



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

B-110497

May 10, 1968

Dear Mr. Chairman:

This is in reference to your letters dated March 12, and April 11, 1968, requesting our comments on a draft of a proposed bill and on H.R. 16558, respectively.

The proposed legislation would replace the presently authorized revolving fund of \$4,000,000, by authorizing a Civil Service Commission revolving fund for financing, in addition to investigations as at present, training and such other functions as are authorized or required to be performed by the Commission on a reimbursable basis, and such other services as the Commission determines may be performed more advantageously through the fund. According to the Commission's statement of purpose and justification accompanying the draft bill, the Commission proposes to use the revolving fund for financing all reimbursable activities, as well as its in-house automatic data processing and printing services activities. It is the Commission's view that the use of the revolving fund for financing these activities will facilitate improvements in program administration and financial management.

Activities, other than personnel security investigations, performed by the Commission for other Federal agencies on a reimbursable basis are currently financed by other Federal agencies either through reimbursements to the Commission's salaries and expenses appropriation or advances to consolidated working funds. The in-house automatic data processing and printing services are currently financed by the salary and expenses appropriation which is reimbursed by the funds of the activities benefiting from the services.

The proposed legislation would provide that any unobligated and unexpended balances in the revolving fund that the Commission determines to be in excess of amounts needed for its operations shall be deposited in the Treasury of the United States as miscellaneous receipts. This provision would replace the current provision of 5 U.S.C. 1304(e), which requires that any surplus accruing to the revolving fund in any fiscal year shall be paid into the general fund of the Treasury as miscellaneous receipts during the following fiscal year, except that any such surplus may be applied first to restore any impairment of the capital of the revolving fund by reason of

variations between the rates charged for investigative services, and the amount subsequently determined by the Commission to be the cost for performing the services.

It would appear, on the basis of the proposed provision in the draft and bill relating to the deposit of excess funds in the general fund of the Treasury as miscellaneous receipts, that the balances in the fund which the Commission determines to be needed for its operations could be retained in the revolving fund, at the discretion of the Commission, and used for any authorized purpose, such as purchases of additional equipment, without specific congressional approval.

The question of whether the reimbursable functions of the Civil Service Commission should be financed by a revolving fund, as proposed, is a matter of policy for determination by the Congress. In this connection, an expanding of the present Civil Service Commission revolving fund to include training programs was one of the recommendations of the Committee on Government Operations in reporting on "Submission of Agency Accounting Systems for GAO Approval" (page 4, item 7, House Report 1159, 90th Congress, 2d session, March 5, 1968).

The proposed revolving fund may be used for financing both interagency and in-house activities. In the event such proposal is favorably received, we believe it is important that safeguards be instituted to provide that each individual activity financed through the revolving fund be conducted generally at a break-even point over a reasonable period of time. Such a requirement would tend to preclude the situation where other agencies' funds might be used to defray the cost of the Commission's in-house operations financed under the revolving fund. This could be accomplished by substituting a comma for a period on line 14, page 2, of the draft bill, and adding the words: "and to the maximum extent feasible, each individual activity shall be conducted generally on an actual cost basis over a reasonable period of time."

As an added measure of congressional control over the various activities financed through the revolving fund, we also suggest that the Committee consider amending the bill to require that the Commission prepare a business-type budget providing full disclosure of the results of operations for the individual activities under the revolving fund, and that such budget be transmitted to the Congress and

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considered in the manner prescribed by law for wholly owned Government corporations (sections 102, 103, 104 of the Government Corporation Control Act, 31 U.S.C. 847-849).

The incorporation of the above suggestions should enable the Congress to keep apprised of the type, extent, and total costs of the individual activities conducted by the Commission and should be useful in determining whether balances in excess of the amounts needed for the Commission's operations are being retained in the revolving fund.

Sincerely yours,

FRANK H. WETZEL

Assistant Comptroller General
of the United States

The Honorable Thaddeus J. Dulski, Chairman
Committee on Post Office and Civil Service
House of Representatives