



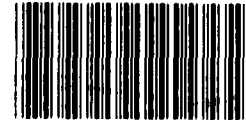
COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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AUGUST 6, 1980

The Honorable Cardiss R. Collins
Chairwoman, Subcommittee on
Manpower and Housing
Committee on Government Operations
House of Representatives



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Dear Madam Chairwoman:

Subject: [Are Written Guidelines Needed to Establish
New Agencies' Funding Needs?] (FGMSD-80-64)

[In December 1979 your office requested that we inquire into the need for the Office of Management and Budget to publish guidelines for new Federal agencies to follow in preparing requests for initial or supplemental budgets to cover their first year of operation. On the basis of information developed during our inquiry, we conclude that little or no benefit would be derived from such guidelines.

The interest in the guidelines was prompted by problems the Merit Systems Protection Board encountered when it began operation in fiscal 1979. The Board originally did not get enough funds to cover its operating costs for the year and experienced some difficulty in obtaining the needed funds. Your office raised questions about who had responsibility for ensuring that the new Board--or any other new agency--had adequate funds and about what guidance was available for the responsible officials to follow in seeking the initial as well as any supplemental appropriations.

We discussed this matter with Office of Management and Budget officials, who emphasized that the Board had to contend with some unique problems. For example, the Board was given additional responsibilities in its charter, beyond those originally planned. Also, the Board's operation was expected to be relatively small in the first year, needing resources to accommodate only about 290 employees, but later the Board's managers decided on a larger organizational structure. Both of these conditions developed after the initial budget was submitted to the Congress and would not have been avoided even

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if general guidelines had existed. Also, the Board and the Office of Personnel Management were formed from organizations within the Civil Service Commission, and the Office of Personnel Management submitted a supplemental budget for the Board within 3 months after it began operation. This is a rather short time frame for developing such a budget, and it shows that adequate guidance, or at least the necessary expertise, was available for developing it.

Office of Management and Budget officials said they could not identify any instances where general guidelines would have helped overcome budgeting problems of new agencies. They claim that each new agency has a unique set of problems that must be resolved individually and that any guidelines would have to be so general that they would be of questionable use.

The officials said that as part of its overall budgeting responsibility the Office was directly involved in resolving budgeting problems of new agencies. They also pointed out that designated individuals are available within the Office to provide general budgetary guidance to new agencies. For example, an individual was designated to handle the Merit Systems Protection Board's budgetary problems and assisted the Board when requested.

Basically, Office of Management and Budget officials believe that adequate mechanisms are already available to assist new agencies in preparing their initial or supplemental budgets. This position is based on the fact that:

- Small agencies can obtain budgetary services from the General Services Administration under GSA's administrative support program. The program's purpose is to provide operational efficiency and minimize the expenses of Federal agencies or commissions employing under 500 people. Among other things, the small agencies and commissions can obtain permanent budgeting and accounting services or temporary services until in-house capability is developed.
- Large agencies' budgetary needs are thoroughly studied by special groups, such as the President's Reorganization Task Force that was formed by the present administration. The groups study budgetary impacts of creating the new agency, and an impact statement usually accompanies any request for authorizing legislation. Once the new agency is authorized, a transition team is formed which usually includes experts in budgetary and financial matters.

We contacted the General Services Administration and were advised that over 35 organizations were currently receiving accounting and/or payroll systems assistance under its program. We were told that budgetary services would be provided to any small agency or commission upon request and that such services could have been provided to the Merit Systems Protection Board.

A larger new agency is normally formed by redistributing personnel and related functions from existing organizations, as is being done in the case of the Department of Education. The agencies would normally be provided with expertise in budgeting and other administrative functions, and the transferred staff can be supplemented with new employees where necessary.

Once a new agency begins operating, it can refer to "A Check List," which is a publication now available from the Joint Financial Management Improvement Program. This publication is designed to provide immediate assistance to new or reorganized Federal departments in establishing and developing their basic financial management system. It contains a checklist for four principal financial processes, including the one related to budget system design, implementation, and operation.

In summary, general budgetary guidance could be developed for use by new agencies but it would be impractical to develop guidance covering all possible problems that might develop. Thus, the guidance would have to be extremely general and it is doubtful that such guidance would be a useful supplement to existing mechanisms in handling new agencies' budgetary problems.

In our April 2, 1980, report entitled "The Federal Labor Relations Authority: Its First Year In Operation" (FPCD-80-40), we recommended that the Office of Management and Budget enhance its capability to assist new agencies in setting up operations. The recommendation resulted from our evaluation of transition and startup problems of the Federal Labor Relations Authority which were somewhat similar to those of the Merit Systems Protection Board.

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As arranged with your office, we are sending copies of this letter to the Office of Personnel Management and to the Merit Systems Protection Board. Copies will also be available to other interested parties who request them.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Stacks". The signature is written in a cursive style with a large, prominent initial "T".

Comptroller General
of the United States