAO reported to the Chairmen, Senate Committee on Finance and House Committee on Ways and Means, that its review of drawback payments for exported petroleum products showed that refunds were being made for petroleum products exported under programs of the Agency for International Development (AID) even though these products did not compete with foreign petroleum products.

The Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151), states that, whenever practicable, foreign assistance shall consist of U.S. products. Also, sales to foreign governments are made under AID agreements which generally include provisions that virtually preclude foreign competition. Statistics published by AID show that from fiscal year 1967 through fiscal year 1971, 96.2 to 99.7 percent of the commodities purchased with AID funds were purchased from U.S. suppliers. GAO therefore believes that products exported under AID programs should be ineligible for drawback payments.

Statistics published by AID show that, during fiscal year 1971, AID also financed through grants and loans the procurement of numerous products, such as aluminum, chemicals, and steel, on which drawback was paid. GAO did not attempt to determine the amount of drawback payments made for exports under AID programs, but it believes that such payments could be substantial. One drawback claim, filed in August 1970 for exports of petroleum products from one refinery, amounted to about $1.2 million, of which $49,000, or about 4 percent, was for exports under AID programs. Total drawback payments for petroleum products for fiscal years 1970, 1971, and 1972 amounted to about $12 million, $11 million, and $8 million, respectively.

The U.S. Customs Service advised GAO that the Tariff Act provided no basis for denying drawback when the products are exported under AID programs.

U.S. CUSTOMS SERVICE (continued)

GAO concluded that payment of drawback on exports under AID programs is not necessary to encourage foreign commerce because the terms of the AID agreements virtually preclude foreign competition. Accordingly, GAO recommended that the Committees consider legislation to amend the Tariff Act of 1930 to prohibit drawback for products exported under AID programs. (B-114898, June 25, 1973.)

ATOMIC ENERGY COMMISSION

Contents

DIRECTOR OF REGULATION

Improved guidance needed in the nuclear power reactor inspection program

The Atomic Energy Commission (AEC) is responsible for insuring that nuclear power reactors are constructed and operated in a manner that will protect the health and safety of the public. AEC therefore inspects reactors under construction and in operation to determine the effectiveness of a licensee's quality assurance program. (Electric utility companies authorized by AEC to construct or operate nuclear power reactors are commonly referred to as reactor licensees.)

On the basis of this determination, AEC decides whether there is reasonable assurance that a licensee and his contractors have constructed a reactor in accordance with AEC requirements and whether the reactor can be operated safely.

AEC issued quality assurance requirements which became effective in July 1970 and which contain general descriptions of what constitutes an acceptable quality assurance program. Licensees are expected to follow these requirements in constructing and operating their reactors and AEC inspectors use them in determining the effectiveness of licensees' quality assurance programs. AEC inspectors, however, were experiencing problems interpreting the intent of these quality assurance requirements and had requested guidance as to their interpretation. Also, although AEC had provided its inspectors with guidance outlining a general scope of inspection, it had not developed a well-defined, minimum inspection program. AEC inspectors advised GAO that the depth of inspection depended primarily on the judgment of the individual inspectors. GAO found inconsistencies in the depth of the inspections made.

On the basis of these observations, GAO recommended that AEC (1) provide its inspectors with guidance as to what constitutes acceptable methods of implementing the quality assurance requirements and (2) develop a well-defined, minimum inspection program that would provide inspectors with the guidance needed to carry out program objectives.

AEC advised GAO that additional guidance for assessing implementation of the quality assurance requirements would be provided to its inspectors and that existing procedures and draft procedures would be updated to more clearly define inspection requirements. As of August 1973 AEC had taken initial steps to implement GAO's recommendations and was developing additional guidance and procedures pertaining to these recommendations. AEC set December 1973 as the target date for the completion of these actions. (B-164105, Jan. 19, 1973.)

DISTRICT OF COLUMBIA GOVERNMENT

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DISTRICT OF COLUMBIA GOVERNMENT

COURTS

Problems in determining personnel requirements for D.C. courts

By letter dated July 27, 1972, the Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations, requested GAO to assist the Subcommittee in evaluating the D.C. courts' present personnel situation and to assess how many additional personnel will be required for the courts to be effective in fiscal year 1974.

GAO reported to the Subcommittee on the personnel positions, funds appropriated for operating expenses, and workload changes of the D.C. Court of Appeals and Superior Court. GAO also reported that it was advised by officials of other court systems that standards had not been developed to determine the number of staff needed to effectively operate a court system.

GAO questioned whether all of the personal secretaries and law clerks authorized for the Superior Court were needed. The Superior Court had 44 judges, and for fiscal year 1973 the Congress authorized 44 secretaries and 44 law clerks. GAO visited other courts and found that, for the most part, secretarial pools were used in their courts and that judges did not have their own secretaries and law clerks.

The Senate Committee on Appropriations used the information in the GAO report in reviewing the District's fiscal year 1974 budget request. In its report on the District Appropriation Bill for 1974, the Committee stated that it was not satisfied with the courts' justifications of requested staffing increases. The Committee also stated that an overall staffing plan should be developed and compared with staffing complements of other municipal courts of similar jurisdictions and that future staffing requests should be justified on the basis of a realistic and comprehensive staffing plan. (B-175428, May 10, 1973.)

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF CORRECTIONS

Questionable inmate population projections and related need for new correctional facilities

The Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations, by letter dated July 27, 1972, requested GAO to assess the personnel requirements for new correctional facilities planned for construction at Lorton, Virginia.

In the fiscal year 1972 second supplemental budget, the District requested $67.3 million to build new correctional facilities at Lorton. The request was justified on the belief that the inmate population at Lorton would increase by about 2,800 by June 30, 1973. Congress subsequently authorized the District to borrow $65.2 million to construct the new facilities.

GAO reported that the District's estimates of future inmate population at Lorton used to justify the construction program were overstated and that anticipated increases in inmates had not materialized. Therefore, none of the correctional facilities proposed for construction at Lorton were needed.

Because the award of construction contracts was imminent, GAO met with the Commissioner during the early stages of its review and advised him of GAO's findings. As a result, the Commissioner suspended plans to award contracts for the construction of new facilities and appointed a task force to develop new population estimates.

The new estimates showed that the inmate population at Lorton will level off at about 1,925, which is less than the actual population at the time the budget request was made and which is also less than the bed capacity of existing facilities.

The District's Department of Corrections generally agreed with GAO's findings and conclusions.

The Committee on Appropriations used the information in GAO's report in reviewing the District's fiscal year 1974 budget request. In its report dated July 17, 1973, the Committee stated that the District Government had indicated that increases in capacity at Lorton were not needed at this time. Therefore, the Committee redirected appropriated but unobligated funds to a new District proposal for modernizing the Lorton facilities and stated that the new plan will be reviewed when it is received in final form. (B-118638, Mar. 7, 1973.)

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF ENVIRONMENTAL SERVICES

Inefficient and costly residential refuse collections

By letter dated July 27, 1972, the Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations, asked GAO to evaluate the District's solid waste collection program.

GAO reported that during a 4-week period for which operational data was available, District collection employees worked an average of only 24.5 hours a week because the routes were not structured to require 40 hours of work. GAO estimated that the District paid its collection employees about $1.1 million annually for about 270,000 hours not worked. Also the number of hours worked by the collection crews and their productivity differed greatly from day to day and differed among the crews on the same days.

GAO believes that the basic cause of the deficiencies in the District's collections is the lack of detailed and accurate operational data for management use. Making the major changes in the residential refuse collections which GAO believes are necessary will require approval of the employees' union. Therefore, GAO stated that the District should start negotiating with the union the needed changes in crews' daily work tasks as soon as practicable. Also, the District should negotiate a new agreement with the union to improve collection crew productivity when the current agreement expires.

The Director of the District's Department of Environmental Services stated that the Department had taken actions which are increasing productivity but that more needs to be done and is being done.

GAO's report was used during the Subcommittee's hearings on the District's fiscal year 1974 budget. The Senate Committee on Appropriations, in its July 17, 1973, report, stated that it expects the District to justify fully all positions in the solid waste collection and disposal program in the next budget request. The Committee stated also that it looks forward to seeing positive results in the form of higher productivity standards from the upcoming union negotiations. (B-118638, May 2, 1973.)

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF HIGHWAYS AND TRAFFIC

Unnecessary telephone service

The Subcommittee on the District of Columbia, Senate Committee on Appropriations, in its report on the District appropriation bill for fiscal year 1973, requested GAO to review the District's expenditures for telephone service and the adequacy of its controls over such services. The District's telephone services costs for fiscal year 1973 were about $3.7 million--about $3.3 million for local service and about $373,000 for long-distance calls.

GAO concluded that the District could substantially reduce its telephone service costs by reducing the number of telephone lines and associated equipment and by strengthening its internal controls over long-distance calls. As a result of GAO and congressional interest, the District studied its telephone services. The District estimates that it could save about $228,000 annually by eliminating unnecessary telephone lines and related equipment.

The Senate Committee on Appropriations used GAO's report in its review of the District's 1974 budget request. In its report, the Committee directed the District to take actions needed to realize the savings in telephone costs as identified by GAO and stated that it expects to see anticipated savings in this area in the 1975 budget request. (B-118638, May 31, 1973.)

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF HUMAN RESOURCES

Uncoordinated programs for health services in outpatient health centers in the District of Columbia

GAO studied seven Federal programs and one District program providing basic health services to eligible persons in outpatient health centers in the District. GAO reported in July 1973 that the delivery systems for such services were implemented on an uncoordinated individual agency and program approach rather than on a comprehensive District-wide coordinated program approach.

The individual program approach resulted in (1) an imbalance in the location of outpatient health centers, (2) comprehensive health services for patients not being provided in many of the outpatient health centers, (3) underuse of outpatient health services in many centers, and (4) health centers following varying practices for maintaining and retaining patients' medical records.

GAO recommended and the Commissioner agreed that a comprehensive plan for delivering outpatient health services needed to be prepared. Task forces were appointed to prepare such a plan and to determine what additional authority the District required to effectively carry out the plan.

GAO stated that categorical Federal grants for health may lessen the opportunity for localities to develop an effective comprehensive action plan for delivering outpatient health services. GAO believes that this study will be useful to the Congress in deliberations of any legislation to consolidate Federal grants for health programs. (B-118638, July 31, 1973.)

DISTRICT OF COLUMBIA GOVERNMENT

EXECUTIVE OFFICE OF THE COMMISSIONER

Problems caused by proliferation of Federal grant-in-aid programs for manpower training

Increasing concern of the Congress with proliferating Federal grant-in-aid programs prompted GAO to study the administration of manpower programs in the District of Columbia. In the District, funds are provided under 17 Federal manpower programs for 5 Federal agencies. In fiscal year 1972, these agencies provided about $23 million in Federal funds.

GAO's study of the 17 Federal manpower programs revealed a maze of local systems for delivering similar job training and employment services to the same group of District residents. Providing these services on an individual program approach resulted in a complex, confusing, and uncoordinated effort to assist those persons in becoming gainfully employed.

GAO recommended to the Commissioner that his Manpower Advisory Committee (MAC), as the planning and coordinating group for manpower programs, strive for management control by taking certain actions to help alleviate some of the problems caused by the individual agencies' implementation of these programs.

The indicated actions would provide for:

1. A coordinated outreach-intake system for determining persons needing job training and employment services.

2. Assessment techniques for fairly and consistently determining the capabilities of such persons.

3. The periodic dissemination of information on training available under all programs.

4. The most effective use of academic and occupational training facilities.

Both the Commissioner and the Office of Management and Budget agreed with GAO's findings and recommendations. The Commissioner directed MAC to develop a comprehensive plan for providing manpower services in the District which would encompass GAO's recommendations. The Commissioner is considering the plan completed in July 1973.

GAO also recommended that the Congress consider legislation to reorganize the federally assisted manpower programs through consolidation or through other such means that it may consider appropriate to assist in overcoming the problems described in GAO's report. (B-146879, Jan. 30, 1973.)

ENVIRONMENTAL PROTECTION AGENCY

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ENVIRONMENTAL PROTECTION AGENCY

Need to improve administration of the water pollution research, development, and demonstration program

The Environmental Protection Agency (EPA) is responsible for the major Federal water pollution control research program. EPA conducts in-house research at eight laboratories and awards grants and contracts to public and private agencies, institutions, and individuals for research, development, and demonstration projects. GAO evaluated EPA's administration of its demonstration grant program and its research grants and contracts, its use of its laboratory facilities, and its management of its research equipment.

The Federal Water Pollution Control Act, as amended, authorizes grants for demonstrating new or improved methods of controlling water pollution, including methods of treating industrial wastes which have industrywide application.

GAO reported that, although the primary purpose of the grant program is to demonstrate new and improved methods of controlling water pollution, EPA had not provided adequate guidance to its personnel who review and evaluate applications on what features or characteristics of a proposal should be considered new or improved.

Many grants were awarded for constructing and operating full-scale waste treatment projects which did not demonstrate new or improved methods of controlling water pollution but which involved modifications or extensions of conventional treatment processes. Furthermore, EPA had not established guidelines for determining the Federal share of the cost of constructing, operating, and maintaining full-scale demonstration projects for which only part of the costs were related to demonstrating new or improved water pollution control methods.

With respect to the administration of research grants and contracts, GAO reported that:

1. Approval of applications for new projects and extensions for ongoing projects had been delayed.

2. Monitoring of ongoing research had been inadequate.

3. Grantees had not submitted project reports on time, and EPA had not promptly disseminated them to potential users.

GAO reported also that EPA's laboratories were not being fully used for in-house research because they had not been fully staffed and because the research staff spent considerable time on duties other than in-house research.

The laboratories had not adopted procedures for identifying little-used or excess equipment, and equipment pools had not been established. GAO identified equipment excess to the laboratories' needs, underused, and thus available for sharing.

GAO made a number of recommendations to the Administrator of EPA to improve the aforementioned activities.

ENVIRONMENTAL PROTECTION AGENCY

EPA generally agreed with GAO's findings and said that its guidelines for reviewing applications for demonstration projects and its criteria for determining the extent of Federal participation in the construction and operation of the projects would place greater emphasis on demonstrating new methods of waste treatment that surpass the conventional systems.

EPA said that it would implement GAO's recommendations for studying equipment used at EPA's laboratories and for developing formal procedures for identifying and pooling underused or excess laboratory equipment. EPA said also that it would review and, if possible, refocus its use of research staff when present staffing constraints were changed. (B-166506, Nov. 21, 1972.)

Need to control discharges from sewers carrying both sewage and storm runoff

Reorganization Plan No. 3 of 1970 assigned responsibility for the Federal water pollution control program to EPA. GAO examined EPA's policies, procedures, and practices concerning the planning for and progress toward controlling pollution caused by discharges from sewers carrying both sewage and storm runoff (combined sewers). The review included 17 municipalities in 6 States.

Combined sewer discharges of untreated or inadequately treated sewage are a major pollution problem and prevent many areas, primarily in the Northeast and Midwest, from attaining Federal and State water quality goals. Although some communities had acted to abate these discharges, Federal and State water pollution control agencies placed little emphasis on the problem primarily because of the high cost which, as of October 1972, EPA estimated to be $70 billion.

In some instances, EPA funded projects to abate combined sewer discharges under its research, development, and demonstration grant program and its construction grant program. Generally, however, Federal funds have not been available for projects to control such discharges.

GAO noted that the States and municipalities did not have adequate information on (1) the extent of the problem, (2) the alternative solutions available and their costs, or (3) the benefits to be obtained from solving the problem. In addition, limited funding was available for solving the problem.

The Department of Housing and Urban Development and the Department of Commerce generally required municipalities to construct separate storm and sanitary sewers. But the municipalities constructed separate sewers without considering alternative solutions. Also, only a small part of the municipalities' combined sewer systems were separated.

Separation may not be the best answer in all cases because (1) although storm water can be a significant source of water pollution, it is seldom treated, and (2) it might not be the most cost-effective solution.

Each municipality should consider the alternatives available before deciding on the method of controlling discharges from its combined sewers.

GAO reported that controlling and abating combined sewer discharges is costly and could take many years to accomplish. Many municipalities, however, could achieve substantial benefits by abating combined sewer discharges under a program of phased construction which could be accomplished as funds become available.

The Federal Water Pollution Control Act Amendments of 1972 (Public Law 92-500) increased the amount of funds authorized for EPA construction grants and made eligible for Federal financial assistance such items as collection sewers, methods or systems dealing with storm runoff, projects to prevent combined sewer discharges, and studies of sewer systems and problems. This law should enable EPA to deal more effectively with the combined sewer problem.

GAO recommended that the Administrator, EPA, require:

--States to identify all municipalities having combined sewer discharges.

--States and municipalities to study their combined sewer problems and the alternatives available for each municipality.

--States and municipalities to develop and submit to EPA plans, including phased construction programs, for controlling and abating the polluting discharges.

GAO recommended also that the Administrator, EPA, consider awarding construction grants for phased construction projects.

EPA generally agreed with GAO and said that, with the amendments and supporting appropriations as a basis, it will take action in line with GAO's recommendations. (B-166506, Mar. 28, 1973.)

Efforts to remove hazardous pesticides from the channels of trade

EPA is responsible for regulating the interstate marketing of pesticides. GAO reviewed and evaluated EPA's policies and practices for suspending and canceling the registrations of hazardous pesticides and for removing those pesticides from the channels of trade.

GAO reported that the effectiveness of EPA's actions in suspending or canceling registrations of certain pesticides containing 2, 4, 5-T, mercury, and thallium sulphate was diminished because other pesticides containing the same ingredients and registered for the same uses were allowed to remain on the market. This was particularly pertinent for certain 2, 4, 5-T registrations because of the hazards of dioxin, a highly poisonous or toxic contaminant of 2, 4, 5-T. The registrations of other pesticides containing dioxin were not suspended or canceled.

GAO recommended establishing procedures requiring the suspension of registrations of all pesticides containing the same hazardous ingredients in

excess of established limits and registered for the same general uses. EPA stated that suspension must be based on a finding of imminent hazard and that the factors affecting suspension are much too complex to permit uniform criteria for all cases. This may be true; however, once EPA has suspended a pesticide, it should not allow the marketing of other pesticides containing the same hazardous ingredients in excess of established limits and registered for the same general uses as the suspended products.

GAO recommended also that EPA establish a safe level for dioxin and prohibit the use of all pesticides containing dioxin in excess of the established standard. EPA stated that the question of dioxin safety was being researched.

Registrants appealed EPA's cancellation of registrations of all pesticides containing DDT, TDE, aldrin, and dieldrin because they wanted the pesticides for certain specific uses which the Department of Agriculture considered essential because no safe and effective substitutes were available. The law provides that pesticides may be marketed until the appeal process has been completed, but EPA allowed the pesticides to be marketed for all uses, even those not appealed. GAO recommended that the labels of such pesticides be amended to delete those uses not under appeal, and EPA commented that it contemplated establishing such a procedure.

Although EPA had authority to seize pesticides violating applicable law, it did not have authority to require manufacturers to recall hazardous pesticides for which registrations had been suspended. EPA adopted a policy of requesting manufacturers to voluntarily recall such pesticides, but it did not always follow the policy because it believed that the recall of some pesticides would be more hazardous than use of the pesticides according to label directions. GAO pointed out, however, that pesticide manufacturers, scientists, State agencies, and environmental groups generally agreed that returning stocks to manufacturers, if properly handled, would not create any hazards other than those encountered in distributing the pesticides. (B-133192, Apr. 26, 1973.)

EXPORT-IMPORT BANK OF THE UNITED STATES

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EXPORT-IMPORT BANK OF THE UNITED STATES

Need to reexamine basic goals of the Private Export Financing Corporation

In an April 1973 report to the Congress, GAO commented on the Export-Import Bank of the United States' (Eximbank's) financial agreements with the Private Export Funding Corporation (PEFCO), an organization that was expected to attract new private capital to finance U.S. exports.

Legislation provides that Eximbank should supplement and encourage private capital in financing the sale of U.S. exports. To further this objective, PEFCO was expected to increase private capital participation by obtaining most of its funds from the sale of long-term secured notes.

However, after PEFCO was formed, the funding plans changed. PEFCO now intends to raise money in medium-term, private markets. This is the same market Eximbank uses to finance its own operations.

GAO questioned the need for PEFCO unless it can obtain funds from sources other than those already reached by Eximbank. If PEFCO obtains funds from the same sources as Eximbank and charges higher interest rates, then PEFCO may be unnecessarily increasing the cost of U.S. exports.

GAO suggested that Eximbank should reexamine PEFCO's ability to attract new capital for export loans. If Eximbank judges PEFCO to be a viable concept, Eximbank should require it to obtain funds in markets different from those available directly to Eximbank. If PEFCO is judged to be increasing the cost of exports unnecessarily, Eximbank may wish to sever its relationship with PEFCO and finance directly exports that PEFCO would have financed.

Eximbank stated that it continually reviews its relationship with PEFCO. Eximbank believes that PEFCO will serve a useful role in export financing and that PEFCO's ability to reach new sources of capital is not as critical as GAO suggested; rather, the main issue should be whether PEFCO can offer loans on terms competitive with commercial banks.

GAO agreed that PEFCO could serve a useful role in export financing if it tailors its borrowings to reach new sources of funds. GAO also stated it believed that PEFCO's rates should reasonably compare with those of Eximbank.

GAO also stated that the Congress may wish to encourage Eximbank to require PEFCO to obtain funds from new sources. If PEFCO cannot obtain new sources of funds, the Congress may wish to require Eximbank to sever its relationship with PEFCO. (B-114823, Apr. 30, 1973.)

Improved management information system needed for Eximbank's capital loan programs

Eximbank capital loans are one of the principal means of providing dollar credits to foreign borrowers purchasing U.S. products requiring longer than 5 years for repayment. With program management as the central viewpoint, GAO examined the information available on judgments exercised by Eximbank in making these loans.

EXPORT-IMPORT BANK OF THE UNITED STATES

Eximbank loans are provided at an interest rate usually below commercial bank rates at home or abroad and with longer repayment periods than available through commercial channels. Under its policy of participation financing, Eximbank's 6-percent-interest rate is combined with private funds at generally higher market rates to establish a financing package competitive in rate and terms to permit U.S. suppliers to sell abroad.

Although Eximbank sees its role as a lender of last resort, borrowers tend to seek Eximbank financing as a first resort, because its interest rate has been lower and its repayment terms longer than comparable commercial financing. Thus Eximbank's management has to decide when its financing is essential to an export sale.

Japan was selected as a case study because it had been one of the largest recipients of Eximbank loans through fiscal year 1971.

Attempts to evaluate Eximbank efforts to maximize private sources of financing were hampered by lack of documentation. The Bank's records showed that loan approvals were based primarily on economic viability. Little documentation was found of Eximbank assessments of other factors essential to a sale--such as price, delivery, competition, or the availability of private financing--and the effect that these factors could have on the need for Eximbank financing to secure the sale. Although Eximbank participation in financing report transactions may have been necessary to consummate a sale, GAO could not establish that Eximbank had made a concerted effort to maximize private financing in these transactions.

Also, information obtained from Japanese borrowers and government officials and examination of records at the Embassy in Tokyo showed that the need for Eximbank participation in some export transactions was questionable. Information to resolve these questions was not available in Eximbank loan files. Prestige, patented materials, the compatibility of U.S. equipment, and a stated preference for U.S. products by borrowers suggested that purchases would have been made from the United States without Eximbank financing assistance.

GAO recommended that Eximbank develop a system to:

--Provide management with information to determine whether its financing is necessary.

--Determine countries and products in greatest need of Eximbank financing.

--Document the basis of management's actions.

--Evaluate the results of Eximbank financing.

Eximbank took strong exception to the implication that its financial assistance might not have been necessary to consummate export sales. It stated that all loans were essential to sales throughout the world and that GAO had presented no factual evidence to the contrary. Eximbank said that

the need for its assistance was a matter of judgment exercised by its Board of Directors. However, the bases for such judgments were not fully documented.

GAO believes that better documentation and an improved management information system are needed. Its report was presented within this context. The improved management procedures recommended are intended to assist Eximbank in making more informed decisions so that benefits might accrue to the U.S. balance of payments position. (B-114823, Feb. 12, 1973.)

FEDERAL COMMUMICATIONS COMMISSION

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FEDERAL COMMUNICATIONS COMMISSION

Fundamental changes needed to achieve effective enforcement of radio communication regulations

To achieve maximum use of the radio spectrum, the Federal Communications (FCC) has prescribed rules and regulations to be followed by radio operators and radio stations who must share the spectrum. Scrupulous observance of these rules and regulations is necessary to prevent harmful interference.

GAO reported to the Congress in November 1972 that FCC had ineffectively enforced compliance with its rules and regulations; therefore, the use of the radio spectrum was impaired. GAO reported that this situation was the result of various factors.

--FCC does not possess the technical equipment to effectively monitor the radio spectrum.

--Although mobile monitoring is the only effective means to monitor the bulk of the radio stations, FCC possesses only a limited mobile monitoring capability.

--FCC spends a substantial amount of time on activities that contribute little to maximizing the use of the radio spectrum or to solving major enforcement problems. As required by law and international agreement, FCC inspects ship radio stations to insure compliance with safety requirements, an activity unrelated to FCC's mission. Also, FCC assigns high priority to inspecting AM broadcast stations and to administering radio operator examinations. Although as many as 76 percent of the AM stations inspected annually have been found in violation of the rules and regulations, only a few were considered to be serious offenders and were assessed fines.

--FCC has not taken forceful action against repeated and willful violators. The number of cases acted upon was small, as was the amount of fines collected.

GAO recommended that FCC:

--Identify its long- and short-range enforcement problems and objectives.

--Determine its total monitoring requirements and acquire the proper mix of fixed and mobile monitoring capability and, in the interim, make maximum use of the existing mobile monitoring equipment.

--Reevaluate its field offices' system of priorities to channel resources into the areas of greatest need and substantially reduce the number of inspections of AM stations.

--Review the policies for assessing fines for willful and repeated violations.

--Arrange to have the Civil Service Commission assume responsibility for administering radio operator examinations.

GAO recommended also that the Congress amend the Communications Act of 1934 to transfer the responsibility for inspecting radios on compulsorily equipped ships to the Department of Transportation.

The Chairman of the FCC informed GAO in July 1972 of a number of actions taken or planned to improve the overall management of FCC. In August 1973, FCC advised GAO of additional actions it had taken concerning redirecting its mix of fixed and mobile monitoring capability which will result in more monitoring time's being used to operate mobile monitoring units. (B-159895, Nov. 3, 1972.)

GENERAL SERVICES ADMINISTRATION

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AUTOMATED DATA AND TELECOMMUNICATIONS SERVICE

Opportunities for improving management of local telephone service

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

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

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

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

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

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

FEDERAL SUPPLY SERVICE

Opportunities for savings in the procurement of tab paper

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

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

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

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

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

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

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

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

FEDERAL SUPPLY SERVICE (continued)

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

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

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

GENERAL SERVICES ADMINISTRATION

NATIONAL ARCHIVES AND RECORDS SERVICE

Ways to improve records management practices in the Federal Government

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

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

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

GAO suggested that NARS and GSA:

--Point out how agencies could save money if they would implement NARS recommendations.

--Develop criteria describing circumstances when NARS would report weaknesses or deficiencies in agency records management programs to the President, the Congress, or OMB.

--If an agency fails after a reasonable time to correct serious weaknesses in its records program on the basis of this criteria, then inform the President, the Congress, or OMB.

--Monitor agencies more closely to see that they maintain an up-to-date schedule showing retention periods for all their records.

--Develop, on a pilot basis, a method to evaluate records usage patterns at centers and to provide agencies with feedback as a basis for establishing more realistic retention periods.

NATIONAL ARCHIVES AND RECORDS SERVICE (continued)

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

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

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

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

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

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

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

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

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

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

PUBLIC BUILDINGS SERVICE (continued)

Because of the potential interest savings that would be possible by financing the GSA purchase contract program through Treasury borrowings, GAO's February 27, 1973, letter to GSA suggested that GSA consider seeking a change in the law that would provide for the remaining financing by direct Treasury borrowings.

GSA concurred with GAO that direct Treasury borrowings would be more economical than participation certificates or the variety of financing methods used by certain other Federal agencies. GSA stated that, to remedy the problem, the Administration has sponsored the proposed Federal Financing Bank Act of 1973. GSA stated that enactment of this proposed legislation (S. 925, Feb. 20, 1973) is intended to accomplish the objectives GAO proposed for GSA; it will accomplish the same objective for other Federal agencies as well.

The purpose of the legislation is to (1) insure coordination of the financing needs of Federal and federally assisted borrowing programs with overall economic and fiscal policies of the Government, (2) reduce the costs of Federal and federally assisted borrowings from the public, and (3) insure that such borrowings are financed in a manner least disruptive to the private financial markets and institutions.

A Federal financing bank would be established to carry out the legislation. The bank would be subject to the general supervision and direction of the Secretary of the Treasury. Federal agencies would be required to submit their financing plans for approval to the Secretary of the Treasury, who would be the chairman of the bank's board of directors.

Since GAO first brought this matter to its attention, GSA has sold $126 million of participation certificates and is scheduled to sell more issues in calendar year 1974 to finance the remaining projects.

GAO does not believe that enacting the proposed legislation would result in any sizable savings for GSA because it would have sold most, if not all, of its participation certificates before the proposed legislation could be enacted and implemented.

Two features of the proposed legislation may affect interest savings on any GSA financing remaining at the time of passage. First, according to Senate Report 92-853, dated June 12, 1972 (on an earlier version of the proposed legislation), the proposed legislation would not require the bank to lend to any agency nor require any agency to borrow from the bank. Therefore, even if the legislation is passed, GSA could, with the approval of the Secretary of the Treasury, continue to sell its participation certificates to the public. Second, interest on GSA's certificates and Treasury obligations is not subject to State and local income taxes; under Senate bill 925, interest on the proposed bank securities would be. This would tend to increase the interest rate on the bank's securities. (Letter dated February 27, 1973, to Acting Administrator of General Services).

INTER-AMERICAN FOUNDATION

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INTER-AMERICAN FOUNDATION

Need to clearly define the role of the Inter-American Foundation

The Congress created the Inter-American Foundation (IAF) to rectify social development shortcomings in prior U.S. assistance efforts in Latin America. IAF was to provide assistance primarily through private channels; principal participators in the development would be United States and Latin American private groups.

GAO reported to the Congress that IAF assisted Latin American private groups, but not U.S. private groups. IAF relies solely on Latin American groups to conceive and implement development efforts. IAF also provides assistance on easy terms primarily in the form of grants, rather than loans, and has softened the prior practice of requiring the recipient to obtain matching funds.

GAO expressed the belief that these practices introduce the chance that beneficial participation by others, namely private U.S. organizations, will be excluded and they may be setting the stage for losing opportunities to stimulate Latin American effort. GAO recommended that IAF broaden its approach to provide assistance through private U.S. organizations and to use a greater variety of assistance terms specifically tailored to development objectives.

IAF informed GAO that it opposed changing its approach and perceived its role to be limited to promoting Latin American experimentation and believed its approach to be appropriate for that role.

GAO believes that IAF was established to do more, that much of IAF's assistance actually went for nonexperimental projects, and that IAF should therefore reconsider the propriety of its approach. The Congress may wish to consider whether IAF's intended role is adequately defined and understood. (B-135075, July 23, 1973.)

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

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NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Need for annual congressional review of estimates for the Space Shuttle

Senator Walter F. Mondale requested GAO to review cost estimates released by the National Aeronautics and Space Administration (NASA) on March 15, 1972. NASA said that its cost estimates indicated that the Space Shuttle would cost about $5.2 billion less than alternative expendable systems for performing the same mission. The Space Shuttle is a proposed manned space transportation system which would be sent into orbit and returned to earth to be reused on other flights. For the most part the alternative systems are outgrowths of existing systems which have been used on other space missions.

GAO was not certain that the Space Shuttle was economically justified (is less costly when the time value of money is considered), even though NASA's calculations showed that it was. GAO did not believe it prudent for the Congress to place too much confidence in the projected cost savings.

GAO conclusions were based on (1) uncertainties related to nine cost issues involving alternative systems and (2) uncertainties in the estimated costs and savings attributed to payloads in the life-cycle costs of the Space Shuttle, particularly in the number of payloads.

GAO also concluded that the choice of a launch system should not be based principally on cost comparisons and cited five related issues GAO believes should be considered in the decision: (1) the priority the Nation places on space programs, (2) the value of new technology that might result from the Space Shuttle, (3) the need for the unique capabilities the Space Shuttle offers, (4) the prestige the United States might get from its development, and (5) the merits of an extensive manned space flight program.

NASA agreed that cost comparisons were not necessarily the best basis for deciding on whether to select the Space Shuttle or the expendable vehicles. However, it has chosen the Space Shuttle and maintained that this alternative would be least costly.

To enable the Congress to reach the most prudent decision on the funding of the Space Shuttle or the alternative expendable systems, GAO recommended that the Congress consider the future space missions used in NASA's economic analysis of the Space Shuttle to determine whether these missions are a reasonable basis for space program planning at this time. In addition, GAO recommended that, as part of the NASA authorization and appropriation process, the Congress review the estimates for the Space Shuttle annually, giving due consideration to the appropriateness of the missions used in making those estimates.

GAO testified on this matter at the request of the Subcommittee on Housing and Urban Development, Space, Science, Veterans, Senate Committee on Appropriations, on June 12, 1973, and before the Subcommittee on Manned

Space Flight of the House Committee on Science and Astronautics on June 26, 1973. (B-173677, June 1, 1973.)

Allocation of the costs of common support services of benefiting programs

The Chairman of the House Committee on Science and Astronautics requested GAO to review the distribution of costs for common support services among the various programs administered by NASA.

GAO determined that NASA had directed its Marshall Space Flight, Manned Spacecraft, and Kennedy Space Centers to include in the Apollo Program all costs for common support services although various other programs benefited from these services. This practice resulted in a substantial overstatement of Apollo Program costs and in understatements of the costs of the other benefiting programs.

To measure the significance of the overstatement of Apollo costs caused by NASA's practice, GAO analyzed the common support costs charged during the period July 1, 1970, through February 29, 1972, to the fiscal year 1971 and fiscal year 1972 Apollo program at two of the centers. Based on GAO's analysis, it appears that the costs of the Apollo program were overstated in NASA accounting reports by about $85 million and the costs of the benefiting program were understated by a like amount.

NASA stated that it revealed this practice in its budget justifications to the Congress. NASA also stated that it was studying means of accumulating total program costs for internal management purposes and the need to change its budget practices for common support costs.

NASA subsequently informed GAO that it would accumulate data on a pilot basis in the institutional support area in an attempt to identify the ultimate benefiting project or program. However, basic appropriation and program structure would remain unchanged and accounting procedures revised only to the extent necessary to provide for the accumulation and reporting of such data for internal management purposes.

NASA also stated that subsequent to its further evaluation of this matter it would be in a position to know whether changes would enhance its ability to manage and whether an accompanying change to the budget or appropriation structure should be recommended. It further stated that any such proposed change would be based on a number of considerations and would evolve not as the result of some specific study but rather as part of NASA's normal budget process and continuing dialogue with the Office of Management and Budget and the Congress. (B-158390, Mar. 9, 1973.)

OFFICE OF ECONOMIC OPPORTUNITY

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OFFICE OF ECONOMIC OPPORTUNITY

ECONOMIC DEVELOPMENT DIVISION

Economic development programs in Bedford-Stuyvesant under the Special Impact program have had a visible but limited impact

GAO reported to the Congress in August 1973 on its evaluation of the results of the Office of Economic Opportunity's (OEO's) experimental Special Impact program in Bedford-Stuyvesant, Brooklyn, New York, and the manner in which the program was being managed. Special Impact programs are intended to create training and job opportunities, improve the living environment, and encourage the development of local entrepreneurial skills in urban areas with large concentrations of low-income residents or in rural areas having substantial migration to such urban areas.

Legislation has been submitted to the Congress which would transfer responsibility for administering Special Impact programs from OEO to the Department of Commerce. GAO believes that information in this report on the accomplishments and problems of the Bedford-Stuyvesant Special Impact program should be of interest to the Congress in considering this legislation.

The Special Impact program in the Bedford-Stuyvesant community was the first and largest such program to be sponsored by the Federal Government. The program was started in 1967 with two nonprofit corporations as sponsors.

GAO reported that, as of June 1972 and after more than 5 years of Federal funding, the program had a visible but limited impact on Bedford-Stuyvesant, although some of the activities and projects underway could, in time, have greater effect on the area. The program has

--created employment opportunities through a comprehensive manpower program which recruited, counseled, and developed jobs for residents;

--initiated new housing developments and renovated the interiors and exteriors of existing residences;

--identified and solved local problems;

--established neighborhood centers to facilitate delivery of program benefits; and

--provided facilities for community activities, cultural events, and commercial use.

The program fell short of its goals in areas relating to development of minority-owned businesses and in attracting outside industry to create jobs for residents. Even though the sponsors through their housing program had a significant number of housing units planned or under construction, only a small number of units were constructed and rehabilitated.

ECONOMIC DEVELOPMENT DIVISION (continued)

Even if the sponsors had substantially met program goals, it is doubtful that the program, because of its limited scope, would have had more than a minimal impact on the area's problems, particularly those relating to jobs and housing.

GAO recommended that the sponsors, OEO, and the Department of Commerce--if responsibility for administering the Special Impact program was transferred to Commerce--consider this report in determining the future strategy of the Bedford-Stuyvesant program. OEO generally agreed with GAO's findings and conclusions. Commerce said the report could be useful to it if it becomes responsible for administering the program. (B-130515, Aug. 20, 1973.)

OFFICE OF ECONOMIC OPPORTUNITY

EXPERIMENTAL RESEARCH DIVISION

Question on merits of performance contracting in education versus traditional methods remains unanswered

An OEO report released in June 1972 stated that OEO's performance contracting in education experiment clearly indicated that the firms operating under performance contracts did not perform significantly better than the more traditional school systems. "Performance contracting" has been defined as an agreement between a local education agency, such as a public school, and a private educational firm, known as a "learning system contractor."

The OEO experiment, conducted during the 1970-71 school year at an estimated cost of $6 million, was designed to assess the overall impact of remedial reading and mathematics programs conducted by private educational firms. These programs were carried out under performance contracts for students from low-income families performing well below average in the subjects relative to national norms.

GAO evaluated the experiment because of its potential impact in education and reported to the Congress that, because of a number of shortcomings in both the design and implementation of the experiment, the question of the merits of performance contracting versus traditional educational methods in improving the reading and mathematics skills of poor children remained unanswered. These shortcomings included:

--The experimental and control groups were not comparable in initial achievement levels and socioeconomic characteristics, such as race and family income.

--OEO's design did not provide for monitoring control groups.

--OEO's design did not call for coordinating the length of instructional periods.

As part of its overall assessment of the impact of the experiment, OEO initially intended to report the results of the experiment on a school-district-by-school-district basis by use of comparisons between the experimental and control programs and among the programs of the six educational firms. The experiment was designed to provide data for such an analysis. OEO did not report the results of the programs in this manner because it found no significant differences between the results of the majority of the programs and because it was unable to determine the cause of apparent successes and failures on an individual school-district basis. Consequently, much of the data collected on this basis was of little or no use.

In addition, OEO's nonobservance of Federal Procurement Regulations and otherwise questionable actions involved in selecting contractors and administering and settling contracts indicated the existence of serious weaknesses in OEO's procurement practices.

EXPERIMENTAL RESEARCH DIVISION (continued)

If OEO had performed a cost analysis of the prospective contractors' proposals; that is, related the contractors' proposed costs to the tasks required in the request for proposals, OEO would have identified costs which were low in relation to the requirements and requirements for which no cost estimates were provided.

OEO should have explored the financial stability of all the educational firms before committing itself to large fund advances without any assurances that the firms could repay advances in excess of earnings at the end of the contract period. In the case of one firm, final settlement negotiations apparently resulted in a lessening of the uncollectible advances by increasing the proposed payments to that firm.

OEO's research and development activities in education were transferred to HEW's National Institute of Education in August 1973. GAO believed that many of the observations and conclusions in this report will be of value to the Institute and local education authorities if similar experiments are conducted in the future.

OEO believed that its June 1972 report contained a comprehensive analysis of the results of the experiment and that many of the problems pointed out in the GAO report were appropriately noted in OEO's report. OEO believed that its report provided a useful perspective within which the overall performance contracting experiment might be judged. (B-130515, May 8, 1973.)

OFFICE OF ECONOMIC OPPORTUNITY

EXTERNAL AUDIT DIVISION

Need for more effective audit activities

In April 1973 GAO reported to the Congress on the adequacy of public accountants' audits of local antipoverty agencies which received grants from OEO.

The Congress requires that each local antipoverty agency have adequate accounting and internal control systems. It requires also that these agencies be audited yearly to insure that the systems are adequate and that funds are spent in accordance with law, regulations, and grant conditions. OEO, rather than auditing about 1,500 antipoverty agencies (or grantees), required the grantees to arrange with qualified accountants--generally certified public accountants--to audit their activities.

Deficiencies in accounting systems and controls not disclosed in audit reports

About 60 percent of over 1,000 audit reports on grantee operations issued in fiscal year 1970 reported no major accounting system or internal control deficiencies. GAO reviewed 27 reports from this group.

Of the 27, 17 failed to disclose significant deficiencies in the financial operations of OEO grantees. Rather than include them in their formal audit reports, some public accountants informally reported such deficiencies to their grantees-clients. The deficiencies included inadequate controls over cash, payroll, travel expense, procurement, consultant services, and property and two cases of misappropriations of funds.

Public accountants' independence may be affected by other services to grantees-clients

In 10 cases the public accountants performed services for the grantees which could affect their independence. These services included functions normally performed by grantees' employees, such as day-to-day and/or periodic bookkeeping.

Although the accounting profession's ethical standards permit accountants to perform many of these services, the fact that these accountants did not always include significant grantee financial management deficiencies in their audit reports raises a question whether the independence of some accountants may have been impaired.

Independent auditors need guidance and training

The types of findings noted by GAO indicate that some public accountants need additional OEO guidance and additional training to comply with OEO's audit requirements.

EXTERNAL AUDIT DIVISION (continued)

Although uniform standards for auditing Government programs have been developed by a committee consisting of GAO, OEO, and seven major Federal grantor agencies, there is a continuing need for orientation and training programs for public accountants on audits of Federal grantees.

Need for strengthening contractual relationship with independent accountants

Several of the accountants said their allegiance and responsibility is to the grantee rather than to OEO. GAO holds that OEO should require grantees to strengthen the contractual arrangements with the auditors and to see that auditors are held responsible for their work.

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OEO's audit organization did not effectively monitor the adequacy of public accountants' audits, and audit reports with monetary and/or nonmonetary audit exceptions had been closed without OEO's regional offices verifying whether corrective actions promised by the grantees actually had been taken.

GAO made several recommendations to OEO for strengthening its audit activities. OEO informed GAO that it generally agreed with GAO's recommendations but that their implementation may, in some cases, require additional staff. (B-130515, Apr. 4, 1973.)

OFFICE OF ECONOMIC OPPORTUNITY

OFFICE OF LEGAL SERVICES

Improvements needed in Legal Services program grantees' operations and administration

GAO reported to the Congress in March 1973 on its evaluation of the results of OEO's Legal Services program grantees' operations and the manner in which they were administered. This program seeks to provide representation which will benefit the poor and help alleviate their problems.

GAO reviewed seven standard program grantees operating in five States and Puerto Rico which employed attorneys to provide legal services and the Wisconsin Judicare project, under which legal services provided by private attorneys were paid for by the project from OEO funds.

Standard program grantees

GAO reported that standard program grantees could increase their programs' effectiveness if they developed clearer and more detailed plans to achieve program goals and if OEO developed a reliable system to gather data on grantees' accomplishments.

GAO noted only limited achievements by most grantees in the economic development and law reform program goal areas. This happened partly because the grantees had neither clearly defined objectives and priorities nor set operating plans to achieve these goals.

GAO had considerable difficulty interpreting and analyzing results reported by the grantees. They had not defined their objectives in operational terms. Their records were inadequate and the confidentiality of the attorney-client relationship precluded GAO from reviewing certain records. Adequate data was not available to determine the actual number and types of cases handled, to measure achievements in some program goal areas, and to compute the average cost for cases handled.

Standard program grantees need to improve their management and administration so they can use resources more effectively and efficiently. Grantees need to improve their (1) determinations of persons' eligibility for legal assistance, (2) documentation of non-Federal contributions, and (3) controls over client deposits.

Wisconsin Judicare

Although the Wisconsin Judicare project was established in 1966 as an alternative method of providing legal services to the rural poor, it was not designed to test its own effectiveness or its effectiveness in comparison to standard Legal Services program grantees. Consequently, Wisconsin Judicare has not been evaluated in depth and standard methods of delivering legal services and the value of the judicare concept remain in question.

OFFICE OF LEGAL SERVICES (continued)

OEO did not establish:

--A systematic method of extracting information, such as the cost of each type of legal case handled, needed for documenting judicare results and for comparing Wisconsin Judicare with standard program grantees.

--A model standard Legal Services program grantee having a system for collecting data for comparison to Wisconsin Judicare.

GAO noted the following problems relating to Wisconsin Judicare's operations.

--Private attorneys were involved very little in law reform and economic development.

--Services provided in education, advocacy, and economic development were limited to a narrow spectrum of target-area residents.

--Private attorneys were not involved in appellate actions.

GAO noted also that the management and administration of the judicare project should be improved in areas relating to documentation of judicare payments to private attorneys, client eligibility, and non-Federal contributions.

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OEO generally concurred in GAO's recommendations and promised to take corrective actions so that it could bequeath to the proposed successor organization--the Legal Services corporation--a mechanism that would effectively meet the legal needs of the poor. (B-130515, Mar. 21, 1973.)

OFFICE OF ECONOMIC OPPORTUNITY

STATE AND LOCAL GOVERNMENT DIVISION

Noncompliance with grant conditions and OEO and other requirements

At the request of 22 Members of Congress from California, GAO reported in June 1973 on its examination of charges made about certain activities of the California State Economic Opportunity Office--an OEO grantee.

Investigations and evaluations

The California State office did not comply with the special conditions of the 1972 grant which prohibited investigations and unilateral evaluations. The OEO San Francisco regional office was aware that the State office was conducting unilateral evaluations and found them useful for assessing grantee performance. OEO did not try to prevent the State office from conducting evaluations or to modify the restrictions in the grant. The OEO San Francisco regional office apparently was unaware of the State office's investigative activities. OEO headquarters informed GAO, however, that it was aware that the State office was performing investigations and evaluations and thus it may be said that it implicitly waived these prohibitions.

Professional staff qualifications

GAO's examination of the State office's professional staff qualifications showed that it was questionable as to whether almost half of the professional staff met certain education and/or experience requirements contained in the State office's written job descriptions. However, because the ambiguous terminology of the job descriptions could be broadly interpreted, GAO could not conclusively determine whether the employees met the job qualifications.

Consultant contracts and unexpended carryover funds

The State office spent at least $60,657 of technical assistance funds for consultant services during program year 1972 without the authority to do so. Moreover, the State office's internal controls over contracting were inadequate.

Although OEO established a policy in April 1970 of requiring grantees to return prior years' unexpended funds to the Treasury or reprogram the funds to reduce Federal funding of grantees' operations, the policy was not required by law and the OEO permitted the State office to keep its prior years' unexpended funds.

Non-Federal contributions

The State office's recorded non-Federal contributions greatly exceeded OEO's requirement. However, the majority of these claims were questionable and the State office's non-Federal contribution may have been deficient for the 1972 program year. GAO reported that the State office could meet its non-Federal contribution requirement if OEO's Office of General Counsel determined that the funds spent by the State office under an OEO migrant program were allowable.

STATE AND LOCAL GOVERNMENT DIVISION (continued)

After this report was released, the Comptroller General issued a decision on this matter at Senator Alan Cranston's request. In a July 20, 1973, decision, the Comptroller General stated that the funds expended by the State office under the OEO migrant program did not constitute valid claims against the non-Federal contributions requirement.

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GAO recommended that OEO's Acting Director see that the corrective action proposed by the State office and the OEO San Francisco regional office was taken. OEO's Acting Director indicated to GAO that corrective actions were begun in response to specific identified problems and that OEO would continue to monitor the actions taken. (B-130515, June 14, 1973.)

OFFICE OF MANAGEMENT AND BUDGET

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OFFICE OF MANAGEMENT AND BUDGET

Better management needed in civil agencies over selection of in-house or contract performance of support activities

As stated in Office of Management and Budget (OMB) Circular A-76, the Government's policy for obtaining certain products and services is to rely on the private enterprise system unless the national interest requires a Government agency to provide them directly.

GAO made a review to determine whether selected civil agencies were adhering to the circular requirements in obtaining commercial or industrial products or services. The review was conducted at selected installations within the Atomic Energy Commission, the Bureau of Reclamation, the Federal Aviation Administration, the Department of Labor, the General Services Administration, the National Institutes of Health, and the National Aeronautics and Space Administration. GAO encountered a widespread failure by Federal civil agencies to adhere to this policy and to the detail procedures required by the circular.

In its report to the Congress, GAO stated that the agencies have not supported justifications for in-house performance of activities nor have they inventoried and/or reviewed significant activities in accordance with circular requirements.

GAO also observed that generally (1) the inventoried activities have not been converted to contract as a result of reviews prescribed by the circular, (2) internal audit groups have not reviewed the agencies' implementation of the circular, and (3) the agencies' instructions implementing the circular do not contain sufficient guidance.

GAO's recommendations, which generally parallel those of the entire Commission on Government Procurement, are that a new approach and stronger implementation are needed to achieve consistent and timely Government-wide application of Circular A-76.

GAO recommended that OMB take steps to apply the circular more vigorously and comprehensively and appoint a senior OMB member to devote full time to this matter. This appointee would be assisted by an interagency task force.

In official comments to the report, agency officials agreed with its factual content. (B-158685, July 31, 1973.)

RENEGOTIATION BOARD

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RENEGOTIATION BOARD

Objectives of the Renegotiation Act could be more fully attained by strengthening provisions of the act and improving procedures of the Renegotiation Board

The Renegotiation Board is an independent agency created under the Renegotiation Act of 1951 to eliminate contractors' excessive profits on defense and space contracts and related subcontracts. In renegotiation, the Board requires contractors to refund to the Government those portions of profits determined to be excessive. Each contractor whose total renegotiable sales in a fiscal year exceed $1 million must file a report.

GAO's review of the operations of the Renegotiation Board showed that objectives of the Renegotiation Act could be more fully attained by strengthening the procedures of the Renegotiation Board and by strengthening certain provisions of the act itself.

GAO recommended that the Renegotiation Board:

--Develop guidelines to show specifically how the statutory factors to be used in excessive profit determinations are to be applied and weighted and include in the renegotiation files adequate documentation of the rationale for decisions.

--Give greater consideration to the rate of return on capital employed in generating renegotiable sales and use industry averages to provide for more objective and broader based analyses.

--Assign contractors' filings which show seemingly reasonable profits (especially in borderline cases) to the regional boards for further review to insure that contractors are not escaping excessive profit determinations because inaccurate data was submitted.

--Establish liaison with the Armed Services Board of Contract Appeals and other claims settlement review groups to insure that contractors are reporting accurate data on pending and paid claims.

--Consider forwarding for use of procurement offices data on excessive price determinations and on the Board's analyses of such determinations.

The Board stated that it was engaged in an intensive program, still unfinished, the results of which were to some extent evident in GAO's report. The improvements include (1) guidelines for screening contractors' filings, (2) actions to develop written guidelines for determining excessive profits, and (3) a system of automatic data processing techniques to provide a basis for more broadly based analyses of cases in both screening and full-scale negotiation.

GAO recommended that the Congress:

--Require the Board to obtain and analyze profit and cost data on standard commercial articles and services to determine whether significant amounts of profits are escaping renegotiation.

--Determine whether the new, durable, productive equipment exemption is valid since the rationale for the exemption--the release of the Government stockpile of such equipment--has not occurred.

--Amend the act to penalize contractors failing to file on time. The penalty could be patterned after that of the Internal Revenue Service; that is, the Board could charge interest on the excessive profits for the period the filing was late or charge a fixed amount if no excessive profit determination was made.

--Revise the penalty provision to hold contractors responsible for furnishing all data required by the Board and to have the contractors show reasonable cause why they did not furnish the data.

--Consider whether the minimum amount of excessive profits below which the Board does not require refunds is appropriate under the act and, if so, whether the Board has clearly stated its objectives for establishing minimums and whether these objectives are being attained. (B-163520, May 9, 1973.)

TENNESSEE VALLEY AUTHORITY

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TENNESSEE VALLEY AUTHORITY

Alternative to requirement for repayment of Federal investment

At the request of the Chairman, Subcommittee on Public Works Appropriations, House Committee on Appropriations, GAO reported on an alternative method for the Tennessee Valley Authority (TVA) to use in repaying the Federal investment in TVA's electric power system.

This alternative repayment method would treat the Federal investment in TVA as equity and, therefore, require a payment to the Treasury as a return on the investment. The principal amount of the investment, however, would not be repaid. The annual rate of return on the investment would be based on the average interest rate payable by the Treasury on its total marketable public obligations as of the beginning of each fiscal year and therefore would not result in any net interest cost to the Treasury to have the investment outstanding.

GAO estimated that, should the Congress adopt the alternative repayment method, TVA's power customers could save about $287 million from fiscal year 1974 through fiscal year 2014 without any net interest cost to the Treasury. (B-114850, Apr. 27, 1973.)

UNITED STATES CIVIL SERVICE COMMISSION

Contents

Improvements needed to increase the effectiveness of the Government Employees Incentive Awards Program

GAO reviewed the Government Employees' Incentive Awards Program to determine whether cash performance awards (lump-sum special achievement awards and quality increases) and cash suggestion awards had been effective in encouraging employees to help improve Government operations. Of the more than 1,900 randomly selected employees responding to a GAO questionnaire, 56 percent indicated that the Incentive Awards Program had not motivated them to do a better job. During fiscal year 1972, Government agencies granted

--over $16 million for 91,161 special achievement awards,

--$4.6 million for 56,606 employee suggestions, and

--42,570 quality increases having an estimated first-year cost of $17 million. Since these increases are reflected in subsequent years' pay, these awards will eventually cost the Government much more.

The Civil Service Commission reported measurable benefits of $315 million related to special achievements and adopted suggestions. Related benefits were not determined for quality increases.

GAO's review was made in 10 civilian and Defense departments and agencies, representing a cross-section of the Federal Government and in the Civil Service Commission. GAO found that:

--Cash performance awards had been used inconsistently.

--There was no clear distinction between the criteria for granting a special achievement award and a quality increase, although the latter is much more expensive.

--Many employees were not told why specific awards were granted.

--About one-fourth of Federal civilian employees are not eligible for the quality increase award because of restrictions in Commission regulations.

--Quality increases are not officially included in the program by the Commission although the agencies contacted treated them as incentive awards.

Employee participation in the suggestion award portion of the program could be increased by actively promoting and publicizing this portion and by processing suggestions promptly.

Further, the Commission's annual report on the incentive awards program did not present a complete picture because it did not include the substantial costs of quality increases and program administration and may have significantly overstated measurable benefits. Also, neither the Commission nor the agencies had made reviews of sufficient frequency or depth to identify problems in the program.

CIVIL SERVICE COMMISSION

GAO recommended that the Chairman, Civil Service Commission:

--Establish criteria limiting cash performance awards to employees whose performance has clearly improved Government operations.

--Revise standards to clearly distinguish between the level of performance needed to receive a special achievement award or a quality increase so that quality increases will be relatively more difficult to obtain.

--Emphasize the importance of keeping employees well informed of the specific reasons for awards.

--Include quality increases as part of the Incentive Awards Program and consider creating a comparable value award for employees who are now ineligible for quality increases.

--Insure that agencies promote and publicize the program and that suggestions are processed promptly.

--Increase the usefulness of the Commission's annual report by including quality increase and administrations costs and by improving the accuracy of reported benefits and costs.

--Make reviews and evaluations necessary to identify program strengths and weaknesses.

The Commission said that GAO's report presented a clear and accurate perspective on the Incentive Awards Program and that it believed GAO's conclusions and recommendations were constructive. As a result, the Commission said it had taken, or planned to take, certain corrective actions and will fully discuss with agencies the approaches to be taken to deal with the problems identified by GAO. (B-166802, Nov. 1, 1973.)

Unclaimed benefits in the Civil Service Retirement Fund

Over a quarter million former Federal employees, most of whom are well beyond retirement age, have not applied for annuities or refunds of their contributions totaling about $26 million to the Civil Service Retirement Fund. Under current law, if the benefits are not claimed, the Civil Service Commission must maintain records on the contingent liability for claims in perpetuity.

GAO tests indicated that current addresses could be located for many of the people entitled to those benefits. Accordingly, GAO recommended that the Commission seek approval from the Congress to finance, out of interest income of the Retirement Fund, a program to locate former employees with balances in the fund amounting to $100 or more and to settle their claims. GAO also recommended that the Commission propose legislation providing for a statute of limitations permitting the destruction of retirement records when it would be statistically sound to conclude that no claims would be made. Further,

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GAO recommended to the Congress that it consider favorably the requests of the Commission for such spending authority and enabling legislation.

On October 30, 1973, Public Law 93-143 was signed by the President. This law, providing fiscal year 1974 appropriations to independent agencies (including the Civil Service Commission), authorizes the Commission to spend $641,000 to finance a program to locate former employees with balances in the Retirement Fund and to settle their claims as proposed in our report. The law does not provide for the statute of limitations recommendation. (B-130150, Dec. 20, 1972.)

UNITED STATES POSTAL SERVICE

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UNITED STATES POSTAL SERVICE

Prototype mechanized system should be proved before expanding system to additional facilities

The letter mail code sort system (LMCSS) is designed to sort letters automatically by means of a machine-readable code imprinted on the envelopes. The Postal Service plans to install these systems in 179 strategically located, large-volume postal facilities by 1978, at a cost of about $7 million for each facility. The Postal Service believes that LMCSS will reduce mail processing costs by about $1 billion a year.

GAO reviewed the operating and testing of a prototype LMCSS at the Cincinnati, Ohio, Post Office. In a report to the Postmaster General, copies of which were sent to cognizant congressional committees, GAO questioned the Postal Service's plan to procure, in the near future, new and advanced system equipment for installation at four facilities before fully demonstrating the system. GAO noted that a complete LMCSS had not been installed or tested; the partial LMCSS was not meeting Postal Service performance standards; and the partial LMCSS was more costly than the existing letter sorting system.

A Postal Service official advised GAO that the Postal Service recognized the need for satisfactorily demonstrating the LMCSS equipment before making a major capital investment and that expanding the LMCSS would be delayed pending such a demonstration. (B-114874, Nov. 8, 1972.)

Cost comparison leading to decision to purchase leased postal facility did not consider local real estate taxes forgone

At the request of Congressman James A. Burke, GAO reviewed the economics of a decision by the Postal Service to abrogate an existing lease arrangement and purchase the South Boston Postal Annex Addition in Boston, Massachusetts. GAO reported that, in determining that purchasing was more economical than leasing, the Postal Service did not consider real estate taxes forgone by Boston as a cost of ownership. Including real estate taxes forgone in the cost comparison showed an advantage of leasing over purchasing of about $3.6 million.

After GAO's review, the Postal Service changed its policy and now considers the effect of removing property from local tax rolls, so that its policy is consistent with that of other Federal agencies. (B-145650, Dec. 29, 1972.)

Airmail Improvement Program initiated without the benefit of market studies to determine whether the program would be economical

The Postal Service's Airmail Improvement Program objectives are to arrest and reverse the decline in airmail volume and thus increase revenue by offering improved service. This was the first program for which the Service established delivery standards.

In August 1973 GAO reported to the Congress that the Service had not performed a market study before it initiated the program; delivery

standards were not being met; and increased costs associated with the program were not being offset because anticipated increased airmail volume had not materialized. On the bases of interviews with large mailers, GAO believed that there was a need to reevaluate the program to determine (1) whether it could be modified to better meet customer needs and, in turn, to increase participation or (2) whether it should be curtailed.

In response to GAO's recommendations, the Postal Service stated that it was examining possible program modifications and making surveys to determine customer needs. (B-114874, Aug. 6, 1973.)

VETERANS ADMINISTRATION

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VETERANS ADMINISTRATION

Better use of outpatient services and nursing care bed facilities could improve health care delivery to veterans

The Veterans Administration (VA) outpatient program for medical and dental activities and the number of veterans treated have increased significantly over the last decade. GAO reviewed VA's health care delivery system to determine if better use of outpatient clinics could improve the care provided to veterans.

The outpatient program has helped shorten the length of hospital stay; however, opportunities exist to further improve the program. On the basis of a random sample of 420 patient medical records, which were reviewed by the treating physicians at six hospitals, GAO estimated that about 146,000 or 15 percent of the 1 million hospital days furnished at these hospitals during fiscal year 1971 could have been avoided.

GAO found that:

--Less than 10 percent of the patients admitted to each of the six hospitals received outpatient care for diagnostic testing before hospitalization.

--Many patients could have been discharged earlier if greater use had been made of outpatient facilities or if nursing care bed facilities had been available.

--Poor planning and coordination of hospital admissions with available surgical facilities unnecessarily lengthened hospitalization.

--Utilization review committees placed relatively little emphasis on evaluating matters related to more efficient patient care.

--Outpatients often had to wait many hours to see a VA physician because the appointment scheduling system was inadequate.

Some VA dental clinics do not use modern dentistry concepts extensively to increase professional productivity.

GAO found that:

--Dental clinic productivity could be improved by using more paradental personnel and using more than one chair per dentist where possible.

--At some clinics VA dentists performed administrative duties which reduced the amount of time they devoted to dental work.

--Dental clinic efficiency could be improved if steps were taken to reduce the number of broken appointments.

--The number of veterans referred to private dentists could be reduced if resources among neighboring VA stations were better coordinated.

VETERANS ADMINISTRATION

GAO made various recommendations designed to improve hospital and clinic scheduling, productivity, and efficiency review procedures. Generally, VA agreed with GAO and said it would take corrective action. (B-167656, Apr. 11, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

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VARIOUS DEPARTMENTS AND AGENCIES

(Civil Service Commission, Office of Management and Budget, and Department of Labor)

Improvements needed in conducting the survey of non-Federal salaries used as basis for adjusting Federal white-collar salaries

The principle that salaries for Federal white-collar employees should be comparable with salaries paid in private enterprise for the same levels of work is established by law. GAO is reviewing the comparability process for adjusting Federal white-collar salaries because it is desirable that an independent assessment be made and because it costs about $420 million a year for each 1-percent increase in pay. The first phase of the review was completed during fiscal year 1973 and dealt with the design and conduct of the annual survey of non-Federal salaries. The survey is used as the basis for assessing and adjusting Federal white-collar salaries.

In its report on this phase of the review, GAO stated that the adoption of the comparability principle and the provision for annual review and adjustment have generally advanced the evolution of Federal white-collar salary determination. The resultant pay adjustments have, on the whole, significantly narrowed the spread between Government and private sector average salary rates determined by the annual survey. There is, however, a need to supplement and strengthen the design and data-gathering process of the annual survey to better accomplish the basic purposes for which the principle of comparability was adopted. Further, more emphasis should be given to compensate evaluation and research in order that timely changes in the comparability process can be made.

In the annual survey, it would not be feasible to survey every Government job to determine its average salary in the private sector. Instead, a select group of positions at various work levels is surveyed. An arithmetic mean of the private enterprise rate for each work level is computed. These means are the bases used to assess and adjust Federal rates.

GAO reported that the occupational composition of the jobs selected for survey were not sufficiently representative of the variety of Federal jobs at the GS-5, GS-7, GS-9, and GS-15 work levels. The job mixes at certain of those levels contained disproportionate numbers of jobs which were highly paid in the private sector, and this resulted in an upward bias of the average work-level rates.

Although the annual survey is designed to estimate the national salary rates in the private sector for selected jobs comparable to those in the Federal sector, the scope of the survey includes only the salaries of about 25 percent of non-Federal sector white-collar employees. Employees of State and local governments, nonprofit organizations, and some industries are excluded. The rationale for many of the exclusions no longer seems valid. Including a more representative cross section of the non-Federal sector would allow the survey to reflect, proportionately, employment and pay for each of the major segments of the non-Federal sector.

VARIOUS DEPARTMENTS AND AGENCIES

(Civil Service Commission, Office of Management and Budget, and Department of Labor)

With respect to the actual conduct of the survey, GAO observed a need for the comparability process to include a means of measuring nonsampling errors to determine the degree of data reliability. Further, GAO reported a need to:

--Clarify certain job definitions.

--Reevaluate certain surveyed jobs to see if they are susceptible to the job-matching technique.

--Provide additional guidance and training to data collectors.

GAO's report contained a number of recommendations to the Director, Office of Management and Budget; Chairman, Civil Service Commission; and the Secretary of Labor. Agency officials were generally in accord with the message of GAO's report. The Civil Service Commission, with approval of the Office of Management and Budget, has requested a supplemental appropriation of $760,000 for a "crash" study of the feasibility of implementing GAO's recommendations along with numerous other matters relating to Federal compensation policies and procedures.

The Bureau of Labor Statistics also agreed that the recommended improvements in its conduct of the salary survey were needed and requested $600,000 for fiscal year 1975 to make the needed changes for incorporation into the March 1976 survey. (B-167266, May 11, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Agriculture and
Department of Health, Education, and Welfare)

Processed fruits and vegetables: need for better controls and improvement in sanitation in some plants

The Food and Drug Administration (FDA), HEW, has primary Federal responsibility for inspecting foods--except for meat, poultry, and egg products--and for insuring that foods entering interstate commerce are safe and wholesome and that adulterated and misbranded products are removed from the market. The Agricultural Marketing Service (AMS), Department of Agriculture, upon request and on a reimbursable basis, provides grading services in fruit and vegetable processing plants. To receive the service, a plant must be maintained under sanitary conditions. A 1953 agreement between AMS and FDA arranged for carrying out activities having common or related objectives.

Need to control processed fruits and vegetables which may be adulterated

From January 1, 1970, through March 31, 1971, about 15 billion pounds of fruits and vegetables were subject to AMS grading. During that period, AMS identified about 39 million pounds in 132 plants that did not meet U.S. grade standards because the products had excessive foreign materials--such as worms, insects, oil, rust, and paint flakes--or because the products had been packed under unsanitary conditions.

GAO found that AMS, in accordance with its normal procedures, did not control such products but left their disposition to the processors. Also, FDA did not routinely obtain from AMS information on these products which might have been adulterated. In July 1971 GAO asked FDA to investigate specific production lots which did not meet U.S. grade standards. Of 31 lots investigated, FDA reported that 2 which had been shipped in interstate commerce were adulterated; 3 had been destroyed or diverted for use as cattle feed; and the rest had been shipped from the plants and were not available for sampling or could not be traced.

The agreement between FDA and AMS was revised in May 1972 to provide that, whenever AMS found a production lot to be hazardous to health, it would report this information to FDA. However, the revision did not cover potentially adulterated products other than those considered hazardous to health. Potentially adulterated products include those that consist, in whole or in part, of any filthy, putrid, or decomposed substance; those that are otherwise unfit for food; and those that have been prepared, packed, or held under unsanitary conditions whereby they may have become contaminated by filth.

In a February 1973 report to the Congress, GAO recommended that (1) FDA, under the authority of the Federal Food, Drug, and Cosmetic Act, routinely obtain from Agriculture necessary information for FDA to take appropriate

action against all processed fruits and vegetables which failed to meet U.S. grade standards for reasons which, under FDA standards, would render the products adulterated and that (2) AMS cooperate in providing such information on a timely basis.

HEW said it concurred in the recommendation and would work with Agriculture to implement it. Agriculture replied that AMS's grading service was voluntary and that its minimum guidelines for foreign material were more restrictive than FDA's. Agriculture expressed the belief that, if AMS reported to FDA all products which failed to meet AMS's grade and quality standards, the participating plants would be disadvantaged by being subjected to standards different from those applied to nonparticipating plants.

In April 1973 Agriculture reported, however, that it was developing amendments to its agreement with FDA to provide that products which failed to meet U.S. grade standards and which might have been adulterated would be (1) made to comply with the standards, (2) diverted for processing into other products, (3) voluntarily disposed of for nonfood purposes, or (4) reported to FDA.

In August 1973 an AMS official advised GAO that the agencies had agreed on the amendments and that the revised agreement would be published in the Federal Register.

AMS does not notify FDA of plants from which its grading service has been withdrawn, suspended, or terminated

Conditions revealed by GAO visits to fruit and vegetable processing plants and AMS sanitation reports and grading records showed that some plant managements were not taking appropriate and timely actions to correct known sanitation deficiencies and that some AMS employees were not effective in having plant managements maintain their plants under sanitary conditions. Under its 1953 agreement with FDA, AMS was not required to and did not notify FDA of plants where grading service had been denied or withdrawn because of sanitation deficiencies.

During GAO's review, AMS took action which should improve plant sanitation conditions. In August 1973 an AMS official told GAO that AMS and FDA had agreed to amend their agreement to provide that the denial or withdrawal of inspection services would be reported to FDA. He stated also that the revised agreement would be published in the Federal Register. (B-164031(2), Feb. 21, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Agriculture; Department of Health, Education, and Welfare; Department of Justice; Department of the Treasury; and Office of Management and Budget)

A single agency needed to manage port-of-entry inspections--particularly at U.S. airports

In May 1973 GAO reported to the Congress that the inspection resources of the four Federal agencies responsible for inspecting persons entering the United States--Immigration and Naturalization Service, Department of Justice; Bureau of Customs, Department of the Treasury; Public Health Service, Department of Health, Education, and Welfare; and Department of Agriculture--are strained by the increases in the number of arrivals, particularly at international airports. The situation is further aggravated by the uneven distribution of arrivals during both the day and year. The increases in and concentration of air arrivals and the present four-way division of inspection functions contribute to management problems. At Kennedy International Airport, in New York, for example:

--The agencies must staff and supervise inspections at four separate locations.

--The agencies have different policies and procedures for establishing work shifts and for billing airlines for services.

--The agencies have different pay scales for overtime work which results in wide disparities in pay for inspectors performing similar work.

--The pressure to quickly process arrivals dilutes the quality of inspections at peak traffic periods.

The four agencies recognized that a fragmented approach to inspections will not allow a more efficient and effective inspection system to develop. Attempts to improve the system have been frustrated due to the difficulties of multiagency cooperation.

GAO recommended that the Director, Office of Management and Budget (OMB), in cooperation with the four agencies, should implement single-agency management of port-of-entry inspections. Immigration, Customs, and Agriculture agreed with GAO's recommendation.

However, HEW did not agree with the concept of single-agency management and emphasized that only experienced inspectors understanding disease epidemiology could adequately carry out their inspections. GAO pointed out that single-agency management would not eliminate experienced judgment or expertise in a particular inspection function.

On March 28, 1973, the President transmitted to the Congress a reorganization plan which included a proposal to transfer Immigration's inspections to Customs. This would be a significant first step in eliminating the fragmented inspections management. Although the plan was approved, the

transfer was not carried out. OMB informed GAO in June 1973 that it did not believe the reorganization plan was the appropriate vehicle for the transfer. OMB, however, had no objection to GAO's conclusions and recommendations. (B-114898, May 30, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Agriculture; Department of Health, Education, and Welfare; Department of Labor; Office of Economic Opportunity; and Office of Management and Budget)

Problems limiting progress of Federal programs affecting migrant and other seasonal farmworkers

In February 1973 GAO reported to the Congress on the impact of major Federal programs to improve the living conditions of migrant and other seasonal farmworkers in six agricultural areas in California, Florida, Michigan, New York, Texas, and Washington. Federal participation in these programs is administered by the Departments of Agriculture, HEW, and Labor and OEO.

The Federal Government provides funds to help migrant and other seasonal farmworkers improve their living conditions through manpower, education, health, housing, and day-care programs.

GAO reported that, although the Federal Government's programs provided needed services for many of the estimated 199,000 migrant and other seasonal farmworkers and dependents, the amount of funds made available in relation to the target population, which OEO estimates at 5 million, and the magnitude of their problems have limited the programs' effectiveness. Although the funding of programs has increased and larger amounts are expected to be made available in the future, budgetary constraints will almost certainly continue to limit progress in meeting these farmworkers' needs.

GAO also reported that:

--Administrators need to improve the operations of their programs to more effectively aid migrant and seasonal farmworkers and their families.

--Federal assistance directed to problems of migrant and other seasonal farmworkers is administered by four executive agencies on a fragmented basis through numerous programs, each having separate legislative authority and intent.

Federal agencies operating the programs generally agreed with GAO's recommendations and said action had been, or would be, taken accordingly. In response to GAO's recommendation concerning the need for developing an overall plan and a common direction of effort among Federal agencies operating these programs, OMB said that it was working with the agencies on what sort of interagency coordination might be necessary. (B-177486, Feb. 6, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Agriculture and Department of the Interior)

Additional actions needed to minimize adverse environmental impacts of timber harvesting and road construction on forest land

Two Federal agencies--the Forest Service, Department of Agriculture, and the Bureau of Land Management (BLM), Department of the Interior--manage about 660 million acres of federally owned land for a sustained high-level output of forest resources to meet public demands without impairing land productivity. Both agencies are required to consider environmental values in making land management decisions.

In March 1973 GAO reported to the Congress that procedures and practices followed by both agencies in planning timber sale and road construction projects did not insure that the expertise of resource specialists was obtained and used to minimize the adverse impact on forest resources. In many instances in which timber-harvesting and road construction projects caused serious damage to forest resources and the environment, project planners either had not obtained or had not followed the advice of resource specialists.

To minimize adverse environmental impact of decisions relating to land management, GAO recommended that the Forest Service and BLM (1) require project planners to obtain and use the expertise of resource specialists in planning and designing each timber sale and road construction project or, when such expertise is not obtained or used, document the reasons therefor, (2) require that the resource specialists' views and recommendations be made part of the project planning documents for review by supervisory officials, and (3) identify and analyze where and why needed assistance from resource specialists could not be obtained and explore ways to provide such assistance.

Agriculture generally agreed with GAO's conclusions and stated that the Forest Service's national instructions had been or were being modified to require engineering representatives to call on appropriate resource specialists while planning and constructing roads. Agriculture stated also that the national instructions covering timber sale planning and timber sale layout were being revised to require that needed skills be identified, documented, and made available to district rangers and that documentation be made of the use or nonuse of specialists or the failure to follow the specialists' advice.

Interior said that BLM had installed procedures which met most of GAO's recommendations but that these procedures had not yet been fully implemented at the field level. However, those procedures make the use of resource specialists optional rather than mandatory.

GAO believes that additional actions are needed to strengthen BLM's new procedures to require that the expertise of specialists be obtained and used or, when it is not, to document for supervisory review why it was not considered necessary, was not available, or was not used. (B-125053, Mar. 20, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Agriculture, Department of State, and Agency for International Development)

Better use could be made of U.S. assistance and other support to the Philippines

Direct U.S. economic and military assistance programs to the Philippines averaged $68 million annually from 1965 through 1971. However, less visible but larger forms of dollar flows, such as sugar premium payments, favorable tariff agreements, and U.S. military spending, have averaged about $388 million annually. These latter means stem from programs of the U.S. Government serving specific U.S. interests and are not necessarily directed to the orderly development of Philippine economy.

GAO reported that U.S. economic assistance programs--based on the criterion of self-help--have achieved little success in bringing about much needed social and economic changes in the Philippines. The influence of these programs has been lessened by inadequate Philippine Government support. GAO found that over the years the Agency for International Development (AID) has planned technical assistance grant and direct loan programs on the assumption that the Philippine Government would provide adequate local currency support to carry out the various agreements. In 1965 GAO reported that Philippine Government support was inadequate. There has been some improvement but this problem still persists.

For other types of dollar inflows to the Philippines by the United States, GAO observed that U.S. payments of $485 million over and above 130 percent of the world price of sugar during the past 7 years through the U.S. sugar quota system have not provided much assistance toward the development of the Philippines and its people.

GAO recommended that (1) the Secretaries of State and Agriculture develop methods to direct at least part of the sugar premium payments to economic development and social reform programs and that (2) the Secretary of State impress upon the Philippine Government the need for such use. In providing direct assistance, the United States should more effectively insure that Philippine funds will be available when needed before it turns over U.S. resources to joint projects. For example, a portion of the receipts from U.S. sugar trade could be used for this purpose.

The Department of State said that any attempt to use the benefits accruing to the Philippines from the sugar legislation to implement U.S. policy objectives would be tenable anly if done without detracting from the main purposes of U.S. sugar policy. AID cited various assistance projects for which it stated that Philippine financial support had been adequate. It agreed that Philippine local currency support and program implementation continue to be problems but that these problems have become less serious in recent years.

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Agriculture, Department of State, and Agency for International Development)

In view of the magnitude of the indirect assistance provided to the Philippines through sugar premiums and the great interest of the United States in assisting with the economic and social development of the Philippines, GAO expressed the belief that the United States should act to impress upon the Philippines the potential better use of a portion of these funds. GAO stated in its report that the Congress may wish to review this matter with the Departments of State and Agriculture and AID. (B-133359, Mar. 2, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

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

Opportunities for reducing the cost of constructing and operating health facilities

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

Constructing and operating health facilities

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

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

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

--Initial construction costs of the redesigned facility would have been as much as 8.6 percent lower than those of the facility that was built.

--Life-cycle costs of as much as $10.4 million could have been saved by incorporating the improvement alternatives into the redesigned hospital.

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

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

Demand for health facility construction

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

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

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

VARIOUS DEPARTMENTS AND AGENCIES

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

HEW, 5 other Federal agencies, and 17 private organizations were requested to review and comment on all or parts of the study. The agencies and organizations generally concurred in the report. (B-164031(3), Nov. 20, 1972.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Commerce, Department of the Interior, and Office of Management and Budget)

Need for a national earthquake research program

After the Alaska earthquake in 1964, Federal agencies developed and expanded their earthquake research activities. Earthquake research is conducted primarily by the Departments of Commerce and the Interior and is supported by six other Federal agencies. In fiscal year 1971, Federal expenditures for earthquake research, exclusive of expenditures by the Department of Defense, totaled $14.6 million.

GAO reported to the Congress that fragmented responsibility and the lack of national goals had made a coordinated research attack on the Nation's earthquake problems difficult. Because Federal agencies generally had not coordinated their earthquake research activities, investigations overlapped.

GAO concluded that a national program of earthquake research, establishing goals and priorities, defining roles for the Federal agencies, and providing for a high degree of coordination, was needed to effectively administer federally supported earthquake research.

GAO recommended that the Office of Management and Budget (OMB) (1) establish goals and priorities for a national earthquake research program, (2) establish criteria by which to judge the effectiveness of the program, (3) define and reassign, if appropriate, the responsibilities of all Federal agencies involved in earthquake research, (4) establish a permanent coordinating group, independent of the agencies involved, to provide guidance and assistance in conducting the national earthquake research program, and (5) monitor agency earthquake research activities to insure the coordination of these activities and the most effective use of available resources.

OMB informed GAO that it would consider developing criteria for evaluating the effectiveness of the agencies' programs; that agency responsibilities for carrying out earthquake research programs would be defined; that it might be desirable to establish a group, independent of the agencies involved, to evaluate the effectiveness of their efforts and to advise the Executive Office of the President; and that OMB would, with the assistance of the Office of Science and Technology, monitor agency earthquake research activities.

GAO believes that carrying out OMB's plans, including establishing an independent coordinating group, is essential for achieving a coordinated national earthquake research program. (B-176621, Sept. 11, 1972.)

VARIOUS DEPARTMENTS AND AGENCIES

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

Improvement needed in use of formal advertising procedures for procurement

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

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

--Bidders lists were based on broad categories of items and did not reveal the relatively few sources capable of bidding for a specific item.

--Previous bidders were not regularly solicited.

--Advertising in the Commerce Business Daily was not timely and the published description of supplies or services required was insufficient to elicit bids.

--The causes for the low number of bids were not evaluated to increase competition for future procurements.

--Restrictive specifications or purchase descriptions were used repeatedly.

--The complexity of invitations discouraged suppliers from bidding.

--Bidders were not given enough time to bid.

--Bids were rejected because of minor discrepancies.

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

--41 percent more invitations for bid (IFBs) were prepared for distribution than were used.

--About 50 percent of the pages in the IFBs were standard contract provisions which were repeated from one solicitation to another.

--Furnishing more than two copies of the IFB to the firms solicited was unnecessary.

VARIOUS DEPARTMENTS AND AGENCIES

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

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

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

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

--Establish a program in each procurement office to selectively review the extent of competition achieved under formal advertising and take aggressive action to stimulate competition where it appears to be restricted.

--Establish a work simplification program in each procurement agency to (1) solicit only previous bidders or suppliers and firms that request IFBs, (2) simplify and shorten IFBs, and (3) reevaluate the requirements for distributing IFBs.

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

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

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

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

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Defense and Department of State)

Need for tighter control over U.S. commitments to other nations

In recent years the Congress has been concerned over the number and scope of agreements concluded by the executive branch committing the U.S. to provide substantial assistance to foreign countries.

The U.S. Government, through its military and diplomatic officials, entered into numerous types of agreements and arrangements with foreign governments, not all of which required coordination with or approval of the Department of State. These agreements committed the United States to substantial cash payments directly to the concerned governments and to material support of their military forces--commitments ultimately resulting in the expenditure of many millions of dollars.

GAO found no evidence that the Congress, which is responsible for establishing levels of Federal spending, had been notified or advised by the executive branch prior to entering into these agreements.

GAO expressed the belief that the executive branch needed to exercise more coordinated control and management, especially the Departments of State and Defense, over our commitments to foreign governments. GAO recommended that the Secretary of State (1) establish procedures to require that all agreements be subject to his approval, including those subordinate to or designed to implement basic government-to-government agreements which commit the United States to specific performance requiring the expenditure of substantial amounts of money, (2) require a central repository to be established within the Department for all such international agreements, arrangements, and commitments similar to the one now in existence for treaties, and (3) provide annually to the appropriate committees of the Congress a list and description of all such agreements, together with estimates of the future years' costs that each agreement involves.

State said that GAO's recommendations concerning a documentation procedure and a central repository for international agreements warranted careful study and would be seriously considered.

Public Law 92-403, dated August 22, 1972, requires the Secretary of State to transmit to the Congress the text of all international agreements other than treaties. The Secretary, however, may not consider most of the subordinate and implementing agreements, such as those covered in GAO's review, to be subject to Public Law 92-403, because reporting of the parent agreement would suffice.

GAO therefore suggested that the Congress consider legislation requiring the Secretary to submit annually to the Congress a list and description of all such subordinate and implementing agreements involving substantial amounts of U.S. assistance. (B-159451, Apr. 24, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Defense and Department of State)

Desirability of improved reporting on U.S. contributions to NATO

The cost of U.S. participation in NATO cannot be readily determined because the funds come from different appropriations. In 1972 the U.S. contribution to the NATO budgets was about $85 million. However, the U.S. expended at least an additional $40 million as a result of its NATO membership, primarily for personnel assigned to NATO. The United States incurred substantial additional costs, such as costs for U.S. Forces committed to NATO, unrecovered costs for prefinanced construction in Europe, and the cost of moving from France. These costs, amounting to as much as $16 billion annually, are paid from various appropriations and authorizations, including the Departments of Defense and State appropriations and the Foreign Assistance Act.

GAO expressed the belief that this diffused funding of U.S. NATO activities makes congressional overview and control difficult. Also, the costs incurred by these agencies are for international security assistance even though some of the costs may also be a national cost of U.S. programs. Therefore, these costs should be considered along with the requests for direct funding of international security programs.

DOD stated that U.S. participation in NATO represents funding for the defense of the United States and did not agree with GAO's view that the cost of NATO to the United States is international security assistance. DOD felt, however, that NATO support is but one of many DOD responsibilities subject to changing requirements. Establishment of a separate appropriation would eliminate the flexibility required to meet these changing needs.

GAO therefore recommended that the Congress consider either placing all direct costs of NATO financing under the Foreign Assistance Act and requiring the executive branch to report on other costs incurred or requiring the executive branch to report all costs incurred. (B-156489, Feb. 23, 1973.)

Payment of phantom troops in the Cambodian military forces

At the request of a member of Congress, GAO investigated allegations that Cambodian Army unit commanders inflate their payrolls and pocket the pay of nonexistent (phantom) troops.

American officials acknowledged that corrupt payroll practices have existed for some time and that, despite corrective efforts, the problem of phantom troops had not been eliminated. However, neither the American officials nor the Cambodian Government knew the extent of the corrupt practices. Using estimated percentages of padded troop strengths provided by U.S. officials in Cambodia, GAO estimated that Cambodian military commanders may have drawn the local currency equivalent of $750,000 to $1.1 million in January 1973 for phantom-troop pay.

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Defense and Department of State)

In 1971 and 1972, the United States provided the local currency equivalent of about $56 million to support military pay and allowances. These funds were commingled with Cambodian Government resources and could not be attributed to payments to specific troops or units. However, the availability of such large amounts undoubtedly facilitated corrupt pay practices. (B-169832, July 3, 1973.)

VARIOUS DEPARTMENTS AND AGENCIES

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

Need for Federal agencies to improve solid waste management practices

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

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

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

--Establish, at the various organizational levels, responsibility centers for solid waste matters.

--Establish procedures so that (1) solid waste management policies are communicated effectively to all officials, (2) headquarters provides adequate policy guidance to regional personnel, and (3) regional officials effectively carry out agency policies.

--Require periodic inspections and reporting of inspection results of (1) agency-operated and lessee- and permittee-operated disposal sites on Federal land and (2) disposal sites used by the agencies on private land.

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

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

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

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

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Justice and Department of State)

Progress toward and improvements needed in preventing heroin from illicitly reaching the United States

At the request of Congressman Charles B. Rangel, GAO inquired into the progress being made in Europe and the Near East--the sources of most heroin reaching the United States--to control illicit narcotics trafficking. GAO reported in October 1972 that the Bureau of Narcotics and Dangerous Drugs (BNDD) and the United States Embassy officials have succeeded in getting foreign governments to improve their capability to control illicit narcotics traffic; however, much remains to be done to overcome the following obstacles.

--National police forces lack a reliable means of exchanging intelligence and make little effort to recruit and use informers.

--National laws prevent police forces from doing undercover work.

--National laws in some countries do not permit law enforcement authorities to grant immunity or to bargain for reduced sentences.

--BNDD agents assigned overseas do not speak or write fluently in the language of countries where they operate.

--BNDD does not have a policy which encourages agents with special interests and skills to accept long-term overseas assignments.

GAO recommended that the Attorney General take the necessary actions to insure that all special agents assigned to foreign posts have proficiency in the host country's language and establish a policy which would encourage agents with special interests and skills to accept long-term overseas assignments.

GAO recommended that the Secretary of State encourage U.S. ambassadors to continue their efforts in getting the host governments to improve the narcotics control capabilities of their law enforcement agencies. GAO recommended that special attention be given to:

--Modifying the laws which prohibit undercover work or plea bargaining.

--Encouraging police forces to develop and use paid informants.

--Establishing exchange of intelligence between all narcotics law enforcement authorities by encouraging them to contribute to and use the international narcotics data bank being developed by BNDD.

BNDD officials agreed with GAO's findings and conclusions and stated that actions had been or would be taken to implement the recommendations.

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Justice and Department of State)

State Department officials also agreed with the findings and conclusions and stated that the recommendations coincided with their ongoing programs. (B-164031(2), Oct. 20, 1972.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Justice and Department of the Treasury)

Heroin being smuggled into New York City successfully

At the request of Congressman Charles B. Rangel, GAO reported on efforts being made to intercept heroin entering Harlem in New York City through the Port of New York Authority and Kennedy International Airport. GAO concluded in its December 1972 report that it is unrealistic to expect Bureau of Customs inspections to prevent most heroin from being smuggled into the United States. Although its operations do provide some deterrent, the limited number of trained Customs inspectors cannot intercept much of the heroin, most of which is being smuggled by organized groups. GAO also pointed out that conflict between Customs and the Bureau of Narcotics and Dangerous Drugs (BNDD) arises over the question of which agency has jurisdiction over the control of narcotics smuggling.

GAO recommended that the Secretary of the Treasury take the necessary actions to:

--Establish, on a test basis, a mobile blitz force to make intensive searches of cargo which, on the basis of supplied intelligence, is a suspected means of smuggling.

--Develop a management information system to provide continuing data on the effectiveness of inspectors.

--Obtain intelligence from the National Intelligence Office established by the President in the Department of Justice and from the international narcotics data bank being established by BNDD.

GAO also recommended that the Attorney General take the necessary actions to furnish Customs with intelligence on smuggling methods and routes, and when available, on the ships and cargoes which should be searched. Generally, Customs and BNDD agreed with GAO's findings and conclusions.

Reorganization Plan No. 2 of 1973 should correct the jurisdiction problem between agencies relating to narcotics smuggling. Effective July 1, 1973, BNDD was abolished. Responsibility for all Federal drug law enforcement was vested in the newly created Drug Enforcement Administration (DEA) of the Department of Justice. The Plan transferred to DEA all the functions and personnel of (1) BNDD, (2) the Office for Drug Abuse Law Enforcement, and (3) the Office of National Narcotics Intelligence. Also, transferred to DEA were the Bureau of Customs personnel and functions relating to domestic and foreign narcotic law enforcement. (B-164031, Dec. 7, 1972.)

VARIOUS DEPARTMENTS AND AGENCIES

(Department of Labor and Department of Health, Education, and Welfare)

Problems in operating certain training programs in Appalachian Kentucky under the Manpower Development and Training Act

Classroom manpower training under the Manpower Development and Training Act of 1962 is one of the most important Federal manpower programs. From 1962, when the act was passed, through fiscal year 1970, the Federal Government had obligated $1.6 billion for such training which is carried out by public and private nonprofit organizations under contract with the Departments of Labor and HEW.

GAO reported to the Secretaries of Labor and HEW on the impact institutional training programs have in depressed rural areas and evaluated the results of selected training courses in the Appalachian area of Kentucky where physical isolation and lack of economic development make it difficult for graduates to find jobs in the area at the end of training.

GAO reported also that institutional training courses in Appalachian Kentucky have benefited the participants. Because of limited local employment opportunities, however, many training courses were geared toward employment opportunities outside Appalachia. To become enrolled in these courses, enrollees had to be willing to leave the area after training to seek employment, and many did. Thus a paradox exists. Federal funds are being used for such programs as those of the Appalachian Regional Commission to improve the economic conditions of an area while other program expenditures are used to indirectly drain one of the area's most important economic resources--the younger and more talented citizens.

Another problem noted by GAO was that the Department of Labor did not have all the data needed to make informed management decisions because its reporting system (1) did not show, on a course-by-course basis, the number of persons who were placed in training-related jobs and (2) did not require the reporting of progress and employment status data for each course sponsored by the Eastern Kentucky Concentrated Employment Program.

GAO recommended that the Department of Labor revise its reporting requirements to provide for (1) data on training-related employment in its Monthly Progress Report and (2) progress and employment status data for each course sponsored by the Eastern Kentucky Concentrated Employment Program. The Department of Labor notified GAO of actions it planned to take to improve its reporting system. (B-163922, Oct. 3, 1972.)

VARIOUS DEPARTMENTS AND AGENCIES

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

Differences in administration of relocation assistance program

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

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

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

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

--delays in enacting State legislation and/or

--a lack of timely actions by local displacing offices.

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

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

VARIOUS DEPARTMENTS AND AGENCIES

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

--Differential rental payments. Local displacing offices differed in how much, if any, of a displaced person's income should be considered in computing the payment and whether the payment should be based on actual rent paid for the replacement house or the rental amount for comparable replacement housing.

--Downpayments. Some local displacing offices limited payments to the amount needed for a conventional loan on a comparable house while other offices paid the amount needed for a conventional loan on the house purchased.

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

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

VARIOUS DEPARTMENTS AND AGENCIES

(Office of Management and Budget and General Services Administration)

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

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

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

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

GAO believes that:

--Augmenting the Fund with the $3.6 million attributable to the capitalization of purchased equipment in excess of costs is not in accordance with a provision that Fund capital be composed of appropriations and the value of equipment transferred to the Fund.

--Revaluing purchased equipment at amounts greater than cost is contrary to the accounting principles prescribed for use by Federal agencies.

--Since the amounts capitalized are recovered through lease charges, the capitalization policies for purchased equipment have resulted in charges to users that are contrary to a requirement of Public Law 89-306 that charges approximate the cost met by the Fund.

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

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

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

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