



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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GENERAL GOVERNMENT
DIVISION

B-78395

OCTOBER 12, 1979



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Mr. Vincent P. Barabba
Director, Bureau of the Census
Department of Commerce

AGC 00204

Dear Mr. Barabba:

Subject: [Questionable Census Bureau Indirect Cost
Charges and Management Practices for
Reimbursable Work] (GGD-80-15)

Hoe 02901

The House Subcommittee on Census and Population, Committee on Post Office and Civil Service, requested that we examine the Bureau of the Census' policies, procedures, and practices for charging Government agencies and others for reimbursable work. Before we completed the review, the Subcommittee asked for assistance in reviewing the 1980 Decennial Census, which resulted in curtailing work on the reimbursable assignment. We had identified some problem areas in reimbursable work and believed it would be constructive to discuss these with Census Bureau officials. The enclosure summarizes these findings and the Census Bureau's comments and planned actions.

We are pleased with the positive reaction of Census Bureau officials in considering and acting on most of our findings. We plan to brief the Subcommittee on the results of our review and the Census Bureau's positions, and at some time in the future we will follow up on the Bureau's actions.

One area where it appears that your staff has not planned sufficient action pertains to the propriety of the charges to reimbursable work through regular interfund project accounts. As discussed in the enclosure, the Census Bureau does not appear to always meet the criteria established in the Comptroller General's August 14, 1978, decision (B-136318) for charging indirect costs to requisitioning agencies under the Economy Act of 1932, as amended, 31 U.S.C. 686. In this regard, the Census Bureau should reexamine its position. Further, because our review of interfund projects was limited, the Census Bureau should review other interfund projects to insure that charges for reimbursable work are in accordance with the 1978 decision.

Letter Report 007241

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Thank you for the fine cooperation shown our representatives during the review of reimbursable work. We are available to meet with you or your staff to discuss this matter further.

Copies of the report are being sent to the Secretary of Commerce and the Chief Economist.

Sincerely yours,

A handwritten signature in cursive script that reads "AR Voss". The letters are fluid and connected, with a prominent loop at the end of the last name.

Allen R. Voss
Director

Enclosure

QUESTIONABLE CENSUS BUREAU
INDIRECT COST CHARGES AND MANAGEMENT
PRACTICES FOR REIMBURSABLE WORK

Census Bureau needs to insure that costs charged to reimbursable projects actually benefit these projects and that cost variances are properly distributed.

Customers are probably being overcharged for reimbursable work because indirect costs are charged that (1) do not appear to benefit their projects and (2) would have been incurred by Census Bureau in performing its own activities. The Comptroller General has ruled that such charges for reimbursable work are inappropriate and would augment the performing agency's appropriation. The Census Bureau does not include reimbursable customers in the distribution of yearend deficits or surpluses resulting from indirect cost charge variances, which could also result in augmenting appropriations.

Reimbursable customers are also charged inappropriately for (1) a portion of Department of Commerce overhead that was not shown to be related to reimbursable projects and (2) personnel charges improperly coded on time sheets.

The Agency for International Development (AID) needs to provide timely funding to the Census Bureau for reimbursable projects. The Census Bureau is financing AID work through other customers' advances and its accounts payable until AID funds are received.

INTERFUND PROJECT ACCOUNTS

The Census Bureau's policy is to charge the costs of services and supplies which benefit its various appropriations and funds to interfund projects. These projects are accounts used to collect the costs for certain Bureau-wide expenses that benefit several of its activities. The use of the interfund provides a means of accounting for costs that cannot be accurately or economically charged directly to appropriations and funds. These costs are distributed to the Census Bureau's own projects and to outside work on the basis of a service rate structured for the various interfund projects.

Regular interfund projects account for about one-half of all Census Bureau costs. In fiscal year 1978, about \$92 million of \$188 million total Census Bureau obligations were for about 120 interfund projects. Reimbursable work, except during decennial census years, accounts for about

40 percent of all Census Bureau costs. The costs charged to the interfund projects are significant in determining the charges for reimbursable work.

QUESTIONABLE CHARGES TO INTERFUND
PROJECTS FOR INDIRECT COSTS

The Census Bureau performs services for other Government agencies under the provisions of section 601 of the Economy Act of 1932, as amended, 31 U.S.C. 686(a)(1970), which provides a general authority for this work and payment of actual cost by the requisitioning agency. The act does not define actual cost. In discussing actual costs under 31 U.S.C. 686, the Comptroller General's August 14, 1978, decision (B-136318) states that only those indirect costs which are funded out of the performing agency's currently available appropriations and which are significantly related to the reimbursable work are recoverable from the requisitioning agency. To be recoverable, indirect costs must be shown, either actually or by reasonable implication, to have benefited the requisitioning agency, and it must be shown that the costs would not otherwise have been incurred by the performing agency. Recovery and retention of indirect cost items not meeting these criteria would augment the appropriation of the performing agency.

Our limited review of costs charged to fiscal year 1978 regular interfund projects showed some cost charges that did not appear to meet the criteria of the Comptroller General's decision and that therefore should not have been charged to reimbursable work through the interfund projects. The following examples illustrate this situation and give the Census Bureau's position and our further evaluation.

Example one

The Census Bureau operates a subscribers' service in which subscription mail lists are maintained and its publications assembled and mailed out. The mail lists include (1) about 45,000 subscribers including individuals, businesses, and libraries--which are sent about 140 different publications and (2) the names of 40,000 persons who are not regular subscribers. This service cost \$328,664 in fiscal year 1978 and was charged to interfund project 0514.

The Census Bureau agreed with our position that reimbursable customers should not be charged, as this service directly benefits its own projects rather than reimbursable customers.

Example two

The Census Bureau's regional data user service consists of 2 persons in each of its 12 regional offices and support personnel at headquarters. User service functions include answering inquiries about Census Bureau publications and assisting users in obtaining and using its data. The staff also makes presentations to groups interested in the Census Bureau's statistical programs and products. Through the regional data user service, the Census Bureau obtains feedback from data users on how to improve the data and its access. In fiscal year 1978, the regional data user service cost \$523,801, which was charged to interfund project 0546.

The Census Bureau believes the program's costs should be charged to the interfund project because the service assists community groups and data users and encourages cooperation for all surveys and data-collection activities. We believe, however, the regional data service, which is functionally similar to the subscribers' service, is not significantly related to the reimbursable work, and the costs of this program would be incurred regardless of the reimbursable work.

Example three

The community services program is part of the Census Bureau's minority statistics program, which has a primary goal of improving minority population coverage in the 1980 Decennial Census. The community services program is staffed with temporary and permanent employees. Temporary employee costs are charged to the Census Bureau's appropriation for the decennial census, and permanent employee costs are charged to interfund project 0511. The Census Bureau charged \$416,230 in fiscal year 1978 to the interfund project for payroll and travel costs of 14 permanent employees. The Census Bureau estimates about 180 temporary employees will be employed in the community services program during the peak of the 1980 census.

The Census Bureau disagreed with our position that both temporary and permanent employee costs should be charged to the 1980 census since both work on the census. The Census Bureau advised us that permanent employee costs are charged to the interfund because these employees provide assistance to community groups and data users and encourage cooperation for all surveys and data collection programs including reimbursable programs.

The program director said, however, that work done by permanent and temporary employees is essentially the same. Further, the Community Service Representative's Information Handbook issued in May 1977 specifies that "One of the programs designed to help the Bureau decrease and balance the undercount is the Community Service Program." Accordingly, we believe the cost of permanent employees should be treated the same as that of temporary employees during the decennial period, which begins several years before the 1980 census, and should be charged directly to the census.

Example four

In fiscal year 1978, management and administrative staff of the Decennial Census Division charged their time to inter-fund project 0566, which totaled about \$432,000 for personnel services compensation. These persons primarily performed work for the 1980 census. Because their work is directly associated with the census, it should be charged to the appropriation for the census.

According to the Census Bureau, using the interfund project for the management and administrative staff of the Decennial Census Division is consistent with its policy for financing these costs by an overhead charge applied to direct program costs. Also, separate application rates would be needed if the personnel costs of the division were charged to decennial census projects. According to the Census Bureau, this would further complicate the accounting system and result in inequities elsewhere. We believe the interfund should not be used when costs can be identified directly with a program. The personnel costs of the Decennial Census Division can be directly associated with the 1980 census and should be charged accordingly.

IMPROPER INTERFUND CLOSING PROCEDURE

The Census Bureau applies interfund rates to its own work and reimbursable work on the basis of estimates of indirect costs and level of work. However, at yearend, the differences between actual and applied costs are distributed only to Census Bureau appropriations. We believe customers having work performed by the Census Bureau on a reimbursable basis should also be included in the interfund closeout procedures. The Census Bureau, by excluding the reimbursable customers from yearend distributions, could be augmenting

appropriations and changing the nature of appropriated funds from 1 year to no-year. For example, the Census Bureau's Periodic Censuses and Programs Appropriation is a no-year appropriation and funds remaining at year's end can be carried forward to the next year. Much of the funds provided to the Census Bureau by other agencies for reimbursable work are from 1-year appropriations.

For the past few years, applied costs have exceeded actual costs, although earlier in the decade the reverse was true. In fiscal year 1978, the variance amounted to \$3.4 million--the highest excess ever. If the reimbursable customers had been considered in the 1978 distribution, they would have received about \$442,000, according to the Census Bureau.

The Census Bureau does not believe its appropriations have been augmented, because the "profits" of the past few years are due mainly to increased funding in Census-sponsored periodic projects, such as the decennial census, rather than to increased volume of reimbursable projects. Further, the Census Bureau believes that no project is unfairly burdened because the interfund operation methods achieve a reasonable balance of profits and losses over the years through the cycles of increasing and decreasing levels of program activities. The Bureau's own analysis for the fiscal year 1978 distribution showed that \$392,000 of the \$442,000 overcharged to reimbursable customers was distributed to its Periodic Censuses and Programs Appropriation--a no-year appropriation. Therefore, the closeout procedure did benefit the Census Bureau.

Nevertheless, the Census Bureau plans to review its closeout procedures and consider alternative methods to satisfy our concerns.

UNSUPPORTED DEPARTMENT OF COMMERCE OVERHEAD CHARGES

The Census Bureau charges reimbursable customers one-half percent of project costs for Department of Commerce overhead. These charges totaled about \$281,000 in fiscal year 1978 for Census Bureau reimbursable customers. The present rate was established in 1972 on the basis of the ratio of reimbursable work to Department work.

We do not believe the overhead charge is appropriate under the current circumstances. The Department has not identified its costs related to the reimbursable work and

has not revised the rate since 1972. The Department currently deposits the funds collected in miscellaneous receipts of the U.S. Treasury and does not reduce its budget request by the expected revenues.

Department officials agreed that the overhead charge was not supported and that the Census Bureau could be relieved of charging the overhead if it wished. Effective October 1, 1979, the Census Bureau intends to stop collecting the overhead charge from other Federal agencies.

IMPROVED CONTROL OVER DIRECT
TIME CHARGES NEEDED

Some improper charges to reimbursable projects occurred because personnel time sheets were filled out by persons unaware of the actual jobs employees worked on. The Census Bureau's Acting Associate Director for Administration said some people--counter to instructions--do not want to be bothered with filling out their own time sheets. He said that another directive will be sent to the staff on this matter.

UNTIMELY AGENCY FOR INTERNATIONAL
DEVELOPMENT PROJECT FINANCING

The Census Bureau performs a number of reimbursable services for AID. A 1961 agreement between the agencies provides that (1) monthly billings to AID will be paid promptly upon receipt and (2) costs incurred by the Census Bureau in providing special billings may be charged to AID.

AID has not paid promptly for reimbursable work resulting in the Census Bureau using other sources of funds to finance AID projects. AID reimbursable billings exceeded its \$950,000 advance by \$157,323 at September 30, 1978. The Census Bureau financed this deficit through other customers' advances and its accounts payable. This situation continued in fiscal year 1979.

AID is causing the deficit by taking a long time to (1) approve yearly work agreements and not providing funds until agreements are approved and (2) review detailed billings before payment. AID could resolve the deficit problem by providing interim funding for Census Bureau work before it approves the billings. The Census Bureau said that it previously suggested this to AID, but AID took no action. The Census Bureau plans to meet again with AID officials to arrange interim funding before receipt of signed agreements.