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Federal programs of assistance to State and local governments have grown in number during the past two decades, and costs have increased from an estimated \$6.7 billion in fiscal year 1959 to an estimated \$70 billion in 1977. Because of the growth and complexity of Federal assistance, legislative and executive officials have expressed a need for a better understanding of the program administration.

Findings/Conclusions: The Federal Government lacks a systematic method of determining what it costs to administer its numerous domestic assistance programs. Attempts to analyze and compare the efficiency of the various administrative methods used have had limited success, largely because of the lack of systems for reporting information on financial and staff resources used in administering individual programs. The percentage of available funds spent for administration under 72 programs studied ranged from 0.3% to 28.5%. Use of dollar and staff resources varied considerably for programs of similar size, distribution method, administrative network, service provided, and even within the same program from State to State. These variances reflect differences in methods and efficiency of program administration and demonstrate the need for systematic information collection and analysis. This information could be used to identify programs in which the following administrative improvements could be made: consolidation of small, inefficient programs; reduction of the number of levels involved in administering some programs; elimination of inefficient practices; and application of proven practices to new and existing programs.

Recommendations: The Director, Office of Management and Budget, in cooperation with Federal, State, and local agencies administering assistance programs, should take the leadership role in an effort to implement a Government-wide approach for accumulating, analyzing, and disseminating data on the financial and staff resources used in administering Federal Assistance

Programs. (Author/ETH)

5394

REPORT TO THE CONGRESS



*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

The Federal Government Should But Doesn't Know The Cost Of Administering Its Assistance Programs

Costs and functions of administering Federal domestic assistance programs are not known. Without this information the administrative efficiency of programs cannot be evaluated systematically.

GAO studied and estimated the costs incurred by Federal, State, and local levels responsible for administering 72 selected assistance programs. Administrative costs were found to vary considerably.

These findings point to a need for an inter-governmental effort to identify administrative costs. The Office of Management and Budget should take the lead in finding the best way to collect the needed information which could then be used to strengthen the administration of assistance programs.



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

B-146285

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

This report discusses the resources used in administering selected Federal domestic assistance programs and how the lack of information prevents a systematic evaluation and comparison of the various delivery methods and techniques.

Legislative and executive officials expressing a need for a better understanding of the costs and methods used to administer assistance programs prompted our review of Federal, State, and local agencies that operate Federal domestic assistance programs.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Acting Director, Office of Management and Budget.

A handwritten signature in black ink, reading "James B. Steinhilber".

Comptroller General
of the United States

D I G E S T

The Federal Government lacks a systematic method of determining what it costs to administer its numerous domestic assistance programs.

Information on the costs and functions of administering these programs is needed to determine the efficiency of their administration and to find less costly ways to provide assistance.

Administrative cost information also would strengthen budget review and oversight processes contemplated by proposed "sunset" legislation and a zero-base budgeting system. (See p. 9.)

The Office of Management and Budget should lead in establishing a system, Government-wide, for recording, collecting, analyzing, and disseminating data on the dollar costs and the staff used in administering Federal assistance programs. The expansion of existing information systems is a practical way to start accumulating the data necessary to determine and analyze administrative costs and functions and to improve administration. (See p. 22.)

The growth and complexity of Federal assistance has generated much speculation and many inquiries concerning the costs to administer assistance programs. Both legislative and executive officials have expressed a need for a better understanding of these matters.

However, attempts to analyze and compare the efficiency of the various administrative methods used have had limited success. This is attributable in large part to the lack of systems that report information on financial and staff resources used in administering individual Federal assistance programs.

GAO studied 72 programs and estimated the costs incurred by Federal, State, and local organizations in administering them in one Federal region. Problems with defining what constitutes administrative costs at the site of project operations led GAO to exclude administrative costs incurred by project operators, the last level in the assistance delivery system.

The percentage of available funds spent for administration under the 72 programs ranged widely--from 0.3 percent to 28.5 percent. Consumption of dollar and staff resources varied considerably for programs of similar size, distribution method, administrative network, service provided, and even within the same program from State to State. Of necessity, these variances reflect some differences in methods and efficiency of program administration. Consequently, they demonstrate the need to gather and analyze routinely information on costs and functions involved.

Until this is done, variations cannot be readily identified or analyzed to improve administration. Management could use such information to identify programs in which the following administrative improvements could be made:

- Consolidation of inefficient small-dollar assistance programs.
- Reduction of the number of levels involved in administering some assistance programs.
- Elimination of inefficient practices under existing programs.
- Application of proven practices to new and existing programs.

The Office of Management and Budget agreed with GAO's conclusion that better data is needed on the costs to administer Federal domestic assistance programs. The Office of Management and Budget suggested that it would be desirable to begin by gathering

information on a limited scale before attempting to install a comprehensive, Government-wide approach. GAO agreed to work with the Office of Management and Budget directly or through the Joint Financial Management Improvement Program to develop a pilot test aimed at the ultimate creation of a systematic information gathering process.

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act
FTE	full time equivalent
GAO	General Accounting Office
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
LEAA	Law Enforcement Assistance Administration
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

For over a century, the Federal Government has provided assistance to State and local governments to accomplish specified national objectives. Federal assistance programs have been enacted for a variety of reasons, such as

- assisting State and local governments in establishing new programs or activities;
- equalizing financial resources between geographic areas;
- supplementing State and local government funds to carry out projects which have local, regional, or national significance; and
- improving State and local administrative structures and operations.

SCOPE AND MAGNITUDE OF FEDERAL ASSISTANCE

Federal assistance programs grew both in number and dollars during the 1960s and early 1970s. Assistance to State and local governments increased from \$6.7 billion in fiscal year 1959 to an estimated \$70 billion (27 percent of their total expenditures) in 1977. The number of programs established during this period is difficult to quantify because of the varying definitions for assistance programs. According to information recently developed by the Advisory Commission on Intergovernmental Relations, programs providing financial assistance to State and local governments numbered about 450 during fiscal year 1975.

TYPES OF FEDERAL ASSISTANCE

Federal assistance takes many forms; it encompasses grants-in-aid, revenue sharing, loans, subsidies, insurance, and nonfinancial aids. Most assistance has been in grants-in-aid with which the Federal Government has provided funds and collaborated with State or local governments in administering programs bearing a strong national and State or local interest. The term "categorical" typically describes grants-in-aid, and, as the term implies, categorical grants are directed at rather narrow objectives or at specifically defined needs.

During the 1960s and again in the 1970s, the Federal Government implemented new approaches to domestic assistance. The enactment of broader purpose "block" grants and general revenue sharing significantly altered the pattern of narrowly defined categorical grants. The fundamental intent of both approaches was to provide State and local governments with greater flexibility in allocating Federal assistance moneys.

Block grants are similar to categorical grants in that funds are awarded for specified purposes on the basis of an application or plan setting forth the intended use of funds. They differ, however, in that categorical grants are for narrowly defined purposes and block grants are for more broadly defined purposes. Block grants also place greater reliance on State and local initiative and administrative machinery.

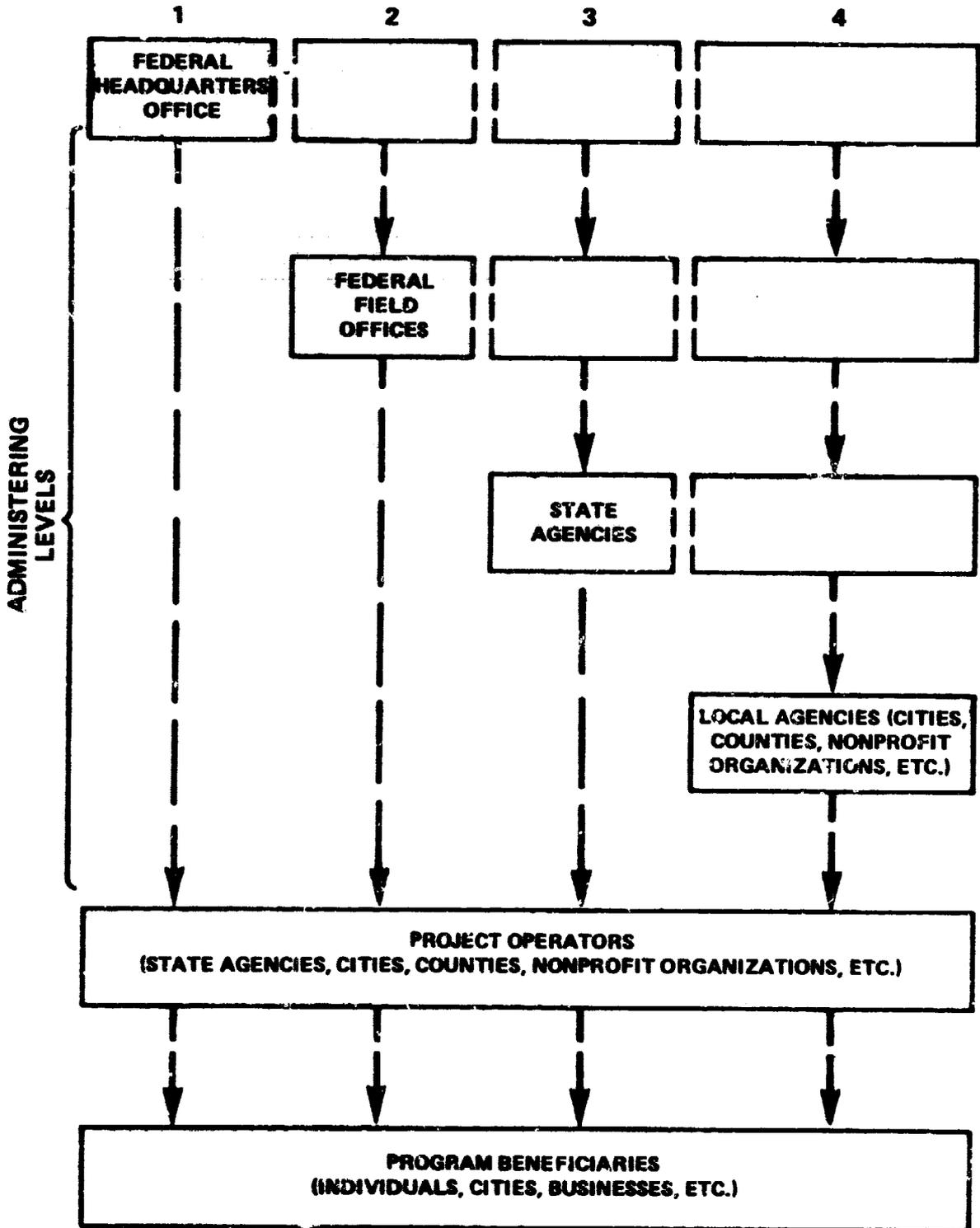
Federal assistance programs are also distinguishable by the method of distribution--formula or discretion. Formula grants are distributed among all eligible recipients on the basis of a formula, which is usually prescribed in the authorizing legislation. Usually a State plan evidencing compliance with certain legislative requirements is all that is needed to obtain a pro rata share of formula dollars. Discretionary grants, commonly referred to as project grants, require prospective grantees to submit specific project proposals to Federal agencies which, in turn, review and select proposals with the most merit.

ADMINISTRATIVE LEVELS INVOLVED IN PROVIDING ASSISTANCE

The agencies administering Federal assistance programs perform certain basic functions in providing assistance to operators 1/ at the State or local levels. These functions are in the areas of planning, processing applications or plans, monitoring, coordinating, and providing technical assistance. The number of levels in the administrative network that performs these functions varies from program to program. The diagram on the following page illustrates the major administrative levels that can provide assistance to program beneficiaries.

1/For the purpose of our study, the project operator is the last organization in the delivery system network--the one that actually provides service to program beneficiaries.

ADMINISTRATIVE LEVELS USED IN PROVIDING ASSISTANCE TO PROGRAM BENEFICIARIES



The diagram shows that Federal levels administering assistance programs may involve only the agency's headquarters office or both headquarters and field offices. The field offices may be regional offices, or district and area type offices within a region or State, or both. The Department of Agriculture's Resource Conservation and Development Program, for example, has administrative offices at the State level as well as area and, or district offices within each State. In contrast, the Office of Education administers some of its programs directly from the headquarters level.

Under Federal assistance programs involving State and local administering levels, grants are usually made to States which, in turn, pass all or part of the funds on to project operators or program beneficiaries. A few programs also involve local agencies, such as county governments or non-profit organizations, in the administrative network.

The total number of Federal, State, and local government employees involved in the administration of Federal assistance programs is unknown. However, the number and their related costs are thought to be significant.

FUNDING OF ASSISTANCE PROGRAMS

The Congress generally appropriates separate sums of money to (1) pay the salaries and expenses of Federal employees administering assistance programs and (2) provide the basic assistance intended under the programs. The agency's accounting for appropriated funds is usually not sufficiently detailed to determine the amount of appropriated funds used to administer individual assistance programs.

Budget and appropriation documents generally do not identify the funds needed to administer individual programs. In turn, most agencies do not account by program for these funds. The Employment and Training Administration, Department of Labor, for example, received one appropriation to pay salaries and expenses to administer 18 assistance programs listed in the Catalog of Federal Domestic Assistance. Budget documents show a breakdown of these funds by object classification and major activities, such as planning, evaluation, executive direction, and management, but not by individual assistance program.

Federal agencies also receive appropriations to provide assistance (usually through grants-in-aid) for direct program services and, where applicable, for a share of State and local administrative costs. These appropriations

generally do not show the amount of funds by the program classifications used in the Catalog of Federal Domestic Assistance--the generally accepted reference to Federal programs. Further, the budget and appropriation documents do not usually distinguish the amount of funds available for direct program purposes from those available for administrative costs at non-Federal levels.

PURPOSE AND SCOPE OF REVIEW

Because the total cost to administer Federal assistance programs was unknown but believed to be substantial, we wanted to determine

--the extent of financial and staff resources expended on the administration of a wide range of assistance programs and

--whether Federal agencies need to secure better information on the costs of administering programs.

In addition, we wanted to determine the relationship between the cost of administering Federal assistance programs and such factors as program size, administrative network used (number of organizational levels involved), method of distribution (formula, discretionary, or a combination), and types of service provided (education, research, employment, etc.). We did not relate administrative costs and functions to the effectiveness of the assistance programs.

Our study focused exclusively on the costs and functions of organizations above the project operator level. In considering the information in this report it is important to keep in mind that the administrative costs of project operators are not included, and therefore the data does not reflect the total costs to administer the assistance programs. Further, we did not evaluate the efficiency of any of the individual assistance programs nor question the appropriateness or level of any administrative costs incurred.

Our review included an analysis of staffing and financial information obtained from administrators of 70 categorical and 2 block grant programs. The 70 categorical grant programs were randomly selected from 450 such programs listed in the fiscal year 1975 "Catalog of Federal Domestic Assistance." At the time of our review, there were four block grant programs in existence. We reviewed Labor's program under the Comprehensive Employment and Training

Act (CETA) and the Law Enforcement Assistance Administration's (LEAA's) program under the Omnibus Crime Control and Safe Streets Act. We did not review the two remaining block grant programs--community development and partnership for health--because in fiscal year 1975 one was not fully operational and the other was undergoing substantial change. Appendix IV lists the programs included in our review.

By questionnaire, we obtained information on Federal and non-Federal costs and staffing from the respective administering levels of Federal headquarters and field offices and at State and local offices. Appendix I describes in more detail our methodology for sample selection and data collection. We also reviewed available financial records and studies and interviewed Federal, State, and local officials.

Our findings and conclusions are based on information we obtained from the headquarters of 15 Federal departments or independent agencies; Federal field offices in Federal region X which have responsibility for activities in the States of Washington, Oregon, Idaho, and Alaska; and State and local offices in Washington, Oregon, Idaho, and Alaska.

CHAPTER 2

FEDERAL DECISIONMAKERS NEED BETTER INFORMATION ON FINANCIAL AND STAFF RESOURCES USED TO ADMINISTER DOMESTIC ASSISTANCE PROGRAMS

The Congress and the executive agencies need better information on the costs and functions involved in delivering Federal assistance. Many agencies do not accumulate information on the cost to administer individual assistance programs. As a result, the relative efficiency of various delivery methods is unknown and difficult to determine.

Our study of 72 assistance programs showed considerable variation in the administrative costs and associated functions performed for similar programs and even for the same programs from one location to another. We also found that the two block grant programs had a higher average administrative cost percentage than the categorical grant programs. Further analysis of the reasons for these and other variations would likely reveal opportunities for achieving greater efficiencies in program administration.

Based on our analyses, savings could be realized if better information on administrative costs and practices were systematically obtained and analyzed for all assistance programs. To achieve this, Federal agencies must first accumulate data on the resources used to administer each program. Such information would greatly assist the Congress and the executive agencies in improving the efficiency of ongoing programs and in selecting the most efficient yet effective means for administering new programs.

PROBLEMS IN EVALUATING THE ADMINISTRATIVE EFFICIENCY OF ASSISTANCE PROGRAMS

Federal assistance to program beneficiaries is provided under a multitude of Federal programs and in a variety of ways. The success of efforts to measure, compare, and improve the delivery of Federal assistance depends, to a large extent, on the system for accumulating, disseminating, and using past performance data. We found, however, that agencies generally do not gather information on financial and staff resources used in administering individual assistance programs. As a result, the cost of various delivery methods is not known, and their efficiency is difficult to determine.

Why information is needed

The Congress and executive agencies need accurate and timely information on the resources used to administer Federal assistance programs to

- evaluate the efficiency of administrative structures and processes under existing assistance programs,
- compare and improve the administration of existing programs, and
- select the most suitable administrative structures and processes for new programs.

Many Federal agencies do not systematically accumulate the information necessary to make these judgments. Many officials, including Congressmen and committee staffs, have expressed the need for a better understanding of the methods, techniques, and costs of providing assistance to program beneficiaries.

The Commission on Government Procurement also reported that there was a need for a better understanding of existing techniques and practices in administering assistance programs. In 1972 the Commission reported that Federal grant-type activities are a vast and complex collection of assistance programs functioning in a variety of ways that are often inconsistent, even in the case of similar programs.

The Chairman of the Commission Grants Task Force said that if methods to reform the management of Federal assistance programs are to succeed, a comprehensive understanding of the operational dimensions of existing programs is necessary.

A Federal executive agency also concluded that better information on assistance programs' administrative costs was needed. The General Services Administration (GSA), in cooperation with the Departments of Health, Education, and Welfare (HEW); Labor; Agriculture; and Transportation, studied the administrative costs of five Federal assistance programs. GSA reported that no reporting system existed which could provide a comparison of Federal money spent for administrative purposes to the amount used for direct services for program participants. The 1975 report pointed out that it is difficult to justify funding requirements or to measure program impact if the level of administrative cost is unknown. It concluded that the development of

systems to provide such data routinely would allow greater flexibility in directing resources to areas where the greatest contribution to fulfilling program objectives may be made.

Information on the resources used to administer Federal assistance programs would contribute greatly to the reviews contemplated by the executive branch's zero-base budgeting system. Under this system, programs and activities are organized and budgeted for in a detailed plan that focuses review, evaluation, and analysis on all proposed operations--rather than on increases above current levels of operations, as in incremental budgeting.

Administrative cost information would also be very useful to congressional committees in their budget and oversight reviews of assistance programs. Should the proposed Program Evaluation Act of 1977 (S. 2, 95th Congress) be enacted, this type of information would be indispensable. The comprehensive reviews and cost analyses required under S. 2--commonly referred to as "sunset" legislation--would also require that information on administrative as well as program costs be available to the Congress as one factor in considering whether to continue or to terminate programs.

Past efforts to evaluate administrative efficiency

Legislative and executive agencies have performed various studies attempting to evaluate the efficiency with which Federal assistance is provided to program beneficiaries. The studies, however, have been either (1) limited to a small number of assistance programs, (2) difficult and time-consuming to perform, or (3) inadequate to provide meaningful comparisons of the efficiency of the various methods used in administering assistance programs.

A 1955 staff report by the Commission on Intergovernmental Relations compared fiscal year 1953 Federal administrative expenditures with total Federal grant expenditures for 22 programs. The report showed administrative costs, as a percentage of the total Federal grant expenditures, ranging from 0.05 percent to 39.9 percent. The report did not attempt to relate these cost variances to the ways assistance programs were administered. The report noted that differences in the character of individual programs made it impossible to arrive at completely comparable cost figures. The administrative cost figures used were estimates obtained from the agencies concerned.

Administrative cost was the subject of an August 1958 report by the House Committee on Government Operations entitled "Federal-State-Local Relations: Federal Grants-in-Aid." It discussed the cost of administering 10 separate programs and the difficulty in determining the administrative cost of grant programs. The report concluded:

"In the absence of a detailed and specific system of cost accounting and reporting, it is most difficult to assess those Federal expenditures which represent costs of administering programs of grants-in-aid to State and local governments. There are no compilations for grant administration and related activities as a category of Federal expenditures."

The report also stated that a definitive cost estimate would require a detailed examination of each program's financing and administration. The data in the report was based, instead, on an examination of budget documents.

The lack of adequate data on administrative costs has continued to be a problem. GSA's report on the administrative costs of five Federal assistance programs further illustrated the problem. The report identified obstacles encountered in attempting to accumulate administrative cost data. For every program, an ad hoc task group had to be organized to gather information and analyze the purpose of Federal expenditures. For one program, 600 staff days were required at the headquarters office, region, and grantee levels to identify the purposes for which Federal dollars were spent. This time-consuming and costly effort was necessary because the agency did not have a reporting system capable of providing information on the amount of Federal funds spent for administrative purposes.

Difficulties encountered by GAO in studying administrative costs

Our study of 72 Federal assistance programs sought to gather, analyze systematically, and compare the financial and staff resources used in administering a wide range of programs. We used a questionnaire to obtain information from Federal and non-Federal administering levels on the amount of resources used for administration and the amount of awards made to project operators in region X. Program administrators had difficulty providing us with data in the format requested because their agencies did not accumulate or report administrative data on a program-by-program basis.

The lack of reporting systems meant that program administrators had to estimate the financial and staff resources used in administering individual assistance programs. The reliability of these estimates depended, to a large extent, on the effort the respondent was willing to devote to developing such data. We performed extensive followup work and made necessary adjustments to the agencies' original responses for such major factors as (1) errors in calculations, (2) misinterpretation of questions, and (3) to reflect, where possible, actual data. The accuracy of the questionnaire responses, however, could not always be traced to existing records or verified.

We found that agencies consistently excluded costs for centralized support services, usually at the departmental level. The allocation of these indirect costs to individual assistance programs could add substantially to program administrative costs. To illustrate, the headquarters level of the Employment and Training Administration, Department of Labor, reported that its costs were about \$6.8 million to administer one program--CETA. This amount, however, did not include an allocation of the \$27 million in central Department of Labor support costs.

Although agency responses were not adjusted to include departmental level support costs, we developed estimates for indirect costs of organizational units more directly involved in administering the programs reviewed. Also, for some programs where administrators did not provide data on funds awarded to project operators in region X, we developed estimates based on reported administrative cost percentages and on an overall percentage for funds awarded under other programs.

While data used in our analyses is not all inclusive, and in some cases had to be estimated for funds awarded and for certain indirect costs, it does represent reasonably consistent approximations of the resources consumed by administering levels in providing funds to the project operator level under a wide range of programs.

WIDE VARIATIONS IN ADMINISTRATIVE COSTS NEED FURTHER ANALYSIS

Our study of 72 Federal assistance programs showed that the percentage of total funds available that were used

by administering levels varied considerably. 1/ Total funds available included Federal and non-Federal resources available for administration as well as for awards to project operators.

We wanted to determine whether certain characteristics, such as the size of the program, type of administering network, method of distribution, and type of service, had a predictable effect on administrative costs. However, we found that the effect of these characteristics was difficult to determine because administrative costs varied widely, even for programs with similar characteristics. 2/ Variations occurred for programs of similar size, distribution method, administrative network, service provided, and even within the same program from State to State.

Our analysis suggests, however, that greater efficiencies may be achieved by consolidating small-dollar programs serving similar purposes and/or by reducing the number of levels involved in administering assistance programs. Other means of improving program administration may be identified if Federal administrators systematically accumulate and analyze data on administrative costs. Savings may also result by eliminating inefficient practices under existing programs and by applying proven practices to new and existing ones. If, for example, a 1-percent costs reduction could be made for the 36 programs we reviewed with administrative costs above the median, a savings of \$2.1 million would result in region X alone.

Costs to administer categorical grant programs vary considerably

Our analysis of 70 randomly selected categorical grant programs showed that administrative costs ranged from 0.3 percent to 28.5 percent of total funds available. The average percentages of total available funds spent to administer categorical grant programs distributed on a formula and discretionary basis were 5.9 and 6.3 percent, respectively. However, the percentages of funds spent to administer

1/See app. IV for table showing administrative cost percentages for individual programs studied.

2/See app. II for comparisons of administrative costs of programs grouped by distribution method, administrative structure, type of service, and size.

individual programs within these two groups varied substantially, as shown below.

<u>Categorical programs</u>	<u>Number of programs</u>	<u>Estimate of funds available in region X</u> (millions)	<u>Percent of funds used for administration</u>		
			<u>Mean</u> (note a)	<u>Median</u> (note b)	<u>Range</u>
Distributed on a formula basis	29	\$1,445.7	5.9	2.8	0.3 to 28.5
Distributed on a discretionary basis	<u>41</u>	<u>105.7</u>	<u>6.3</u>	<u>3.3</u>	<u>0.5 to 28.5</u>
Total	<u>70</u>	<u>\$1,551.4</u>	6.2	3.0	0.3 to 28.5

a/Represents the arithmetic mean or average obtained by dividing the sum of all percentages in the group by the number of such percentages.

b/Represents the value which divides the percentages in the group into two equal, or approximately equal, parts.

The percentage of formula and discretionary type assistance programs with administrative costs above the 3.0 median for categorical programs was nearly the same for both. The distribution method, therefore, does not appear to be a significant indicator of administrative efficiency.

Costs varied among States for the same program

Since only one Federal region was included in our study, we did not determine whether regional office differences would indicate potential administrative inefficiencies. However, wide variations were identified among the region X States in the cost of administering the same Federal program. For example, the four region X States administering HEW's aging programs had administrative costs ranging from about 11 percent to 19 percent of total funds available.

Some programs had even wider ranges. HEW's special vocational education program for the disadvantaged had administrative costs ranging from 0.3 percent to 19 percent of

total funds available. Under the Department of Agriculture's school breakfast program, the administrative costs of the four States ranged from 5 percent to 36 percent of total funds available.

We recognized the possibility that the administrative cost for the same program may differ among the States because some States had

--higher cost of living,

--more geographically dispersed populations, or

--certain economies of scale because of higher levels of funding.

However, the same States did not always report the highest or lowest percentages for administration, indicating that other factors interacted to cause the variances.

Costs differ among programs with similar characteristics

Assistance programs with similar characteristics do not always have similar administrative costs or staffing patterns. Further analyses to determine the reasons for these differences might disclose practices used by administrators under one program that could be applied to improve the efficiency of other programs.

For analytical purposes, categorical grant programs were grouped by four basic characteristics present in all assistance programs--dollar size (in region X), type of service, distribution method, and administrative network involved in providing funds to project operators. Programs where all four characteristics were similar were identified. Despite the similarities, the amount of financial and staff resources used to administer these programs often differed considerably.

To illustrate, five education and training programs with funds distributed on a formula basis used three administering levels in providing assistance to project operators. All five programs awarded between \$1 million and \$4 million to project operators in region X. Four of the five programs had administrative cost rates of 2.8 percent or less and required 1.9 staff-years or less per \$1 million of program funds. The fifth program had administrative costs of 6.3 percent and required 3.7 staff-years per \$1 million of program funds.

Further analysis of the four programs might reveal practices which could be applied to the fifth program to reduce its administrative costs. If administrative costs of the fifth program could be reduced from 6.3 percent to 2.8 percent, a savings of about \$136,000 in region X would be achieved.

Impact of program size and administrative network on administrative costs could not be determined

Even when they were similar in terms of size and administrative network, the categorical grant programs studied had widely varying administrative cost percentages. Because of these wide variations, the impact of the two factors on administrative costs could not be determined. Based on our analysis, however, efficiencies may be possible by consolidating small grant programs serving similar purposes and/or reducing the number of administrative levels of assistance programs.

The estimated amount of Federal assistance provided to project operators in region X under individual categorical grant programs ranged from \$1,488 to \$990.2 million. These programs involved from one to four administering levels at the Federal, State, and local levels. Programs with over \$15 million available to project operators accounted for 90.1 percent of the assistance in the region. As shown by the following chart, the programs providing less than \$15 million had substantially wider ranging administrative cost percentages than the larger programs.

Size of program in region X	Number of programs	Estimate of funds awarded to project operators	Administrative costs as a percentage of total funds available	
			Range	Mean
Under \$1 million	31	\$ 12,659,615	0.5 to 28.5	7.9
From \$1 million to \$15 million	34	138,216,292	0.7 to 28.2	5.3
Over \$15 million	5	1,375,980,762	0.3 to 1.5	1.1

Assistance programs with proportionately higher administrative costs generally involved two or more administering levels and provided less than \$1 million to project operators.

Eleven of 13 programs with administrative costs exceeding 10 percent involved 2 or more administering levels. Further, for 8 of the 11 programs, less than \$1 million was available to project operators. Although a certain amount of administrative costs will be associated with any program, small-dollar programs with more than one administering level are likely to be more expensive to administer.

Cost information is needed on all programs to identify those with potential administrative inefficiencies. The identified programs could then be analyzed to determine whether efficiencies could be achieved by consolidating programs, by reducing the number of administering levels, or by some other means.

Time spent on administrative functions differs between programs with similar characteristics

The time devoted to particular administrative functions, such as planning and monitoring, also varied substantially among programs with similar characteristics. Differences among similar programs raise questions as to whether administering levels devote too much or too little time to particular administrative functions. For example, agencies administering 14 categorical formula grant programs that provide education and training services spent from 6 percent to 30 percent of their total staff time on monitoring activities. The amount of staff used to monitor activities under these programs ranged from 0.05 to 1.89 staff-years per \$1 million of program funds available. We believe that if information were systematically accumulated for each program on how staff time was spent, management would be better able to examine, and if necessary, redirect resources toward achieving desired objectives.

Resources used to administer block programs vary from other programs

On the average, the two block grant programs we studied, CETA and LEAA, had a higher administrative cost percentage and used more staff per \$1 million of program funds than did categorical grant programs. Of the 70 categorical grant programs in our sample, 55 cost proportionately less to administer than did either of the block grant programs. The significance of any differences, however, is somewhat negated by the wide range of administrative cost percentages under categorical grant programs, some of which substantially exceeded those of the two block grants. The differences

demonstrate, however, the need for routinely gathering and analyzing information on the various methods of administering assistance programs.

Because the administrative costs and functions of project operators were not included in our study, a conclusion that block grants are more expensive to administer than categorical grants cannot be made. A 1976 report by the President's Committee on Urban Development and Neighborhood Revitalization implied that savings were being realized at the project level. The report noted that the use of the block grant approach for community development had reduced grant regulations from 2,600 pages to 120 pages, the number of annual applications from five to one, and the average application size from 1,400 pages to 40 or 50 pages. This indicates that the higher administrative costs observed for block grants above the project operator level may be offset by lower administrative costs at the project operator level.

The following table highlights the overall differences between the 2 block grants and the 70 categorical grant programs.

Comparison of Block and Categorical

Administrative Costs

	<u>Number of programs</u>	<u>Estimate of funds available in region X</u>	<u>Percent of funds used for administration</u>		
			<u>Mean</u>	<u>Median</u>	<u>Range</u>
		(millions)			
Block programs (note a)	2	\$ 107.5	10.9	10.9	8.8 to 13.0
Categorical programs	70	1,551.4	6.2	2.9	0.3 to 28.3

a/A detailed comparison of the financial and staff resources used to administer the two block grant programs is shown in app. III.

More staff used to administer
block grants

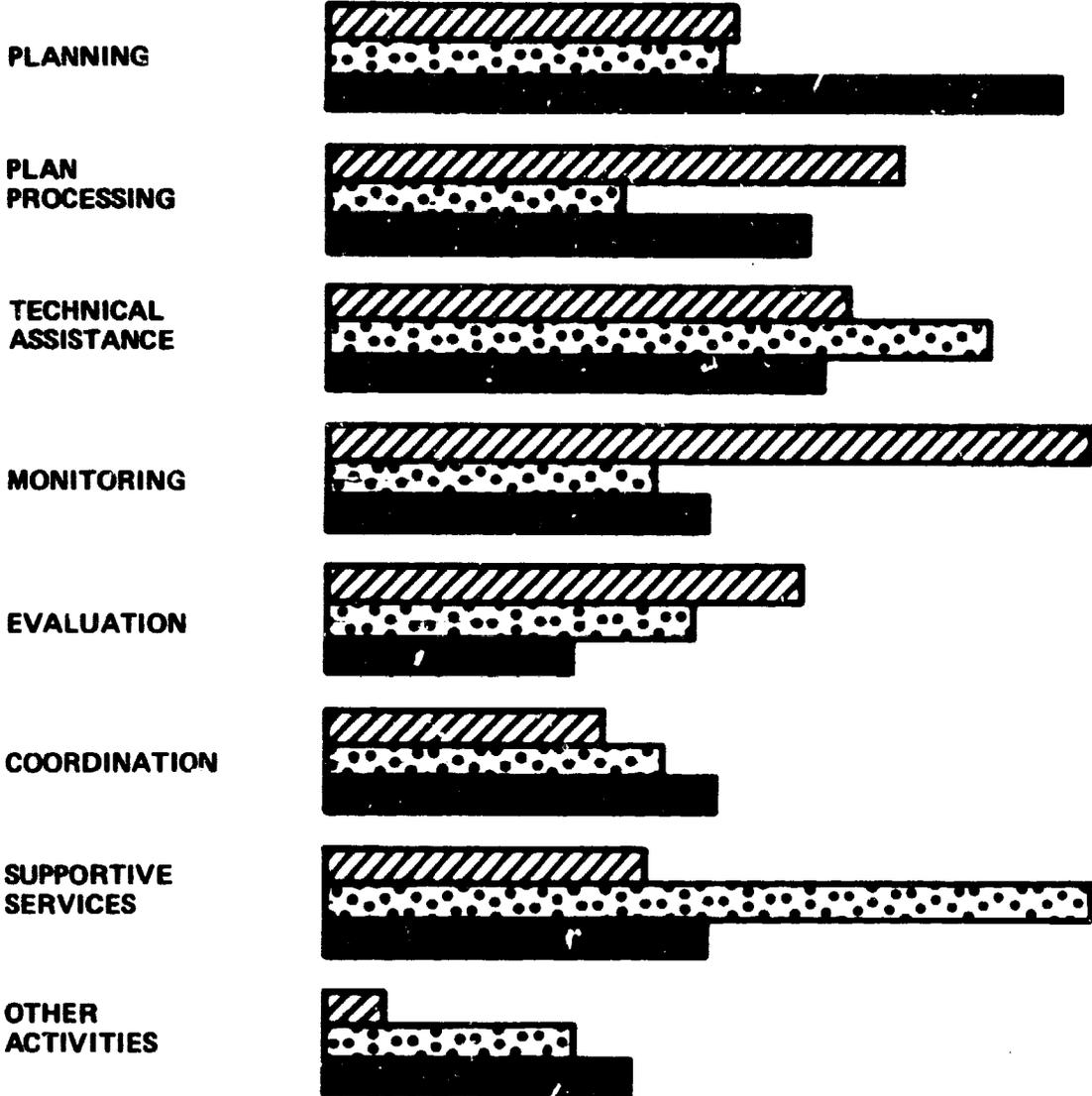
The two block grant programs involved heavier staffing than did either formula or discretionary categorical grant programs. For example, the two block grant programs required an average of 7.5 full-time equivalent (FTE) staff per \$1 million of program funds, whereas the categorical grant programs which distributed funds on a formula and discretionary basis required an average of 4.5 and 3.5 FTE staff, respectively.

The amount of time devoted to certain administrative functions was different between the block and categorical programs. A major difference between these two types of programs was in the time spent on planning. Administrators of the two block grants reported spending an average of 21.5 percent of their available time on planning, whereas their counterparts managing categorical grants reported only about 12 percent. As shown in the following chart major differences also occurred in such areas as monitoring and supportive services.

**COMPARISON OF THE AVERAGE TIME DEVOTED TO SPECIFIC ADMINISTRATIVE
FUNCTIONS FOR BLOCK AND CATEGORICAL PROGRAMS**

PERCENT OF TOTAL STAFF TIME

FUNCTIONS 0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23%



 CATEGORICAL DISCRETIONARY
 CATEGORICAL FORMULA
 BLOCK

CONCLUSION

Federal domestic assistance programs have grown substantially in recent years, both in number and dollars. They represent a significant share of the budgets of Federal, State, and local governments. Legislative and executive officials have expressed a need for a better understanding of the various ways assistance programs are administered. There has been, however, only limited success in analyzing and comparing the efficiency of the various methods of providing assistance to program beneficiaries. We believe that a major reason for this inability to evaluate administrative efficiency is the lack of management information. At present there are no reporting systems providing information on the amount of dollars or staff resources used to administer individual assistance programs.

Our analysis of 72 assistance programs showed that the administrative costs and associated functions varied considerably for similar programs and even for the same programs from one location to another. A systematic analysis by Federal, State, and local officials of the reasons for these variations as part of the normal management process would likely reveal administrative techniques or practices which could be used to achieve greater efficiency in program administration. However, until complete and accurate data is routinely gathered, variations cannot be readily and routinely identified and analyzed.

Administrative cost information would also be very useful in budget reviews of Federal assistance programs. This type of data would appear to be a prerequisite for effectively performing the type of budget reviews envisioned under the executive branch's zero-base budgeting system.

Administrative cost information would also be useful to congressional committees in their budget and oversight reviews of assistance programs. The comprehensive reviews and cost analyses that would be required under the proposed sunset legislation would also require that information on administrative as well as program costs be available to the Congress as one factor in considering whether to continue or terminate programs.

The requirements for accuracy and timeliness that these evaluative processes would place on any information system do not allow for ad hoc data gathering. Past ad hoc efforts to gather data have proven difficult, time consuming, and costly.

To be of utmost usefulness, information systems should be developed that will routinely gather information on the cost and staff involved in administering Federal assistance programs.

RECOMMENDATION

We recommend that the Director, Office of Management and Budget, in cooperation with Federal, State, and local agencies administering assistance programs, take the leadership role in an effort to implement a Government-wide approach for accumulating, analyzing, and disseminating data on the financial and staff resources used in administering Federal assistance programs. To assist in these efforts, in the following chapter we have presented matters to consider in formulating an approach to accumulating the information needed to measure and improve program administration.

CHAPTER 3

DESIGNING AN APPROACH TO PROVIDE BETTER

INFORMATION ON THE USE OF ADMINISTRATIVE RESOURCES

To achieve maximum effectiveness, any method for accumulating information on the costs and functions involved in administering Federal programs should (1) be directed to all Federal agencies administering domestic assistance programs, (2) be applied in a relatively uniform manner by all agencies, (3) consider all costs, and (4) be directed toward improving accountability of resources at both Federal and non-Federal administering levels. An approach so designed would provide decisionmakers with information needed to analyze and improve program efficiency. In addition, the cost of such a system could be minimized if existing systems were used to the greatest extent possible.

CHARACTERISTICS OF AN APPROACH TO COLLECT INFORMATION ON ADMINISTRATIVE RESOURCES AT THE FEDERAL LEVEL

A major part of the costs of administering assistance programs is the salaries and fringe benefits of Federal employees. Any systematic methodology intended to analyze and improve program administration should accumulate complete and accurate information on the cost and amount of time devoted to the various administering functions for each assistance program.

Ideally, agency cost accounting systems should provide the means for accumulating the necessary management information for program analysis. The problem is, however, that there is a lack of good systems in the Federal Government for accounting for costs by (1) major organization segments, (2) budget activities, and (3) program structure as called for in Title 2, Policies and Procedures For Guidance of Federal Agencies.

Short of making fundamental and comprehensive changes in Federal agencies' accounting systems, existing time and attendance reporting systems represent a foundation on which an information system could be built. After sufficient experience has been gained in the computation and use of such information, it would then be possible to expand such a procedure to include all costs and functions which would ideally constitute a complete cost accounting system.

Types of staff effort

Total staff resources, both direct and indirect, used in administering assistance programs should be accounted for at each administering level. Direct effort represents staff time devoted directly to the execution of assistance programs and is readily identifiable with a particular program. Indirect effort represents staff time devoted to performing necessary supportive services, such as personnel management, procurement, and accounting, which benefit more than one program and are not readily assignable to any one program without effort disproportionate to achievable results.

While the indirect staff effort for any one program may be inconsequential, the total effort at an administering level may be significant. To illustrate, the proposed fiscal year 1977 budget for the Department of Labor identified 899 full-time equivalent positions with an estimated costs of \$13.1 million at the headquarters level involved in providing supportive-type services to organizations administering assistance programs.

Identifying direct staff effort

All Federal agencies have some form of daily time and attendance reporting system for payroll purposes. These time and attendance reporting systems could be expanded to include time reporting by specific assistance program, as well as by administrative function (i.e., planning, monitoring, evaluating, etc.). The improved time and attendance data, after processing through existing information systems, would enable management to determine the cost of direct staff and the amount of time devoted to the various administrative functions under each assistance program.

Thus, the first step in gathering information on administrative resources would be to require employees to record the time they spent in administering individual programs. Each program could be assigned a code and employees could allocate their time to the appropriate program codes as a part of the agency's regular time and attendance reporting system.

Information on the time devoted to specific administrative functions could also be reported under each program code. Certain basic functions are performed by staff at all administering levels regardless of the nature or type of assistance programs. These basic functions include activities such as

- planning (guidelines and policy development, needs assessment, budgeting, etc.);
- processing of grantee plans or applications;
- mon. ring;
- technical assistance; and
- evaluating performance.

Functional classification of time charges would then enable management to determine and compare the staff resources required to perform basic administrative functions within and among programs as well as from one geographical location to another.

Any method of identifying direct staff resources by function should also be designed with the flexibility to allow Federal managers the opportunity to meet unique conditions of their agencies. Some agencies may want to account for staff resources in more detail than by the basic functions suggested above. Time charges could be recorded using as many subfunctions as desired, provided that the data could be summarized by basic functions to allow the analysis and comparison of programs.

Identifying indirect staff effort and other indirect costs

The indirect for employees not readily identifiable with any one program must be accounted for differently than direct staff effort. Federal agencies could require these employees to charge their time to one or more of the basic administrative functions described previously or to categories such as accounting or personnel management. The total cost of indirect staff effort could then be determined and subsequently allocated to individual programs.

In addition to indirect personnel costs, there are a number of other indirect costs involved in administering Federal assistance programs. These costs include such things as rent, utilities, travel, and supplies. Any comprehensive approach to accumulating information on the total administrative cost of individual assistance programs should consider these costs as well as direct and indirect personnel costs.

In some cases these items of costs, though normally considered indirect in nature, could be treated as direct program costs if they were readily identifiable to a particular program. To account for costs designated as direct program costs, Federal agencies would need to establish a system for identifying and allocating costs to specific programs.

Federal agencies could account for indirect costs by individual program in a manner similar to that now required of State and local government grantees if they seek reimbursement for such costs associated with Federal assistance programs. Federal Management Circular 74-4, previously issued as Office of Management and Budget Circular A-87, established the principle of total program costs at the State and local levels and provides well-established methods for identifying and also for allocating costs to Federal assistance programs. Such methods can be used by Federal agencies in determining their total cost of individual assistance programs.

STATE AND LOCAL ADMINISTRATIVE COSTS

Improvements in existing reporting systems for State and local governments are also needed before total administrative costs can be accumulated for all assistance programs. State and local governments can receive and expend funds to administer programs as well as to provide services, but their financial status reports often do not distinguish between administrative costs and those costs associated with providing direct services.

If greater consistency is to be obtained in the data reported by State and local levels, there is a need first to establish a more uniform framework for obtaining information. Each Federal agency could require administrative levels to submit a budget showing the amount of funds to be used for (1) administering the program at their level, (2) providing direct services by their level, (3) administering the program at other levels, and (4) awarding funds to project operators. These same breakdowns could then be used in reporting financial data to Federal agencies. The results would provide greater consistency in financial reports and, at the same time, give grantor agencies information needed to determine the costs of providing assistance to project operators or individuals.

Once this was accomplished, consideration could then be given to refining the system to include administrative costs at the project operator level, recognizing that,

because of variations in accounting systems and cost classifications, the identification of comparable administrative costs poses very difficult and perhaps insurmountable problems.

CHAPTER 4

AGENCY COMMENTS AND OUR EVALUATION

The Acting Director of OMB was in general agreement with our conclusion that better financial data is needed on the costs to administer Federal domestic assistance programs. (See app. VII.)

OMB said that factors other than administrative efficiency, such as variations in program design and differences in the definition of administrative cost, would account for wide ranges in administrative costs. We agree that program design can influence administrative costs. Our study showed that programs which entail multiple administering levels tend to have higher administrative costs. We doubt, however, that differences in definition accounted for much, if any, variation. Our definition was consistently applied throughout the data gathering process, and it did not include project operator costs where the greatest potential for definitional problems exist.

OMB also said that the diversity in structure and design of Federal programs would, in many instances, make cross-program comparisons of administrative costs potentially misleading and that the utility of such comparisons is likely to be considerably more limited than is implied by our report. While we recognize OMB's concern, we nevertheless believe that judicious use of comparative data could prove very productive. In addition to cross-program comparisons, the data would be very useful for internal management purposes, such as comparing and analyzing costs from one administering location to another within individual programs.

Concerning administrative costs at the State and local levels, OMB said it is not reasonable to attempt to revamp thousands of State and local accounting systems so that Federal officials can more carefully monitor the administrative costs of Federal grant programs. However, we feel the approach to gathering information on administrative costs that we propose in chapter 3 focuses on administering levels and would not necessitate a revamping of State and local accounting systems. Most, if not all, funds received and retained by administering levels would be classified as administrative costs, and the balance of funds received by these levels would be classified and reported as funds awarded to project operators.

We recognize that, because of variations in accounting systems and costs classification, the identification of comparable administrative costs at the project operator level poses very difficult and perhaps insurmountable problems.

Regarding our recommendation that the Office of Management and Budget take the lead in an intergovernmental effort to accumulate, analyze, and disseminate data on the cost to administer assistance programs, OMB said that it would be desirable to begin by gathering information on a limited scale before attempting to install a comprehensive, Government-wide approach. OMB proposed a test of the feasibility and cost of conducting periodic cost-finding studies of one or two programs over a 2-year period. We agree with the merits of testing; however, we would not want such testing limited to one or two programs but rather to enough programs to encompass a variety of administrative structures and processes.

We feel confident that the data developed by a test of sufficient scope to permit reasonably thorough comparisons will be useful in highlighting opportunities for improving the management of Federal programs and will demonstrate the need for a systematic data gathering process. If an approach (or approaches) to measuring the cost of different structures and processes for program administration can be developed, agencies can be offered the means for designing methods of program delivery that will get maximum results for program dollars spent.

OMB offered to work with us either directly or through the Joint Financial Management Improvement Program in making a pilot test. We advised OMB that we would make staff available to assist in making the pilot test and that such a test would be a particularly appropriate undertaking for the Joint Financial Management Improvement Program.

SAMPLE SELECTION AND DATA COLLECTION

We selected a stratified sample of 79 programs from a universe of Federal block, categorical formula, and categorical discretionary grant programs. Our universe included all programs providing financial assistance to eligible recipients throughout the Nation as listed in the fiscal year 1975 "Catalog of Federal Domestic Assistance."

We then collected data for all programs in our sample from program administrators at the Federal headquarters level as well as Federal, State, and local offices in region X. At the State and local levels, data was collected from all administering levels with the exception of the last level in the delivery system network--the project operator (i.e., the organization providing the goods or services directly to program beneficiaries). The data was collected by means of a questionnaire which included selected questions on staffing, costs, functions, and problems in administering Federal assistance programs.

The number of questionnaires sent to Federal program administrators and the number of administrators responding are shown in the following table.

	Number of questionnaires		<u>Response rate</u>
	<u>Sent</u>	<u>Returned</u>	
Agency headquarters	79	78	99%
Federal field offices	73	70	96
State offices in region X	67	67	100
Local offices in region X	<u>74</u>	<u>65</u>	88
Total	<u>293</u>	<u>280</u>	96

We received enough questionnaire responses to analyze 72 of the original 79 assistance programs. Three of the original programs were analyzed as one program since we considered administrative cost and staffing data for all three programs as an integral part of the LEAA block grant program. Five of the original categorical programs were not analyzed because (1) they had an insufficient number of or inadequate questionnaire responses or (2) no funds were awarded in region X during fiscal year 1975.

APPENDIX I

We used the questionnaire data to compute estimates of the funds and staff required to administer assistance provided to project operators in region X. The computations for each program included administrative costs and staff at all Federal, State, and local administering levels in region X, as well as an estimate of headquarters administrative resources used to support activities in the region.

**SELECTED COMPARISONS OF THE ESTIMATED COST TO ADMINISTER
ASSISTANCE PROVIDED TO PROJECT OPERATORS IN REGION X
UNDER 70 CATEGORICAL GRANT PROGRAMS**

Table 1

Comparison by Distribution Method

<u>Distribution method</u>	<u>Number of programs</u>	<u>Estimate of funds available in region X</u>	<u>Percent of funds used for administration</u>		
			<u>Mean</u>	<u>Median</u>	<u>Range</u>
		(millions)			
Discretionary	23	\$ 51.5	6.9	4.7	(0.5 to 28.5)
Discretionary/contract	14	37.2	4.9	2.4	(0.5 to 22.4)
Discretionary/other (note a)	4	17.0	8.3	3.6	(1.1 to 24.9)
Formula	22	384.5	5.0	2.8	(0.3 to 28.5)
Formula/discretionary	3	1,011.5	13.9	12.5	(1.1 to .2)
Formula/other (note a)	4	49.7	5.2	5.1	(1.4 to .2)
Total	70	\$1,551.4			

a/These programs combined program funds distributed on a discretionary or formula basis with other types of assistance, such as training, advisory service, or the sale, exchange, or donation of property or goods.

Table 2

Comparison by Administrative Structure

<u>Number of administrative levels involved</u>	<u>Number of programs</u>	<u>Estimate of funds available in region X</u>	<u>Percent of funds used for administration</u>		
			<u>Mean</u>	<u>Median</u>	<u>Range</u>
		(millions)			
One-level structure	35	\$ 68.4	3.8	2.8	(0.5 to 17.2)
Two-level structure	15	352.9	7.7	2.9	(0.3 to 28.5)
Three-level structure	18	1,121.1	8.2	5.1	(0.8 to 28.5)
Four-level structure	1	9.0	28.2	-	-
Total	70	\$1,551.4			

Table 3

Comparison by Type of Services

<u>Type of service</u>	<u>Number of programs</u>	<u>Estimate of funds available in region X</u> (millions)	<u>Percent of funds used for administration</u>		
			<u>Mean</u>	<u>Median</u>	<u>Range</u>
Education	31	\$ 78.9	3.9	2.8	(0.5 to 18.1)
Research	16	42.0	7.6	3.9	(0.8 to 28.5)
Resource conservation	6	21.5	17.0	21.0	(3.7 to 28.5)
Employment	4	39.1	1.5	1.2	(0.7 to 2.8)
Social	5	294.3	8.8	1.9	(0.3 to 28.2)
Construction	3	1,026.3	3.2	3.3	(1.1 to 5.3)
Food	3	48.9	3.8	4.2	1.4 to 5.9
Cultural	2	0.4	8.1	8.1	6.9 to 9.3
Total	<u>70</u>	<u>\$1,551.4</u>			

Table 4

Comparison by program Size

<u>Amount of award to project operators in region X</u>	<u>Number of programs</u>	<u>Estimate of funds available in region X</u> (millions)	<u>Percent of funds used for administration</u>		
			<u>Mean</u>	<u>Median</u>	<u>Range</u>
Under \$300,000	13	\$ 2.1	10.6	6.9	(0.5 to 28.5)
\$300,000 to \$1 million	18	11.5	6.0	1.9	(0.5 to 22.4)
\$1 million to \$5 million	24	49.9	4.5	2.8	(0.7 to 24.9)
\$5 million to \$30 million	10	98.0	7.4	3.9	(1.9 to 28.2)
Over \$30 million	5	1,389.9	1.1	1.4	(0.3 to 1.5)
Total	<u>70</u>	<u>\$1,551.4</u>			

COMPARISONS OF RESOURCES USED IN ADMINISTERING
ASSISTANCE PROVIDED TO PROJECT OPERATORS IN
REGION X UNDER LEAA AND CETA BLOCK
GRANT PROGRAMS

Table 1

Comparison of Administrative Costs
by Level of Government

	<u>LEAA block grant</u>		<u>CETA block grant</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Administrative costs:				
Headquarters share	\$ 307,263	1.1	\$ 253,111	0.3
Region X office	563,507	2.0	1,080,608	1.4
State offices in region X:				
Federal	1,407,131		2,594,971	
Non-Federal	<u>371,725</u>	1,778,856	<u>-</u>	2,594,971
		6.2		3.3
Local offices in region X:				
Federal	873,471		3,039,702	
Non-Federal	<u>176,266</u>	1,049,737	<u>-</u>	3,039,702
		3.7		3.8
Total administrative costs	<u>3,699,363</u>	<u>13.0</u>	<u>6,968,392</u>	<u>8.8</u>
Awards to project operators in region X:				
Federal	22,179,136		71,992,622	
Non-Federal	<u>2,655,203</u>	<u>24,834,339</u>	<u>-</u>	<u>71,992,622</u>
		87.0		91.2
Total program costs in region X	<u>\$23,533,702</u>	<u>100.0</u>	<u>\$78,961,014</u>	<u>100.0</u>

Table 2

Comparison of Staff by Level of Government

<u>Administering level</u>	<u>LEAA block grant</u>			<u>CETA block grant</u>		
	<u>Total staff</u>	<u>FTE staff Per \$1 million of grant award</u>	<u>Percent of total</u>	<u>Total staff</u>	<u>FTE staff Per \$1 million of grant award</u>	<u>Percent of total</u>
Headquarters (note a)	12.3	0.5	6	9.4	0.1	2
Federal field offices in region X	18.8	0.8	8	41.6	0.6	10
State Offices in region X	98.1	3.9	44	136.8	1.9	32
Local offices in region X	<u>93.4</u>	<u>3.8</u>	<u>42</u>	<u>237.7</u>	<u>3.3</u>	<u>56</u>
Total	<u>222.6</u>	<u>9.0</u>	<u>100</u>	<u>425.5</u>	<u>5.9</u>	<u>100</u>

a/Headquarters staff supporting activities in region X, determined on the basis of percentage of total program funds in region X.

FEDERAL ASSISTANCE PROGRAMS REVIEWED

<u>Catalog number</u>	<u>Title</u>	<u>Administrative cost percentage</u>
10.203	Payments to agricultural experiment stations under Hatch Act	2.7
10.500	Cooperative extension service	3.7
10.550	Food distribution	4.2
10.553	School breakfast program	5.9
10.555	National school lunch program	1.4
10.655	Assistance to States for tree planting and reforestation	23.7
10.656	Cooperative forest fire control	18.2
10.657	Cooperation in forest management and processing	28.5
10.901	Resource conservation and development	24.9
11.300	Economic development--grants and loans for public works and development facilities	5.3
12.314	Civil defense--staff college	1.1
13.220	Health facilities construction--grants	3.3
13.233	Maternal and child health training	1.5
13.237	Mental health--hospital improvement grants	12.0
13.244	Mental health training grants	1.9
13.279	Drug abuse research programs	2.8
13.280	Drug abuse training programs	1.8

APPENDIX IV

APPENDIX IV

<u>Catalog number</u>	<u>Title</u>	<u>Administrative cost percentage</u>
13.282	Mental health research manpower fellowship programs	3.3
13.359	Nurse training improvement-- special projects	2.9
13.384	Health professions--start-up, assistance, and conversion	0.5
13.393	Cancer cause and prevention re- search	17.2
13.400	Adult education--grants	6.3
13.405	Civil rights technical assistance and training	5.7
13.428	Educationally deprived children-- local educational agencies	1.5
13.431	Educationally deprived children in State administered institu- tions serving neglected or delinquent children	2.0
13.445	Handicapped innovative programs-- deaf-blind centers	0.5
13.448	Handicapped physical education and recreational training	2.9
13.450	Handicapped regional resource centers	1.9
13.464	Library services--grants for public libraries	1.3
13.483	Strengthening instruction through equipment and minor remodeling	18.1
13.491	University Community Service-- grants to States	0.9
13.495	Vocational education--cooperative education	2.8

APPENDIX IV

APPENDIX IV

<u>Catalog number</u>	<u>Title</u>	<u>Administrative cost percentage</u>
13.499	Vocational education--special needs	1.1
13.502	Vocational education--innovation	9.2
13.512	Educationally deprived children--special incentive grants	0.8
13.516	Preschool, elementary, and secondary education--special programs and projects	3.9
13.525	Emergency school aid act--basic grants to local educational agencies	3.0
13.534	Indian education--grants to local educational agencies	3.5
13.542	Strengthening State and local educational agencies--comprehensive planning and evaluation	4.4
13.557	University Community Service--special projects	6.2
13.609	Special programs for the aging	28.2
13.724	Public assistance--State and local training	2.1
13.748	Work incentives program--child care--employment related supportive services	2.8
13.761	Public assistance--maintenance assistance	0.3
13.766	Public assistance research	22.4
13.837	Heart and vascular diseases research	4.4
13.842	Craniofacial anomalies research	1.3

APPENDIX IV

APPENDIX IV

<u>Catalog number</u>	<u>Title</u>	<u>Administrative cost percentage</u>
13.846	Arthritis, bone, and skin diseases research	2.6
13.860	Biomedical engineering research	2.2
13.862	Genetics research	0.8
15.303	Mineral resources and environmental development	6.2
15.011	Wildlife restoration	2.9
16.500)	Law enforcement assistance-- comprehensive planning grants	
16.501)	Law enforcement assistance-- discretionary grants	
16.502)	Law enforcement assistance-- improving and strengthening law enforcement and criminal justice	13.0
17.200	Apprenticeship outreach	0.9
17.221	Manpower research--small grant projects	10.7
17.225	Unemployment insurance grants to States	1.4
17.228	National on-the-job training	0.7
17.232	Comprehensive employment and training programs	8.8
20.205	Highway research, planning, and construction	1.1
27.012	Intergovernmental personnel grants	12.5
45.009	Promotion of the arts--visual arts	6.9
45.011	Promotion of the arts--special projects	9.3

APPENDIX IV

APPENDIX IV

<u>Catalog number</u>	<u>Title</u>	<u>Administrative cost percentage</u>
45.111	Promotion of the humanities-- education projects	3.5
47.008	Environmental sciences re- search project support	5.6
47.009	Graduate student support	4.7
47.040	Materials research project support	1.6
47.046	Science education--problem assessment and experimental projects	8.9
59.007	Management and technical assistance for disadvantaged businessmen	11.5
64.014	Veterans State domiciliary care	1.7
64.020	Assistance in the establishment of new State medical schools	1.9
65.001	Water resources planning	1.1
66.506	Water supply research grants	28.5

U.S. GENERAL ACCOUNTING OFFICE

SURVEY OF FEDERAL ASSISTANCE PROGRAM ADMINISTRATION

Reserved for Keypunch Codes

QR-1 _____ (1-4) All Cards

ID-1 _____ (7-14) Card 1 Only

SN-1 _____ (14) Card 1 Only

INSTRUCTIONS

The purpose of this questionnaire is to survey the various ways in which Federal assistance programs are administered. It is important that you answer every question to the best of your ability and return the completed form within 10 days after receiving the questionnaire.

The questionnaire is designed to obtain information from Federal, State, and local officials responsible for administering a particular Federal program. The title and Federal Catalog number of the particular program which your response is to be addressed are identified below. For further reference, a brief description of the program is shown in a footnote at the bottom of this page.

Most of the terms used in this questionnaire will be clearly understood. There are, however, a few which some may consider ambiguous. To eliminate varying interpretations, we have defined these terms in the questionnaire by use of a footnote or within the question itself.

The pages of this questionnaire have numbers and instructions printed in shading to assist our keypunchers in coding your responses. Please disregard these numbers and keypunch instructions.

Please answer all the following questions as they relate to your particular organization and the program identified below.

1

_____ Federal Program Title

_____ Federal Catalog Number

(7-25)

ORGANIZATION

RESPONDENT IDENTIFICATION

_____ (agency)

_____ (Name of person completing form)

_____ (address)

_____ (Title)

_____ (City)

_____ (State)

_____ (Phone Number)

¹ The Federal program identified above is described in the Catalog of Federal Domestic Assistance as follows:

GENERAL INFORMATION (Check 1 Space)	7. During how many fiscal years has your organization participated in this Federal program prior to July 1975?				
<p>1. How many full time equivalent staff positions are or were directly involved in the operation of the specified program in FY 1975?</p> <p>_____ (7-0)</p> <p>(No. of Positions)</p>	<p>_____ (Number of Years) (26-27)</p>				
<p>2. How many full time equivalent staff positions are or were indirectly¹ involved in the operation of the specified program in FY 75?</p> <p>_____ (10-12)</p> <p>(No. of Positions)</p>	<p>8. If your organization participated in this program prior to July 1975, please estimate the total number of full time equivalent staff positions directly and indirectly involved in the operation of the specified Federal program for the applicable fiscal years shown below.</p> <table border="0"> <tr> <td>_____ (No. of positions FY-74) (28-30)</td> <td>_____ (No. of positions FY-72) (28-30)</td> </tr> <tr> <td>_____ (No. of positions FY-73) (28-30)</td> <td>_____ (No. of positions FY-71) (28-30)</td> </tr> </table>	_____ (No. of positions FY-74) (28-30)	_____ (No. of positions FY-72) (28-30)	_____ (No. of positions FY-73) (28-30)	_____ (No. of positions FY-71) (28-30)
_____ (No. of positions FY-74) (28-30)	_____ (No. of positions FY-72) (28-30)				
_____ (No. of positions FY-73) (28-30)	_____ (No. of positions FY-71) (28-30)				
<p>3. How many of these program positions identified in questions 1 and 2 are for professionals? (Administrators, managers, lawyers, engineers, and the like.)</p> <p>_____ (13-15)</p> <p>(No. of Positions Directly Involved)</p> <p>_____ (15-16)</p> <p>(No. of Positions Indirectly Involved)</p>	<p>9. Does your organization or any other organization at your level provide supportive type services for this program which are not claimed as part of any required local match or as a reimbursable cost under the program?</p> <p>1- <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (31)</p> <p>2- If yes, identify the type and cite the cost of any such services provided to this program. (31-32)</p>				
<p>4. How many full time equivalent positions are authorized for this program in your organization?</p> <p>_____ (35-36)</p> <p>(No. of Authorized Positions)</p>	<p>10. Does your organization operate any other Federal assistance programs?</p> <p>1- <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (43)</p> <p>2- If yes, please list these programs in the space below. (43-45)</p>				
<p>5. How many full time equivalent positions does your organization actually need to staff this program?</p> <p>_____ (40-42)</p> <p>(No. of Actual Positions Needed)</p>					
<p>6. Are there any legislative or administrative constraints that limit your staffing for this program? For example, under the aging program, only 15 percent of the funds allocated to area agencies can be used for administration, thus limiting the size of area staff.</p> <p>1- <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (49)</p> <p>2- If yes, please explain: (Be sure to identify both the Federal and non-Federal constraints.) (49-50)</p>					
<p>FOOTNOTES</p> <p>¹ "Indirectly involved" as used here refers to the performance of supportive services such as for personnel, procurement, accounting, auditing, and the like by another organization. Consider only those positions providing support services which are included as part of program costs.</p>					

APPLICATION/PLAN PROCESS

11. The procedure followed in applying for funding varies according to the levels of government involved and their respective degrees of involvement. Usually certain levels of government have responsibility for either approving or transmitting submittals or for incorporating multiple submittals into a consolidated submittal to a higher level of government. Consider your program. Check the column which best expresses the degree of involvement, if any, of the various levels of government listed below.

Degree of Involvement

Level of Government	Review and approve submittals	Reviews and transmits submittals	Reviews and consolidates multiple submittals for submission to higher levels of government	No involvement	No basis to judge	Other: (Specify)
1- Local						(48)
2- State						(47)
3- Federal Region						(46)
4- Federal Headquarters						(45)
5- Other (Specify)						(30)

BUDGET INFORMATION

12. Which of the following alternatives describes the purpose(s) for which your program funds are budgeted? (Check one or more)

- 1- For the operation of your organization (51)
- 2- For the direct delivery of services by your organization 1 (52)
- 3- For award to project operators for the direct delivery of services 1,2 (53)
- 4- For award to other administrating agencies (54)
- 5- Other; please specify. (55)

13. Please attach copies of your Program budget for FY 1974 and 1975 to this questionnaire. (56)

Footnotes

- 1 Direct services, as used here, means benefits or services provided by an organization to the ultimate recipient for whom the program was established.
- 2 Project operators may be your organization or other recipient of Federal assistance (State or local government, charitable organizations, etc.) who provide services directed toward achieving program objectives at the last level in the delivery system network.

NOTE:

Each of the various organizational levels involved in administering a Federal assistance program only use program funds for certain purposes. For example, your organization may use program funds to (1) operate your organization, (2) provide direct services (3) make awards to project operators², and (4) make awards to yet another administering level. In questions 14 through 20 we are interested in identifying, for this program only the amount of Federal and non-Federal funds available to your organization, during fiscal year 1975 and how these funds were used. Include all Federal funds received under this program as well as any other Federal funds available for this program, such as the salary cost of any employees paid by Comprehensive Employment and Training Act funds. Include as non-Federal funds all cash contributions and/or the value of non-cash contributions provided by (1) your organization, (2) other public agencies and institutions, and (3) private organizations and individuals.

(Start Card 4)

14. What was the total amount of funds (Federal and non-Federal) available for expenditures on this program in FY 1975. Consider only those funds in your geographical area for which you are responsible. Include all carry-over funds, funds for the administration of your organization and funds passed on to other organizations functioning at lower levels, regardless of who makes the grant award. In addition, we are asking all Federal headquarters respondents to attach a separate schedule showing the amount of Federal funds available to each Federal Region.

1- Federal	2- Non-Federal	3- Total
\$ <u>7.15</u>	\$ <u>16.24</u>	\$ <u>23.39</u>

15. How much of the funds identified in 14 above are for the operation of your organization?

1- Federal	2- Non-Federal	3- Total
\$ <u>34.22</u>	\$ <u>43.41</u>	\$ <u>77.63</u>

(Start Card 5)

16. How much of the total funds identified in 15 above are for personnel costs?

1- Professional/managerial	\$ <u>7.13</u>
2- Other	\$ <u>14.20</u>
3- TOTAL	\$ <u>21.33</u>

17. How much of the total funds identified in 15 above are for the provision of direct services. ¹

\$ _____ (28-30)

18. What amounts of funds, both Federal and non-Federal, did your organization transfer directly to project operators ²outside your organization for the delivery of services?

1 - Federal 2 - Non-Federal
 \$ _____ \$ _____
 (31-33) (34-35)

19. What amounts of funds both Federal and non-Federal did your organization transfer to the next lower administering level?

1- Federal 2 - Non-Federal 3 - Total
 \$ _____ \$ _____ \$ _____
 (36-38) (39-40) (41-42)
 (Start Card 6)

20. If known, how much of the total funds identified in 19 above were for the following purposes:

- 1- to operate their organizations and provide direct services? ³
 \$ _____ (43-45)
- 2- to make awards to project operators? ³
 \$ _____ (46-48)
- 3- to make awards to the next lower administering level?
 \$ _____ (49-51)

DELIVERY SYSTEM

21. How much involvement does the Federal Government have with the day to day management and operation of this program? (Check one.) (36)

- 1 Little or no involvement
- 2 Some involvement
- 3 Moderate involvement
- 4 Substantial involvement
- 5 An extreme amount of involvement

Footnotes

¹ Direct services, as used here, means benefits or services provided by an organization to the ultimate recipient for whom the program was established.
² Project operators may be your organization or other recipient of Federal assistance (State or local government, charitable organizations, etc.) who provide services directed toward achieving program objectives at the last level in the delivery system network.

22. Is the primary purpose of this program to provide assistance or to procure property or services? (Indicate your answer by checking the one best alternative.) (35)

- A Federal assistance program whose primary function is to provide for the transfer of funds, property, or services in order to accomplish a public purpose.
- A Federal procurement program whose primary purpose is the acquisition by purchase, lease, or barter, property or services for the direct benefit or use of the Federal Government.

23. Consider each of the issues which from time to time could confront managers and administrators at various levels of program administration. Then from your experiences with this program rate each issue as to the degree to which you consider it to be a problem or not. (Check one rating category column for each issue.)

	Little or no problem	Somewhat of a problem	A moderate problem	Somewhat of a serious problem	A very serious problem
1- Fragmentation of services	1	2	3	4	5
2- Unnecessary administrative burdens	1	2	3	4	5
3- Duplication of services	1	2	3	4	5
4- Lack of flexibility to meet changing priorities	1	2	3	4	5
5- Lack of identifiable & quantifiable program objectives and goals	1	2	3	4	5
6- Lack of input from state or local officials	1	2	3	4	5
7- Lack of coordination between Federal, State & local levels	1	2	3	4	5

24. If possible, could you suggest ways to resolve the specific problem areas that you have identified as being somewhat or very serious. (Write your suggestions on the back of the front page). (Page 2).

FUNCTIONS AND ACTIVITIES

25. The following list identifies each of the specific activities which may be performed by the program staff in various specified functional areas. You are asked to first identify the specific activities usually performed by you and your staff, and, secondly, to estimate the percentage of the total staff time devoted to each of the specified functional areas.

In completing this section, consider only the total staff time available in fiscal year 1975 for the Federal program for which you are completing this questionnaire. The total staff time allotted to the various functions should therefore represent the total staff time available for the equivalent staff positions reported in questions 1 and 2.

Indicate your answers by checking the appropriate boxes for activities performed under each of the listed functional areas and by writing in the space provided, your estimate of the percentage of total available staff time devoted to each of the functional areas.

I. First check the activities usually performed under each of the enumerated functions.

A. PLANNING

- 1- Guideline development (44)
- 2- Policy development (45)
- 3- Needs assessment (46)
- 4- Budgeting (47)
- 5- Other (Specify) _____ (48)

B. PLAN/APPLICATION PROCESSING

- 1- Preparation (49) 3- Approval (51)
- 2- Review (50) 4- Other _____ (52)

C. TECHNICAL ASSISTANCE TO LOWER LEVELS

- 1- Interpretation (53) 3- Plan of policy development (55)
- 2- Interpretation (59) 4- Liaison of guidelines (57)
- Other: _____ (58)

D. MONITORING

- 1- Fiscal/Budgetary control (on site) (59)
- 2- Programmatic control (on site) (60)
- 3- Fiscal/Budgetary control (desk) (61)
- 4- Programmatic control (desk) (62)
- Other: _____ (63)

II. Second estimate the % of the total available staff time usually devoted to each of the functions enumerated below.

Functions	% of total available time usually devoted to each function
1. Planning	%(7-8)
2. Plan/application processing	%(9-10)
3. Technical assistance to lower levels	%(11-12)
4. Monitoring	%(13-14)
5. Evaluation: Program, project and audit	%(15-16)
6. Coordination	%(17-18)
7. Supportive services (administrative)	%(19-20)
8. Direct services	%(21-22)
9. Other activities	%(23-24)
Total 100%	

26. Does the program make adequate provision for staffing you: organization to perform essential administrative functions? Indicate your answer by rating the staffing time available to perform each of the functions listed below. (Check one box in each row.)

Functions	More than adequate	Adequate	Marginal	Inadequate	Very Inadequate	
1- Planning	1	2	3	4	5	(25)
2- Monitoring and Control	1	2	3	4	5	(26)
3- Technical Assistance	1	2	3	4	5	(27)
4- Evaluation	1	2	3	4	5	(28)

27. Are there any particular factors or conditions which serve to enhance or limit your ability to perform the functions listed above?

- 1- Yes No (29)
- If yes, please explain: (30)
- Write your answers on the back of the front page. (Page 2).

ADDITIONAL COMMENTS

28. If you have additional comments on any of the items within the questionnaire or related topics not covered, please express your views on the back of the front page or attach an additional sheet if necessary. (31)

Your answers and comments will be greatly appreciated.

FEDERAL AGENCIES RESPONSIBLE FOR PROGRAMS STUDIED

	<u>Number of programs studied</u>
Department of Health, Education, and Welfare:	
Office of Education	19
Office of the Secretary	1
National Institutes of Health	6
Public Health Service	9
Social and Rehabilitation Service	<u>4</u>
	39
Department of Agriculture:	
Forest Service	3
Soil Conservation Service	1
Cooperative State Research Service	1
Extension Service	1
Food and Nutrition Service	<u>3</u>
	9
Department of the Interior:	
Bureau of Mines	1
U.S. Fish and Wildlife Service	<u>1</u>
	2
Department of Justice:	
Law Enforcement Assistance Administration	<u>a/1</u>
Department of Labor:	
Employment and Training Administration	5
Department of Transportation:	
Federal Highway Administration	1
Department of Commerce:	
Economic Development Administration	1
Department of Defense:	
Defense Civil Preparedness Agency	1

a/We considered as one program the law enforcement assistance for (1) comprehensive planning grants, (2) discretionary grants, and (3) improving and strengthening law enforcement and criminal justice.

Number of
programs studied

	<u>Number of programs studied</u>
Independent Agencies:	
National Science Foundation	4
National Foundation on the Arts and the Humanities	3
Veterans Administration	2
Water Resources Council	1
Environmental Protection Agency	1
Civil Service Commission	1
Small Business Administration	<u>1</u>
	<u>13</u>
 Total	 <u><u>72</u></u>



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

NOV 11 1977

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

Dear Mr. Staats:

This is in reply to the draft report, "The Federal Government Should, But Doesn't, Know the Cost of Administering Its Assistance Programs."

The major findings of the report are two-fold: (1) there is an apparent wide variation in the proportion of program funds allotted to administrative costs among similar Federal assistance programs; but (2) existing data limitations do not allow systematic analysis of the reasons for these variations, which would likely reveal administrative techniques or practices which could be used to achieve greater efficiencies in program administration.

The report recommends that the Director, Office of Management and Budget, in cooperation with Federal, State, and local agencies administering assistance programs, take the lead in implementing a government-wide approach for accumulating, analyzing, and disseminating data on the financial and staff resources used in administering Federal assistance programs.

We are in general agreement with the finding regarding the need for better financial data on administrative costs. However, we would take issue with some of the specific findings and observations contained in the report leading to this general position, and we would suggest an alternative strategy for dealing with the existing data limitations.

An area of the report which could be especially misleading is the reference to the apparent wide range in percentage of program costs allotted to administration, and the conclusions derived therefrom. The report suggests that variations in the percentage of funds allotted to administrative costs (from .3 percent to 28.5 percent) can be attributed in substantial measure to variations in administrative efficiencies among Federal programs. This suggests

the potential for identifying enormous cost savings if the reasons for the variation in administrative cost rates can be isolated.

A more likely explanation for the observed variation in administrative cost rates are: (1) substantial differences in program design among Federal assistance programs; and (2) differences in definition of administrative costs by programs reviewed in the study. For instance, one would expect to observe substantial differences in administrative costs between highway assistance programs in which the overwhelming bulk of administrative costs are borne at the project operating level, as compared to categorical assistance programs in which Federal, State and local governments are expected to exercise considerable oversight. With respect to measurement problems, the report itself acknowledges that until complete and accurate data is routinely gathered, "variations (in administrative costs) cannot be readily and routinely identified and analyzed."

The foregoing discussion illustrates additional concerns which we have regarding the ultimate utility of gathering comprehensive, consistent data on administrative costs. The diversity in structure and design of Federal programs would in many instances make cross-program comparisons of uniformly measured and defined administrative costs potentially misleading. This is not to say that cross-program comparisons cannot be made appropriately, but that the utility of such comparisons is likely to be considerably more limited than is implied by the draft report.

The approach suggested in the draft report for obtaining improved financial data on administrative costs has severe disadvantages, in our opinion. First, the proposal to require additional time and attendance reporting at the Federal level does not seem warranted. This reporting would, in itself, increase administrative costs. The report cites a previous study by the General Services Administration as evidence that it is expensive and time-consuming to determine total administrative costs on an ad hoc basis. But it is our understanding that much of the time and expense would be incurred as a result of developing an analytical framework for the study, and collecting data at the administering level, a level not addressed by the draft report. We understand that it would not be particularly difficult or time-consuming to develop information on the Federal administrative costs.

Secondly, the proposal that State and local governments be required to modify their accounting systems to provide uniform data to Federal agencies, does not recognize the wide diversity of State and local organizational structures, legal requirements, and management needs. It is not reasonable to attempt to revamp thousands of State and local systems so that Federal officials can more carefully monitor the administrative costs associated with Federal grant programs. Ultimately each level of government is responsible for managing its own affairs, and it must develop accounting systems that best meet its needs. The Federal role is to assure basic accountability, and to attempt to limit its requirements to those that can be met without overburdening other levels of government.

Finally, we question the wisdom of attempting to install a comprehensive, government-wide information system at the outset, as contemplated by the report. The potential costs, inherent definitional and operating problems, and uncertain applicability of the data collected, suggest that we begin gathering information on a more limited scale.

We would like to suggest an alternative approach to determining administrative costs. This would involve a test of the feasibility and cost of conducting periodic cost-finding studies. It would require no immediate change in Federal, State, or local accounting systems. Instead it would rely on a regular sampling of all three levels of government, using uniform definitions of administrative costs and program costs. If the information developed in this way proved useful to management, consideration could then be given to instituting such a procedure permanently.

If you agree that this alternative approach has merit, we would like to work with your staff (either directly or through the Joint Financial Management Improvement Program) in pilot testing it. We would suggest selecting one or two programs in cooperation with the administering agency, and testing over a two-year period.

We appreciate the opportunity to review the draft report.

Sincerely,



James T. McIntyre, Jr.
Acting Director

(01736)