Report to the House and Senate Committees on Appropriations by the Comptroller General of the United States

SUMMARIES OF CONCLUSIONS AND RECOMMENDATIONS ON THE OPERATIONS OF CIVIL DEPARTMENTS AND AGENCIES

This is a summary of GAO's conclusions and recommendations resulting from its audits and other review work in the Operations of Civil Departments and Agencies, compiled to assist congressional committees in their review of budget requests for fiscal year 1981. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

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COMPTROLLER GENERAL OF THE UNITED STATES
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Chairman, Senate Committee on Appropriations
Chairman, House Committee on Appropriations

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in Federal civil departments and agencies which we believe will be of interest to your Committees in their review of budget requests for fiscal year 1981. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriation hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Department of Defense is being submitted separately.

We are sending copies of this report to the Federal civil departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings.

Comptroller General
of the United States

CONTENTS

Agency-Wide Matters Affecting Appropriations of All or Most Federal Departments and Agencies 1
Department of Agriculture 23
Department of Commerce 43
Department of Energy 57
Department of Health, Education, And Welfare 94
Department of Housing And Urban Development 142
Department of Justice 152
Department of Labor 155
Department of State 174
Department of the Interior 179
Department of Transportation 194
Department of the Treasury 222
Administrative Office of the United States Courts 233
Architect of the Capitol 234
Civil Aeronautics Board 236
Community Services Administration 238
Corps of Engineers (Civil Functions) 240
District of Columbia Government 241
Environmental Protection Agency 250
Federal Communications Commission 256
Federal Emergency Management Agency 257
General Services Administration 260
Interstate Commerce Commission 274
Legal Services Corporation 278
National Aeronautics And Space Administration 279
Office Of Management And Budget 281
Office of Personnel Management 290
Small Business Administration 302
Tennessee Valley Authority 308
Veterans Administration 309
Water Resources Council 314
Various Departments and Agencies 315
Index to Departments, Agencies, and Other Organizations 388

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Accounting for Automatic Data Processing Costs Needs Improvement

Budget Function: Miscellaneous: Automatic Data Processing (1001).
Legislative Authority: Brooks Act (P.L. 89-306). Budget and Accounting Procedures Act of 1950, as amended. OMB Circular A-83. OMB Circular A-76. OMB Circular A-11. Federal Management Circular 74-2. CG Decision B-136318 (1977 and 1978).

Automatic data processing is used extensively throughout the Government, but many problems have been encountered in accounting for related costs.
Findings/Conclusions: Of 26 Federal data processing organizations reviewed, none had adequate cost information on their automatic data processing assets and operations. Major cost elements such as utilities, space rental, data transmission costs, and military salaries were frequently omitted from reports of total costs. Only about half of the organizations spread the costs of long-lived hardware over their useful life and only a few did so for software. Earlier GAO reviews noted examples of savings that could have resulted if proper cost data were available. GAO and the Office of Management and Budget offered guidance in this area, but it was not effectively followed. Some factors accounting for this were changes in computer systems which can now serve many users, financing of data processing operation by several different appropriations in some cases, and the fact that data processing costs are only a portion of program costs and thus have not been separately identified. It is essential to have reliable cost data in order to make sound decisions on needs for procurement, to distribute costs properly when multiple users are involved, and to make proper charges for services.
Recommendations: Federal agencies should: establish automatic data processing activities as cost centers, control such activities through operating budgets, keep cost accounts for these centers in such detail that charges can be made to major end users, render reports that show actual costs compared with operating budget estimates, and provide full disclosure of all significant data-processing-related expenses.

Agencies commenting on the report agreed with its conclusions and recommendations. OMB agreed to collect and consolidate all agency statements of actions taken on our recommendations. This has not been done. *(FGMSD-78-14, 2-7-78)*

Appropriations

Appropriations for ADP systems and activities (various agencies)

Appropriations Committee Issues

In view of the importance of the Appropriations and Oversight Committees' interests in obtaining visibility and accountability for expenditures estimated at as high as $15 billion annually, the Committees may wish to emphasize their interest in seeing appropriate actions taken by various agencies.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Administrative Law Process: Better Management Is Needed

Budget Function: General Government: Central Personnel Management (805).
Legislative Authority: (P.L. 95-251; 92 Stat. 183). (P.L. 95-164; 91 Stat. 1290; 91 Stat. 1314). Administrative Procedure Act of 1946 (5 U.S.C. 3105). Regulatory Procedures Reform Act; S. 2490 (95th Cong.). Social Security Act. Classification Act of 1923. Executive Order 11222. Executive Order 10393. H.R. 14688 (91st Cong.). Ramspeck v. Federal Trial Examiners Conference (345 U.S. 128).

More than 1,000 Administrative Law Judges (ALJs) serve in 28 Federal agencies as quasi-judicial officers presiding at formal administrative hearings to resolve disputes. The Federal executive departments and agencies employ more than twice as many ALJs as there are active judges in Federal trial courts, collectively process a larger case load, and affect the rights of more citizens than the U.S. courts. Administrative Procedure Act sought to insure the ALJ's judicial capability and objectivity by precluding agencies from evaluating their performance and by assigning responsibility for determining their qualifications, compensation, and tenure to the Civil Service Commission.

Findings/Conclusions: Although the judicative process was established to resolve conflicts promptly and fairly, timely decisions are not being made because the process is burdened with extensive agency review of ALJ decisions and, in many instances, overformalization. These factors also increased costs and raised questions concerning the impartiality of agency decisions and the need for a highly formalized mechanism to resolve relatively simple disputes. The Administrative Procedure Act is not specific regarding responsibility for ALJ personnel management functions; as a result, little is done to monitor ALJ performance. Agencies are reluctant to attempt to manage ALJs for fear it will be interpreted as an infringement on ALJ independence. Similarly, the Office of Personnel Management has been reluctant to become actively involved in ALJ personnel management. The results have been costly delays in the administrative judicatory process and less than desirable performance by an undetermined number of ALJs.

Recommendations: The Congress should amend the Administrative Procedure Act to: assign responsibility for periodic evaluation of ALJ performance to a specific organization; clarify the extent to which the Civil Service Commission can perform its normal personnel management functions in the case of ALJs; and establish an initial probationary period of up to 3 years and thereby eliminate immediate, virtually guaranteed, appointment and tenure. The Congress should also: establish criteria for deciding what degree of formality is required to provide fair decisions and amend legislation to clarify the agencies' power to adopt streamlined adjudication procedures; amend other legislation as necessary to provide for standards of review; and see that each agency employing ALJs has taken steps to establish performance standards before additional ALJs are given to agencies. The Civil Service Commission should: encourage and assist the Administrative Conference in efforts to develop an ALJ caseload accounting system; reexamine the need for selective certification at agencies where it is used; and evaluate future requests for its use on a case-by-case basis.

Little substantive action has been taken on the report's recommendations by the agencies employing Administrative Law Judges, as shown in the follow-on report "Management Improvements in the Administrative Law Process: Much Remains To Be Done," (FPCD-79-44, 5-23-79). *(FPCD-78-25, 5-15-78)*

Appropriations

Various appropriation of those agencies which employ Administrative Law Judges (28)

Appropriations Committee Issues

Evaluation of and standards for Administrative Law Judges' performance, as well as simplified agency administrative adjudication procedures, are needed to ensure efficient and cost effective dispute settlement. Agencies which employ ALJs should take steps to establish Administrative Law Judge performance standards before assigning additional ALJs.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Better Information Management Policies Needed: A Study of Scientific and Technical Bibliographic Services

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251).
Legislative Authority: National Health Planning and Resources Development Act of 1974 (P.L. 93-641). OMB Circular A-25. OMB Circular A-76. 20 U.S.C. 1221c. 20 U.S.C. 1221e(e).

The Federal Government needs to recognize the value of the scientific, technical, and other specialized information it produces and take steps to manage it as carefully as it does other valuable resources. A study was made of the biblographic systems of 38 information centers in five agencies. The study confirmed the need for better information management cited in many reports over the past decade, and identified problems of duplication of services and facilities and failure to recover costs in the operation of scientific and technical bibliographic information systems.

Findings/Conclusions: Despite the recommendations of numerous reports over the years, managing information does not have a high priority within Federal departments and agencies. Agencies generally have not designated a single, high-level official responsible for managing and coordinating information activities. Little attention is paid to coordinating scientifc and technical information activities across agency lines. Absence of a Government-wide coordinating committee may have resulted in a lower concern for managing scientific and technical information. The Office of Management and Budget (OMB) and the Office of Science and Technology Policy question the need for a permanent coordinating committee. However, to be effective, the committee must have some degree of permanence and continuity, have a formal channel to a strong focal point, and receive strong support and leadership from the policymaking level. Agencies' policies and practices for recovering the cost of providing bibliographic services to public and private-sector users are not consistent with Federal policies and OMB guidance.

Recommendations: The Director of OMB should direct each department and agency to designate a high-level official responsible for information management; establish an interagency coordinating committee for scientific and technical information management; coordinate with the Office of Science and Technology Policy; include scientific and technical information management in developing approaches to better information resources management; work with the executive departments to develop a clear policy of cost recovery consistent with applicable statutes; require each department and agency to develop information on the cost of bibliographic and other information services to serve as a basis for carrying out an effective cost recovery program; require each department and agency to implement the guidance in a manner which will achieve prescribed cost recoveries; and examine special cost recovery problems which may be involved in pricing Government services to information retailers. When enacting legislation establishing information centers or clearinghouses, Congress should require the agency head to use existing systems in the Federal agencies or private sector at lesser cost to the extent possible. Congress also should provide more specific guidance with respect to information services which should be exempted from the general policy of cost recovery.

DOD advised that initiatives in scientific and technical information management underway within the Department are consistent with the findings and recommendations of GAO's report. NSF agrees in principle that full cost recovery for bibliographic services is appropriate except where a determination has been made by high agency officials that less-than-full-cost recovery is in the public interest. NSF determinations will be reviewed by the Deputy Director. HEW has awarded a contract for a study of the operation of human services clearinghouses to recommend management improvements along the lines of our report. *(PSAD-79-62, 8-6-79)*

Appropriations

All department and agency requests for funds to establish information centers or clearinghouses

Appropriations Committee Issues

Legislation authorizing information centers should require the agency head to use existing systems to the extent possible and provide the agency with guidance on those information services which should be exempted from cost recovery in the public interest.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Changes Needed in the Relocation Act to Achieve More Uniform Treatment of Persons Displaced by Federal Programs

Budget Function: General Government: Executive Direction and Management (802).
Legislative Authority: Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. 4601). OMB Circular A-103. Demonstration Cities and Metropolitan Development Act of 1966. Housing and Community Development Act of 1974. Housing Act of 1949.

The Relocation Act is intended to provide for uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal and Federally-assisted programs.

Findings/Conclusions: Some displaced persons are receiving little or no relocation assistance because the coverage provided by the Act is limited. When Federal financial assistance is provided to organizations other than State agencies, few relocation benefits are provided because of the belief that the Act does not apply under these conditions. Businesses may suffer because the benefits are not provided to pay for increased costs at a replacement site. The Housing and Community Development Act of 1974 decreased coverage under the Relocation Act because of agency and court interpretations that the benefits are not required to be paid to displaced persons when there is no acquisition of property. Although the Act calls for coordination among agencies, each issues its own regulations with the result that benefits have differed under comparable conditions. The Relocation Assistance Implementation Committee has been unable to bring about the uniformity prescribed by the Act because it lacks authority to rule on differences in agencies' politions.

Recommendations: The Congress should: consider whether the Act should cover all displacements caused by Federal or Federally-assisted acquisition and nonacquisition projects; consider providing additional benefits to displaced businesses; and amend the Act to require the President to issue a single set of relocation regulations and to designate a central organization to direct and oversee uniform procedures governmentwide.

OMB stated in June 1978 that the recommendations contained in the report were under active consideration. Also, OMB will resolve the conflicting views concerning the most appropriate agency to have responsibility for administering the Act. Senate Bill 1108 will correct most of the problems documented in our report. Hearings were held on this bill in September, 1979. OMB advised in October, 1979 that it still has our recommendation under active consideration but has not been able to resolve the conflicting views on which agency should administer the Act. *(GGD-78-6, 3-8-78)*

Appropriations

All Federal agencies—civil and defense

Appropriations Committee issues

1. The coverage of the Uniform Relocation Act should be reconsidered.
2. The benefits provided to relocated businesses should be reconsidered.
3. One set of relocation regulations should be issued and one central organization should be designated to oversee the Act.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Computer Auditing in the Executive Departments: Not Enough Is Being Done

Budget Function: Miscellaneous: Automatic Data Processing (1001).
Legislative Authority: FMC 73-2, P.L. 89-306, OMB Circular A-71.

Four major areas are of audit interest in automatic data processing, in addition to the usual task of verifying data. These are: systems design and development, equipment acquisition, specific applications, and installation management. Benefits to be accrued from better controlled computer-based information systems include: savings, improved efficiency, and cost avoidance.

Recommendations: The head of each Federal agency should require internal audit organizations to: (1) study the effect of automatic data processing on agency operations, expenditures, and program accomplishments; (2) determine the extent to which computer activities need to be audited (both ongoing systems reviews and audits of specific aspects); (3) determine whether enough audit resources are available and, if not, get needed resources by training existing audit staff or hiring people with the necessary skills; (4) develop and carry out audits that will provide enough coverage to determine that resources are used efficiently, economically, and effectively; and (5) periodically review the internal audit coverage of computer-based information systems and adjust resource allocations accordingly. The Office of Management and Budget should monitor the progress of the agencies in these matters. *(FGMSD-77-82, 9-28-77)*

Appropriations

Various appropriations that include funds for internal audits

Appropriations Committee Issues

Although some action by Federal agencies has been taken to improve internal computer audit efforts, the Committees should continue to ascertain whether appropriate internal audit attention is being devoted to this area and whether the requisite level of technical proficiency on the part of agency audit staffs is being developed and maintained.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Development of a National Make-or-Buy Strategy: Progress and Problems.

Budget Function: General Government: Executive Direction and Management (802).
Legislative Authority: Department of Defense Appropriation Authorization Act [of] 1978 (P.L. 95-79). Department of Defense Appropriation Act [of] 1978 (P.L. 95-111). Monroney Amendment (P.L. 90-560; 5 U.S.C. 5341). Service Contract Act of 1965, as amended (P.L. 89-286; 79 Stat. 1034). Economy Act. Intergovernmental Cooperation Act. Department of Defense Appropriation Act [of] 1956. Department of Defense Appropriation Authorization Act [of] 1975. P.L. 93-400. P.L.83-108. P.L. 95-269. P.L. 93-365. P.L. 84-157. 25 Stat. 423. 40 Stat. 1290. 10 U.S.C. 4532. 10 U.S.C. 9532. 31 U.S.C. 686. 42 U.S.C. 4222. 44 U.S.C. 501. 10 U.S.C. 138(c). 33 U.S.C. 622. 33 U.S.C. 624. 15 U.S.C. 631 (a). 5 U.S.C. 2105(a). Executive Order 11491. OMB Circular A-76.

There has been much controversy regarding the question of whether the Government should provide its own needed goods and services or contract for them with private enterprise. The Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) provides overall procurement policy direction for executive agencies. OMB Circular A-76 states that no executive agency will engage in or contract for commercial or industrial activities except in accordance with the provisions of the Circular, or as otherwise provided by law. Since 1976, there has been increased emphasis on contracting.
Findings/Conclusions: The stated policy has not been perceived as a national policy with full executive and legislative branch approval and support. Policy pronouncements and applications have been controversial, implementation has been inconsistent and relatively ineffective; and make-or-buy decisions have not necessarily been based on sound management principles. Management of the A-76 program needs acceptable management control systems, clarification of basic policy and regulations, clear identification of types of activities subject to the policy, consistent execution of the policy, and development of review and appraisal systems. Implementation has been hampered by confusion, lack of understanding, reluctance to carry out the program which was not integrated with agencies main decision-making processes, and budgetary and accounting systems which did not always support the program. Agencies seldom prepared cost comparisons because of such difficulties as when and how to prepare them, determining Government's and contractors' costs and comparability of pay rates. Agency make-or-buy decisions were significantly influenced by such factors as personnel ceilings, contract issues, labor-management policies, other procurement policies, personnel assignment policies, legislation, and Federal printing policy.
Recommendations: The Congress should endorse a national policy of reliance on private enterprise for the Government's needs to the maximum extent feasible and consistent with the national interest and procurement at reasonable prices, require executive agencies to report on their progress in supporting that policy, and direct reviews of existing related legislation to identify and eliminate sources of conflicts and inequities.

Agency comments were sent to the appropriate congressional committees concerning additional report recommendations made to OMB and OFPP for more effective implementation of the A-76 program. In general, OMB stated that the recommendations had already been initiated or would be initiated with a pending revision of Circular A-76. A new Circular A-76 was issued on March 29, 1979. The sense of the Congress about legislating a national policy has not crystalized. *(PSAD-78-118, 9-25-78)*

Appropriations

All Federal agencies—defense and civil

Appropriations Committee Issues

The Committees should determine whether agency requests indicate that appropriate management attention is being given to the A-76 program because of its potential for more economical and effective government.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Agencies Should be Given Multiyear Contracting Authority for Supplies and Services

Budget Function: General Government: Other General Government (0806).
Legislative Authority: Federal Property and Administrative Services Act, as amended (40 U.S.C. 481). Adequacy of Appropriations Act (41 U.S.C. 11). Anti-Deficiency Act (31 U.S.C. 665). (P.L. 90-378; 10 U.S.C. 2306(g)). Small Business Act. 15 U.S.C. 631(a). 10 U.S.C. 712a. 20 Comp. Gen. 437. 33 Comp. Gen. 57. 33 Comp. Gen. 90. 42 Comp. Gen. 272. 43 Comp. Gen. 657. S. 2309 (94th Cong.). S. 3005 (94th Cong.) S. 1264 (95th Cong.). S. 1491 (95th Cong.).

Federal agencies operating under annual appropriations generally are prohibited from entering into contracts for needs occuring beyond the year for which the appropriation is made. Multiyear contracts entitle the Government to purchase services or supplies from contractors for more than 1 year. The Commission on Government Procurement has recommended that Congress enact legislation to permit multiyear contracting of supplies and services using annual or multiyear appropriations.
Findings/Conclusions: Federal agencies with either funding or statutory authority for multiyear procurement benefit from reduced contract prices and other advantages. Annual savings of $3 million resulting from multiyear procurement were identified on 26 contracts having an annual cost of $14 million. The benefits of multiyear procurement include: contract prices may be reduced for agency service and supply needs, Federal agencies' administrative costs can be reduced, the quality of performance and service could increase, and competition could increase for the initial award of a government contract. Generally, the advantages of multiyear procurement outweigh the disadvantages.
Recommendations: Congress should enact legislation authorizing multiyear procurement for Federal agencies and provide for the Office of Federal Procurement Policy to: develop appropriate criteria for use of the procurement method, require responsible agency officials to determine when the criteria are met, and provide for the payment of cancellation costs.

The agencies commented that the advantages of multiyear procurement outweigh the disadvantages and that it would be an advantageous procurement method. They concurred in GAO's recommendations regarding the need for multiyear contracting authority and the development of criteria for its use. No significant events have happened since the report was issued. *(PSAD-78-54, 1-10-78)*

Appropriations

No specific appropriations are involved. The subject covers all appropriations involving funds for contracts for needs which will occur beyond the year for which the appropriation is made.

Appropriations Committee Issues

GAO believes the Congress should enact legislation authorizing general multiyear contracting authority for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria to guide the agencies in its use.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Budget Outlay Estimates: A Growing Problem

Budget Function: Impoundment Control Act of 1974 (1005).
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974.

Federal budget outlay estimates generally swing between longfalls, or underestimates in the budget year, and shortfalls, or overestimates in the current year. The budget year estimates reflect the administration's concern about the growing deficit and the need to hold down spending. The shift to a shortfall, or overestimate in the current year's estimates (12 months later), reflects the administration's assessment of actual financial needs to carry out legislation enacted by Congress. The estimating process is flexible and changing and can be influenced by a number of variables. Many of these variables are uncontrollable, such as historic upward bias (the past tendency to overestimate). Budget data must be accurate to be useful and controllable factors should be of concern to improve outlay estimates.

Findings/Conclusions: As a result of increased interest in outlay estimates, both the Office of Management and Budget (OMB) and the Congressional Budget Office are striving to achieve more accurate estimates. GAO found that $76.4 billion in outlays was not included in fiscal year 1977 Government-wide net outlays of $402.8 billion. These outlays included both offsets from collections and receipts from business transactions with the public and outlays of off-budget Federal entities. Estimates of offsetting collections and offsetting receipts have not been reliable. The current method of presenting these transactions as offsets against budget authority and outlays distorts budget numbers and makes the budget unnecessarily complex.

Recommendations: The Director of OMB should make further efforts to improve outlay estimates by: establishing criteria for acceptable levels of accuracy for estimates, to be used as a guide in defining significant variances to be pursued; comparing actual outlays to estimates and providing a detailed explanation annually concerning those accounts in which there were significant variances; identifying corrective action to improve estimates in future years when such action is feasible; making information on variances and related corrective action available to congressional users and including it in budget justifications where appropriate; applying early efforts in goal setting and variance analysis toward accounts with the largest outlays; and requiring each agency to document the procedures used to develop outlay estimates, including documenting assumptions and subjective modifications made by reviewing officials. The Director should also: change the presentation of offsetting collections from non-Federal sources and offsetting receipts from the public by including them in revenue totals and by not subtracting them from budget authority and outlays; include offsetting collections and offsetting receipts from off-budget agencies under revenues and not subtract them from budget authority and outlays; and apply the recommendations set forth to improve outlay estimates to estimates of offsetting collections and offsetting receipts.

The Office of Management and Budget response to this report agreed that problems on outlay estimating have existed and stated that OMB will continue to work toward the further improvement of outlay estimates. However, OMB was very negative in its response to the report and stated that it "makes recommendations that, if adopted, would do nothing to improve our ability to estimate outlays." In contrast, OMB stated in the enclosure to its letter that it is already taking the recommended action in some form or to some extent in responding to five of the nine recommendations. Two of our recommendations related to changing the presentation of offsetting collections and offsetting receipts from the public and to the treatment of off-budget agencies. OMB has resisted these recommendations directed toward elimination of undesirable distortions and complexity in the budget presentation for some time. *(PAD-79-20, 2-9-79)*

Appropriations

All Government Agencies

Appropriations Committee Issues

The continuing need to improve the accuracy of outlay estimates and to provide a more complete and accurate reporting of federal budgetary information.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The Federal Government Should but Doesn't Know the Cost of Administering Its Assistance Programs

Budget Function: General Government: Executive Direction and Management (802).

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.

OMB agreed with our conclusion that better data is needed on the costs of administering Federal domestic assistance programs. We agreed to work with OMB through the Joint Financial Management Improvement Program (JFMIP). A JFMIP official advised that plans to do a pilot test have been approved but a starting date has not been selected. At the request of the Chairman, Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations, a limited follow-up study was done on the Federal Government's efforts to determine the costs for administering its numerous domestic assistance programs. Federal agencies generally are not gathering information on financial and staff resources used in administering domestic assistance programs. As a result, the cost of various delivery methods is not known, and their efficiency is difficult to determine. *(GGD-77-87, 2-14-78)*

Appropriations

Various agencies

Appropriations Committee Issues

1. Information on the costs of administering Federal programs is needed to determine the efficiency of their administration and to find less costly ways to provide assistance.
2. Administration cost information would also strengthen "sunset" reviews by Congress.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The Federal Information Processing Standards Program: Many Potential Benefits, Little Progress, and Many Problems

Budget Function: Miscellaneous: Automatic Data Processing (1001).
Legislative Authority: Brooks Act (P.L. 89-306).

The Brooks Act called for a Federal automatic data processing (ADP) standards program that would permit the interchange of computer equipment, software, and data. It was also intended to stimulate competition by permitting Federal agencies to procure their ADP requirements from numerous vendors offering low-cost compatible products.

Findings/Conclusions: Some standards have been developed, but agencies are not fully using them, and some standards do not exist. As a result, many Federal agencies have become locked in to suppliers of computers and related services. The Government has depended too much on the commercial sector to develop standards, and manufacturers sometimes delay the development of Commerce's budget requests and do not provide meaningful information on the scope and direction of the program. Standards development has suffered from a lack of funds allocated for this purpose, inadequate resource management, and lack of an effective staff devoted to the program. Weaknesses in the program also result from vague enforcement policies and lack of procedures to verify compliance.

Recommendations: The President should give one agency the central authority for insuring compliance with ADP standards. The Director of the Office of Management (OMB) should issue policy guidance to this or other agencies citing the importance and relative priority of standards, requiring establishment of policies and procedures for implementing standards, insuring Federal participation in developing standards, and citing circumstances in which the Department should develop standards independently. Guidance to the single agency should give direction on approving requests to waive compliance, determining if Federal standards are met by vendors, and insuring that agencies acquire products which comply with standards. Using OMB's guidance, the Secretary of Commerce should establish procedures for justifying, setting priorities for, and monitoring the development of standards; commit more resources to their development; coordinate agency participation; and unilaterally develop and issue standards when the commercial process is not timely. He should also establish a budget and cost-reporting system that gives information on its efforts in the program and submit to GAO for approval an updated design of an accounting system which identifies funds spent on these efforts.

On January 8, 1979, OMB issued a memorandum to the heads of executive agencies and departments citing the importance and relative priority of standards, urging the appointment of a senior management official who will be responsible for developing agency policies and procedures and overseeing their implementation and assisting the Secretary of Commerce with the standards program. The remaining recommendations are still open. OMB has promised to issue more guidance to the agencies and the Department of Commerce on the use and development of standards. Also, if Commerce is to be the central agency for assuring and overseeing (but not enforcing) compliance with Government-wide standards, then we believe the OMB should issue policy guidance clearly stating this and requiring Commerce to do the other things we recommended be carried out by the agency designated by the President. *(FGMSD-78-23, 4-19-78)*

Appropriations

National Bureau of Standards appropriations for its P.L. 89-306 (Brooks Act) responsibilities and appropriations for ADP systems (various agencies)

Appropriations Committee Issues

The Committees cut the NBS FY 79 appropriation request by about $6.8 million and directed it to develop a detailed plan for developing standards before it requested any additional funding. NBS did not increase its FY 80 funding request because it had not completed the detailed plan. The Committees should (1) require NBS to complete the plan and submit it with its FY 81 request, and (2) determine, through NBS, the extent of agency compliance with Federal standards.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federally Assisted Areawide Planning: Need to Simplify Policies and Practices

Budget Function: General Government: Executive Direction and Management (802).
Legislative Authority: Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4231). Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3334). OMB Circular A-95. OMB Circular A-82.

The Intergovernmental Cooperation Act of 1968 recognized the interrelated nature of most Federal planning programs and the need to coordinate them. Twenty Federally-assisted areawide planning programs, principally in the districts surrounding Sacramento, California; Atlanta, Georgia; and Seattle, Washington, were reviewed to determine whether the procedures of Circular A-95 of the Office of Management and Budget (OMB) adequately carry out the purposes of the Intergovernmental Cooperation Act of 1968.

Findings/Conclusions: OMB's encouragement of the use of a single areawide organization to plan or to coordinate planning has not been effective because: (1) programs were initiated haphazardly to satisfy particular demands and each program built its own constituency at the State, areawide, and local level, which made it difficult for State and local governments to form a coordinated planning effort; (2) Federal agencies often ignored the designated comprehensive planning agency; (3) the States sometimes disregarded their own planning subdivisions in implementing Federal programs; and (4) Federal agencies had varying requirements which created impediments to coordinated planning and made it difficult for one planning organization to satisfy all Federal requirements.

Recommendations: Congress should establish a national policy on areawide planning and provide a basis for strengthening planning focal points at the areawide level. OMB should: require Federal agencies and Federally-funded State agencies to use the designated areawide comprehensive planning agencies to carry out and coordinate areawide planning, and to use, to the extent possible, the planning boundaries designated by the States.

Hearings were held in February 1978 on H.R. 4406, a bill to establish a national policy on areawide planning. In August 1978, OMB and the Federal agencies began a year-long implementation program of Federal planning requirements reform which had been approved by the President on June 21, 1978. Several reform actions address matters disclosed in our report, such as substate planning boundaries. A March 1979 OMB progress report on reforming Federal planning requirements enunciated specific strategies for planning reform and cited specific examples of agency reforms. In July, September, and October, 1979, the Senate Subcommittee on Intergovernmental Relations held hearings on S.878 and S.904, bills for reforming the Federal assistance system. Included in the bills is a provision to standardize Federal planning requirements across all applicable Federal programs. *(GGD-77-24, 3-28-77)*

Appropriations

Various agency appropriations

Appropriations Committee Issues

1. A reduction in the number of planning programs is needed to achieve better planning and to fix planning responsibility.
2. Enactment of a national policy on areawide planning would reduce the number of planning organizations.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The Fly America Act Should Allow More Agency Discretion in Authorizing Use of Foreign-Flag Air Carriers To Conduct Business Overseas

Budget Function: Transportation: Air Transportation (0405).
Legislative Authority: International Air Transportation Fair Competitive Practices Act of 1974 (Fly America Act) (P.L. 93-623; 88 Stat. 2104; 49 U.S.C. 1517). Foreign Relations Authorization Act of 1979 (P.L. 95-426). S. 3076 (95th Cong.). Federal Aviation Act of 1958 (49 U.S.C. 1517). 49 U.S.C. 1371. 49 U.S.C. 1301. 56 Comp. Gen. 216. 14 C.F.R. 297. H.R. 12598 (95th Cong.). H. Rept. 95-1535.

Under the provisions of the Fly America Act, Government travelers are required to use American-flag air carriers for official business overseas. The act was intended to counterbalance foreign governments' restrictive routing practices in relation to use of their national-flag carriers and to increase use of American-flag carriers.

Findings/Conclusions: Although there were few statistics available to measure the use of American-flag carriers versus foreign-flag carriers, indications are that Federal agencies and their employees are making a special effort to use American-flag carriers. However, the Fly America Act has resulted in additional costs to Federal agencies in terms of increased administrative costs, higher air fares, and more employee per diem expenses. It has impinged on the agencies' ability to complete their missions as expeditiously as possible and to exercise flexibility in the manner in which they perform their work. The most significant effect of compliance with the Fly America Act is the high financial risk to the individual traveler.

Recommendations: The Congress should amend the Fly America Act to provide greater flexibility in its application to flights between points outside the United States; such an amendment would reserve to American-flag carriers the lucrative long-distance travel so that costs of complying with the Act would be reasonable in proportion to the financial benefit to those carriers. The amendment should also reduce the traveler's burden and risk of scheduling travel to a more reasonable proportion.

All agencies concurred with GAO's conclusions and recommendations. Appropriate legislative changes are now being considered by the Congress. (See Senate Bill 1300 etc.) *(LCD-78-235, 10-31-78)*

Appropriations

Each agency's travel budget

Appropriations Committee Issues

The Committee should request information about continuing problems with the Fly America Act. If the legislation noted above has been passed, the Committee should determine what economies and increased efficiency in operations have resulted.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

A Study of the Joint Funding Simplification Act

Budget Function: General Government: Executive Direction and Management (0802).
Legislative Authority: Joint Funding Simplification Act of 1974 (P.L. 93-510). S. 878 (96th Cong.).

The Joint Funding Simplification Act is in its fifth and final year as currently authorized; the act will expire in February 1980.

Findings/Conclusions: The implementation of the Joint Funding Simplification Act has been a disappointment. Only seven new joint funding projects have been funded since the Act was passed over 4-1/2 years ago. The reasons for the low level of joint funding activity, as reported by OMB in its April 1979 evaluation report, included: OMB's lack of adequate and timely leadership, support, and oversight; Federal agencies' limited commitment; the Act's permissive nature; Federal agency participation is not mandated, and no effective forum exists for conflict resolution among agencies; statutory provisions in individual agency programs, which prohibit participation in the joint funding process; and Federal agencies' inexperience with, improper use of, or nonadherence to OMB Circulars. Our findings confirmed those identified in the OMB report. Despite the drawbacks, the experiences of a few highly successful joint funding projects have demonstrated that given the proper level of Federal support, joint funding is a viable process for (1) packaging related programs and (2) simplifying grant administration. The State and local governments and Federal agencies which have established successful joint funding projects have become strong proponents of the process.

Recommendations: Congress should reauthorize joint funding legislation as proposed in the Integrated Grant Development Act, Title III, S.878. This legislation will help strengthen joint funding by mandating that Federal grantor agencies more seriously consider the joint funding process. It will also provide a stronger role for OMB, including training of Federal agency personnel; developing criteria to guide Federal agencies in identifying programs suitable for integrated grant administration; resolving conflicts between agencies in developing uniform provisions; and resolving conflicts between agencies and recipients in developing and administering integrated grant programs.

In July, September, and October 1979, the Senate Subcommittee on Intergovernmental Relations, Committee on Government Operations held hearings on the proposed joint funding legislation. *(GGD-79-87, 7-26-79)*

Appropriations

Various agency appropriations

Appropriations Committee Issues

The Congress should reauthorize joint funding legislation which mandates that Federal grantor agencies more seriously consider the joint funding process.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Government Can Be More Productive in Collecting Its Debts by Following Commercial Practices

Budget Function: General Government: Executive Direction and Management (0802).
Legislative Authority: Federal Claims Collection Act of 1966 (31 U.S.C. 951). Tax Reform Act of 1976. Privacy Act (5 U.S.C. 552a). 4 C.F.R. 61-105. 38 U.S.C. 3301.

GAO was requested to study Government debt collection practices and compared them with the methods used by commercial firms. This issue is becoming critical because of the rapidly rising number of debts owed to the Government, now increasing at a rate of 21 percent annually. Debts include student loans, overpayments of supplemental security income benefits and veterans educational assistance, royalties, and payments for various goods and services. While most of these obligations will be paid routinely, many will require collection action and a considerable portion will be written off as uncollectible.

Findings/Conclusions: Of 12 Federal agencies checked by GAO, only 3 were found to have provided for uncollectible accounts, writing off amounts not expected to be recovered. Among the agencies reviewed, GAO found that between 25 and 60 percent of the obligations were considered uncollectible. Naturally, this lost revenue must be replaced by increased taxes or charges against budget deficits, but graver concerns include the receipt of benefits without entitlement, conversion of self-help programs into grant programs without congressional approval, and the effect of the knowledge that payment can be avoided with impunity on those still discharging their debts voluntarily. Debts have outrun collections because many agencies have been laggardly in pursuing repayment and present methods are slow, costly, and unreliable when compared with commercial practices. Clear comparisons between Federal and commercial practice are difficult, but one striking discrepancy was found in the amount of debt for which court judgment is sought. Commercial firms have accepted $25 as the cost-effective cutoff for court action, whereas the customary Federal limit is $600. Government collection expenses and time expended run more than double the commercial rate, measured on a per-case basis.

Recommendations: Government agencies should report delinquent debts and loans to credit bureaus, use available locator services to trace delinquent debtors, and increase use of automation in the debt collection process. Demand letters should outline payment due dates, interest rates, consequences of nonpayment, and means for debtors to demonstrate their willingness to make payments. The Secretary of Health, Education, and Welfare (HEW) and the Administrator of Veterans' Affairs should report loan delinquencies to credit bureaus and arrange to use debtor locator services to collect student loans and educational assistance overpayments.

A set of revised Federal Claims Collections Standards were issued jointly by the Comptroller General and Attorney General on April 12, 1979. These new standards required the Federal agencies to adopt selected commercial practices recommended in this report. All Federal agencies responding to the report advised that they would implement the new required standards and essentially concurred with its findings, conclusions, and recommendations. The Office of Education advised that they had achieved a 437 percent increase in accounts entering repayment over the past 2 years, the period during which this report was developed, by adopting some of the recommendations in this report. *(FGMSD-78-59, 2-23-79)*

Appropriations

All Federal (civil) agencies

Appropriations Committee Issues

The Committee should assure that all Federal Agencies have adopted implementing procedures for the new Federal Claims Collection Standards.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Interagency Laboratory Use: Current Practices and Recurring Problems

Budget Function: General Science, Space, and Technology (0250).
Legislative Authority: Economy Act (31 U.S.C. 686).

A review of contracting between Federal agencies for laboratory research and development tasks examined the extent and types of interagency laboratory use, the advantages of such arrangements, and the constraints and management problems which accompany interagency work.

Findings/Conclusions: Interagency laboratory work is one means to efficiently and effectively use the Government's research and development resources. There is no Government-wide policy or coordinating mechanism which specifically addresses contracting by one Federal agency with the laboratories of another. Rather, the missions, policies, practices, and capabilities of each agency require, encourage, or limit the nature and extent of interagency laboratory use. While interagency laboratory work occurs for a number of reasons and offers many advantages, concerns about the relevance of work to a laboratory's mission and limits on available personnel can restrict the type and extent of interagency laboratory use. Interagency work is also accompanied by its own management problems. However, this review did not disclose any Government-wide problem with the ability of agencies to have research performed at other agencies' laboratories, indicating that, overall, cross-agency research needs can be satisfactorily handled. Nevertheless, the problems and constraints require continuous and aggressive attention by agency managers. *(PSAD-79-97, 9-4-79)*

Appropriations

All Federal agencies requesting funds for research and development

Appropriations Committee Issues

Congressional oversight affords opportunities for monitoring, controlling, or stimulating interagency laboratory use. Individual agency policies and practices should be explored with both the science-oriented agencies and those agencies with some technical needs, but with limited capabilities.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Mission Budgeting: Discussion and Illustration of the Concept in Research and Development Programs

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (051).
Legislative Authority: Energy Reorganization Act of 1974 (P.L. 93-438). National Aeronautics and Space Act of 1958 (P.L. 85-568). Congressional Budget Act of 1974 (88 Stat. 297). Sunshine Act of 1977; S. 2 (95th Cong.). Budget and Accounting Procedures Act of 1950. H. Rept. 94-1231. S. Rept. 95-164. S. Rept. 95-129. OMB Circular A-109. DOD Directive 5000.2.

The mission budget concept offers significant potential for alleviating problems with the way the Federal budget is currently presented and the limitations it imposes on congressional review. The common complaint with the present system is that Congress gets a great mass of detail but not a coherent picture of what the money is for and why it is needed. A mission budget structure links an agency's basic responsibilities, or "missions," to its activities and their proposed funding. Descending levels of the structure then focus more sharply on specific purposes, needs, and programs to satisfy them.

Recommendations: Congress should begin to experiment with mission budgeting in carrying out its budget review, authorization, and appropriation functions because the concept has significant potential for helping the President and Federal agencies formulate budgets according to end purposes, needs, and priorities; strengthening congressional policy review and program oversight; achieving greater public accountability in the use of Federal funds; providing one budget system oriented to both executive and congressional needs; clarifying mission responsibilities of the Federal agencies and keeping them relevant to national policies and needs; and serving as a structural foundation for "zero-base" and "sunset" reviews as well as for governmental reorganization.

The Congress has taken an initial step of requiring a mission informational display in the President's budget in the 1974 Budget Act but has yet to fund budget requests of the agencies on that basis. A few authorization committees are beginning to experiment with the concept. Agriculture is experimenting with a mission budget structure. The agency is working with the Senate Appropriations Committee and GAO to convert traditional presentations to this new structure. In its FY 1978 budget, Defense took a first step by reclassifying its Research and Development (R&D) budget structure from product orientation to broad strategic and tactical programs. At lower tiers, however, product classification still exists, so that sub-missions or mission areas are not discernible. Neither are individual mission needs evident or traceable to the top categories, and programs are not tied to mission needs. The House Armed Services Committee's R & D Subcommittee conducted portions of its FY 1980 budget review on a mission basis with a view toward expanding application of the concept in future years. *(PSAD-77-124, 7-27-77)*

Appropriations

All Federal agencies—defense and civil

Appropriations Committee Issues

1. How should the appropriations committees set up a joint program with the executive branch to more fully test and evaluate the mission concept? (In a recent followup report*, GAO illustrates one approach to such an executive/congressional program—PSAD-78-100, 7-31-78).
2. To what extent should the Appropriations Committee monitor or participate in experiments with the House Armed Services Committee?
3. Appropriation subcommittees get only "slices" of agency missions and are not aware of mission funding aggregates from year to year nor of what mission results are achieved with this money. How should budget requests be modified or subcommittee jurisdictions realigned to deal with mission capabilities and outputs?
4. Mission budgeting clarifies the end purposes of tax dollars to the Congress and the general public. Questionable mission purposes and priorities can be revised and funding levels can be raised or lowered rather easily with congressional guidance provided in specific areas.

On the other hand, it is difficult for the Congress to absorb great masses of input activities and adjust up or down (or cancel out) the "right kinds" of activities in

any precise way. Since congressional members are not technical specialists, would it not be better for them to focus more on regular mission reviews and key program decisions than on input data?

*Legislative Recommendations of the Commission on Government Procurement: 5 Years Later, PSAD-78-100, July 31, 1978, p.26.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Need for Overall Policy and Coordinated Management of Federal Retirement Systems (Volumes I & II)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).
Legislative Authority: Employee Retirement Income Security Act of 1974. Career Compensation Act of 1941. Contingency Option Act [of] 1953. Dual Compensation Act [of] 1964. Civil Service Reform Act [of] 1978. Foreign Service Act of 1946. Civil Service Retirement Act [of] 1942. Agricultural Credits Act of 1923. Home Loan Bank Act of 1932. Social Security Amendments of 1956. Social Security Amendments of 1967. Social Security Amendments of 1977. Social Security Act. P.L. 95-256. P.L. 95-472. P.L. 95-179. P.L. 95-366. S.R. 244, 95th Cong. B-184705 (1975). 5 U.S.C. 8344(a). 5 U.S.C. 2105.

At the request of three House committee subcommittee chairmen, GAO studied the desirability of establishing a mechanism to provide coordinated management of all retirement systems for Federal personnel in the executive, legislative, and judicial branches.

Findings/Conclusions: Federal retirement programs have not received the management attention they deserve. The lack of overall Federal retirement policies has resulted in a patchwork of systems providing different benefits to various groups of employees. Based on this review, GAO believes a centralized focus on retirement matters would help assure that the system develop on a consistent and financially sound basis. No need was found for each retirement system to have its own independent administrator and separate congressional committee responsible for its oversight and legislative changes. GAO does not agree that preferential or special treatment being afforded many Federal personnel is justified or should be continued. In addition to the differences in benefit provisions, there are significant differences in the methods by which the systems are costed and funded. If all Federal employees are to be covered by consistent retirement provisions, a decision must be made on whether Social Security should be part of their retirement plan. The future development of the Government's retirement systems should be guided by principles and objectives embodied in an overall, coherent, Federal retirement policy.

Recommendations: The appropriate committees of Congress should hold hearings to evaluate in depth the issues raised in this report and to set in motion actions necessary to establish an overall Federal retirement policy and a mechanism for coordinating the management of Federal retirement systems. The necessary action would include: (1) establishment of Federal Retirement Policy which outlines the principles, objectives and standards to be followed in providing retirement benefits to military and civilian personnel; (2) a review of existing systems to determine the extent to which they need changes to conform to set establisned policy, including consolidation of systems wherever practical; (3) adoption of actuarial evaluation methods and funding provisions that reflect the full cost of accruing retirement benefits; (4) development of eligibility criteria for participation in a Federal retirement system; and (5) centralization of committee jurisdiction over retirement matters to better assure consistent application of policy. GAO believes the establishment of a permanent independent board with authority and responsibility for monitoring the development, improvement, and administration of Federal retirement systems is necessary.

Agencies responsible for administering the retirement systems agreed that an overall Federal retirement policy was needed, but agreed that separate systems should be continued. Early in the 96th Congress, the Chair of the House Subcommittee on Compensation and Employee Benefits introduced a resolution calling for centralizing of committee jurisdiction over Federal pension plans. The Subcommittee plans to hold hearings next year on the issues raised in the report. Also, the report served to influence the Congress in funding the President's Commission on Pension Policy. The Commission is making extensive use of the report in developing a national pension policy. *(FPCD-78-49, 12-29-78)*

Appropriations

Government-wide appropriations for personnel salaries and expenses
Certain Federal retirement systems are financed with non-appropriated funds

Appropriations Committee Issues

Inconsistent and inadequate costing and funding methods used for most Federal retirement programs should be corrected. It is imperative that the full costs of Federal retirement be recognized and funded on a consistent basis.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Science and Engineering Manpower Forecasting: Its Use in Policymaking

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251).

Congress declared the manpower pool of scientists, engineers, and technicians an invaluable national resource to be as fully utilized as possible. The Federal Government influences the supply and utilization of scientists and engineers through actions such as grants, contracts, Federal employment, and Government policies and regulations affecting the national economy.

Findings/Conclusions: Government programs and policies have greatly influenced the "boom and bust" cycles of the science and engineering labor market occurring over the past several decades. Forecasts of projected needs and utilization of scientists and engineers, and the effects of Federal actions on the labor market are useful tools in formulating policy. Although the Government's influence on this labor market is great, its predictions of the future and the market place performance are imprecise. Therefore, it is desirable that a focal point in the executive branch establish clearly defined long-term goals, make analyses of the potential benefits and risks of alternative policies, decide whether or not Federal action is warranted, and evaluate scenarios of possible outcomes of alternative plans. A current scientific manpower issue is the perceived shortage of job opportunities for young scientists aspiring to go into research in the Nation's universities. Projections for the 1980's show a leveling of college enrollments and a limited number of vacancies for young scientists as new junior faculty, because incumbents are not of a retirement age and hold tenure positions.

Recommendations: The Director of the Office of Science and Technology Policy and the Director of the National Science Foundation should improve the evaluation of the implications of major Federal actions for scientists and engineers; assess the seriousness of the scarcity of opportunities for young research scientists; and evaluate and propose Federal initiatives as needed.

The National Science Foundation advised that it has undertaken three sets of studies along the lines suggested by GAO to develop recommendations concerning the appropriate representation of younger faculty scientists. *(PSAD-79-75, 6-27-79)*

Appropriations

Various research and development and education appropriations affecting the supply and utilization of scientists and engineers

Appropriations Committee Issues

Before approving departmental programs having potential major impact on the manpower pool of scientists and engineers, the committees should make certain that the executive branch has, as much as possible, broadly described the likely impacts, has considered the proposal within the framework of clearly defined, long-term national goals, has analyzed the potential benefits and risks of alternative policies, and evaluated possible outcomes of alternative plans.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Status, Progress, and Problems in Federal Agency Accounting During Fiscal Year 1978

Budget Function: Financial Management and Information Systems (1100).
Legislative Authority: Accounting and Auditing Act of 1950 (31 U.S.C. 66a). Arms Export Control Act. P.L. 94-399. H. Rept. 90-1159. 31 U.S.C. 841 et seq. 31 U.S.C. 66(c).

The head of each executive agency is responsible for establishing and maintaining accounting systems that conform to principles and standards prescribed by the Comptroller General. This report covers fiscal year 1978. The accounting principles and standards established by each agency as the basis for its accounting system are examined, and an effort is also made to determine whether the procedures and practices used in the agency's accounting system also will conform to the approved principles and standards prescribed by the Comptroller General. After the design of a system is implemented, GAO reviews the accounting system in operation from time to time to see that it is being operated in accordance with the approved design and is serving management's needs.

Findings/Conclusions: As of September 30, 1978, GAO had approved principles and standards for all but three of the executive agencies' 326 accounting systems and had approved 60 percent of the accounting system designs. The 40 percent unapproved comprise 131 accounting systems in 13 departments and 13 independent agencies and the District of Columbia government. The Department of Defense (DOD) and the Department of Health, Education, and Welfare (HEW) account for 95 of the unapproved systems, or 72 percent. Of the 70 DOD systems that are unapproved, work has been completed on 15, which were found acceptable except for two major problems: (1) the account controls over such assets as equipment, weapons, and furniture were not adequate, and (2) the systems used to account for major appropriations do not have a system of subsidiary accounts that can be used to record and systematically accumulate the cost of specific items purchased and expenses incurred in carrying out specific operations. No accounting systems were qualified for approval by HEW in fiscal year 1978. This agency has concentrated on recording accounting information to show expenditures in relation to appropriations, but the information did not provide the necessary cost data to allow agency managers to base decisions on lowest cost alternatives. The following three requirements have been ignored by many agencies in designing their accounting systems: effective control over and accountability for property; maintenance of agency accounts on an accrual basis to show the resources, liabilities, and costs of operations; and use of cost-based budgets.

Recommendations: Congress should ensure that agencies have adequate resources to improve their accounting systems, but that no funds are used to develop and design systems which do not conform with the Comptroller General's principles and standards.

During fiscal year 1979, the following civil accounting systems were approved by the Comptroller General: Department of Agriculture, Central Accounting System; Department of Justice, Law Enforcement Assistance Administration, Department of the Interior, Office of the Secretary; Department of State, Agency for International Development; Community Service Administration; and U.S. Arms Controls and Disarmament Agency. *(FGMSD-79-40, 8-24-79)*

Appropriations

All Federal Agencies—civil and defense

Appropriations Committee Issues

Same as Recommendations to the Congress.

DEPARTMENT OF AGRICULTURE

Colocating Agriculture Field Offices—More Can Be Done

Budget Function: Agriculture: Agricultural Research and Services (0352).
Legislative Authority: Rural Development Act of 1972 (7 U.S.C. 2204a). 5 U.S.C. 2105.

Since 1962 the Department of Agriculture (USDA) has had a colocation program providing that its agencies' field offices in the same community be located together in the same building.

Findings/Conclusions: Although progress has been made, there is substantial potential for additional colocation of Agriculture field offices. USDA could improve service delivery to program recipients and increase efficiencies from resource sharing by giving more consideration to local conditions when making decisions to colocate or relocate field offices. USDA could better achieve its colocation and program objectives if it resolved its conflicts with the General Services Administration (GSA) over the location of field offices.

Recommendations: The Secretary of Agriculture should: (1) direct the National Administrative Committee to evaluate all pertinent local conditions to help in deciding whether a change in field office location would benefit the program recipients and help achieve program objectives; (2) require that the Property Management Information System be expanded to include additional information; (3) report to the Congress on the progress made in colocating field offices and in interchanging personnel and other resources; and (4) take actions to reduce conflicts with GSA. The Administrator of General Services should: (1) approve USDA proposals to locate field offices in the outskirts of cities and towns when those proposals are supportable; and (2) enter into long-term leases for the colocation of field offices when USDA adequately demonstrates that a long-term lease is warranted. In deciding on legislation proposed by USDA designed to increase USDA leasing authority, Congress should review the actions taken or proposed by the Secretary to: (1) delineate rural areas that need development; (2) insure that field offices will be located in the delineated areas to achieve rural development objectives and program missions; and (3) give first consideration to using federally controlled space that is available and suitable.

GSA was in basic agreement with the recommendations directed to the Administrator of General Services. USDA generally agreed with most of the recommendations directed to the Secretary of Agriculture. The Secretary of Agriculture's Memorandum No. 1971, USDA County Office Service, Location and Operation Policy, issued January 26, 1979, reemphasized USDA's commitment to colocating county offices and sharing resources where practical and to the benefit of the public. The National Administrative Committee, in June 1979, issued procedures to support implementation of the Secretary's policy statement. These procedures also provide for a yearly colocation status and projection report cycle, based on field reporting, with a mid-year progress review. The initial cycle began in June 1979. Actions have also been taken to develop the annual report required under section 603 of the Rural Development Act and to make it available to the Congress on a regular basis. USDA disagreed with some of the recommendations to reduce conflicts with GSA over the location of field offices. USDA officials believe that there is no need to delineate those rural areas that need improvement and to evaluate the costs, benefits, and risks associated with long-term lease commitments. According to USDA officials, additional delegated leasing authority is needed to make colocation more feasible and to resolve problems with GSA. In June 1979, however, a USDA legislative proposal to obtain additional leasing authority was turned down by the Office of Management and Budget because USDA and GSA were negotiating a memorandum of understanding to resolve their differences. The Secretary of Agriculture's Memorandum No. 1994, USDA Policy on Location of Agriculture Facilities, issued on August 2, 1979, declared that it was USDA's policy to support the President's Urban Policy by locating its facilities within the central business area of communities to the extent it is able, unless the program requirements of its agencies prevent locating in downtown areas. On October 29, 1979, USDA and GSA officials agreed to and signed a memorandum of understanding concerning the location of Federal facilities. *(CED-79-74, 4-25-79)*

Appropriations

Department of Agriculture—departmental administration

Appropriations Committee Issues

USDA's field offices should be located wherever they are most needed to meet rural development objectives and agency program missions efficiently and effectively. Delineating rural areas in need of improvement may help USDA agencies identify those rural areas in urban centers that should be given priority in locating USDA field offices. USDA believes that delineating rural areas would not only be an unnecessary administrative burden, but also would not contribute to clarifying urban-rural definition. USDA's criteria and decision-making process for determining field office locations should be reviewed to insure that field offices are located in those rural areas that need development.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

The Department of Agriculture Should Be Authorized to Charge for Cotton Classing and Tobacco Grading Services

Budget Function: Agriculture: Agricultural Research and Services (352).
Legislative Authority: Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.). United States Grain Act, as amended (7 U.S.C. 71 et seq.). United States Cotton Futures Act (7 U.S.C. 15b). United States Cotton Standards Act, as amended (7 U.S.C. 471-476). Federal Property and Administrative Services Act of 1949. Tobacco Inspection Act. United States Grain Standards Act of 1976. Smith-Doxey Amendment. Cotton Statistics and Estimates Act. P.L. 94-582. 90 Stat. 2867. (7 U.S.C. 51).

The provision of free cotton classing and tobacco grading to producers is inconsistent with the Government's policy of charging fees for special services and with the practice of charging for grading other commodities.
Findings/Conclusions: Most agricultural commodities,
other than cotton and tobacco, are graded by the Department of Agriculture on a reimbursable basis. In fiscal year 1976, the Department spent $66.2 million grading commodities. Of this, $48.5 million was recovered primarily through charges to those using the services. Of the $17.7 million not recovered, $11.2 million represented cotton classing and tobacco grading services provided without charge to producers. The original reasons for providing free tobacco grading and cotton classing services are no longer applicable. Cotton classing and tobacco grading do provide special benefits to the producers because the producers are now paid on the basis of grades assigned to the commodities.
Recommendations: The Congress should amend the Cotton Statistics and Estimates Act and the Tobacco Inspection Act to authorize the Secretary of Agriculture to charge producers for cotton classing and tobacco grading services furnished by the Department.

The Department of Agriculture had not taken a position on GAO's recommendation at the time of the report. However, in hearings before the Senate Appropriations Subcommittee on fiscal year 1979 appropriations, the Department said it had some reservations about charging users for cotton classing and tobacco grading services. As of October 1979, the Department was not planning any action to establish user fees for cotton classing and tobacco grading services. *(CED-77-105, 8-2-77)*

Appropriations

Department of Agriculture, Agricultural Marketing Service—marketing services and miscellaneous trust funds

Appropriations Committee Issues

Continued Federal funding of cotton classing and tobacco grading services is inconsistent with the Government's general policy of charging fees for special services and with the Department's practice of charging for grading other commodities.

DEPARTMENT OF AGRICULTURE

ECONOMICS, STATISTICS, AND COOPERATIVES SERVICE

Family Farmers Need Cooperatives—But Some Issues Need To Be Resolved

Budget Function: Agriculture: Agricultural Research and Services (0352).
Legislative Authority: Clayton Act (15 U.S.C. 17). Capper-Volstead Act. 7 U.S.C. 291. Cooperative Marketing Act of 1926 (7 U.S.C. 451). Farm Credit Act, as amended (12 U.S.C. 2001, 2128 et seq.) . Agricultural Adjustment Act. Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601, 608c).

Farmers still face some of the same problems they faced in the 1920's and 1930's when legislation first allowed them to form cooperatives to compete more effectively in the agricultural system. The overall trend in American agriculture has been one of increasing concentration marked by a decrease in the number of farms and an increase in average farm size, a greater share of total gross farm income going to large farms and a larger portion of agricultural products handled by a smaller number of suppliers. Although cooperatives have grown in size and market share, they are still much smaller than some other businesses that compete with them in such markets as grains, fruits and vegetables, dairy products, poultry and eggs, and feed.
Findings/Conclusions: Cooperatives are an integral part of the agricultural structure. They provide farmers with an alternative for marketing products and for procuring farm items and services. Most farmers responding to a questionnaire viewed cooperatives as increasing the income and promoting a better way of life for family farmers. According to law, the Department of Agriculture (USDA) is responsible for making sure that cooperatives do not use their advantages to unduly enhance prices. USDA has done little to guard against undue price enhancement and other unfair practices. If USDA retains the regulatory function, it needs to establish a system to monitor cooperative activities and to take enforcement action where warranted. An emerging issue is corporate membership in cooperatives. Nonfamily farm corporations have joined cooperatives and enjoyed benefits Congress intended mainly for family farmers. Another issue of major concern to farmers is the failure of many cooperatives to retire systematically the retained earnings owed their members. The failure to retire retained equities in a timely manner can affect farmers' participation in cooperatives.
Recommendations: The Secretary of Agriculture should: establish an enforcement and monitoring system so that cooperatives do not use monopolistic or other unfair trade practices to raise prices unduly; develop a set of cooperative conduct principles with the Federal Trade Commission and the Department of Justice; include specifically tailored conduct principles as terms and conditions in all future marketing orders, unless they are not warranted by marketing conditions; require that a national campaign be conducted to motivate cooperatives to adopt equity redemption programs that are fair to current and former members; and require that plans for assisting new and developing cooperatives be coordinated among responsible agencies before additional field offices are established. If Congress decides to limit participation of nonfamily farm corporations, the following four options should be considered: (1) ban corporate membership in cooperatives; (2) limit corporate membership to a certain percent of the cooperative's volume of business or membership equities; (3) ban corporate representation on cooperative boards of directors; or (4) limit corporate membership to a certain percent of the cooperative's volume of business or membership equities and ban corporate representation on cooperatives' boards of directors.

In its October 1979 statement on action taken on the recommendations, USDA said that plans were underway to establish a formal enforcement and monitoring system and to start a national educational campaign on equity redemption programs for cooperatives. It also described procedures that would be followed before additional field offices were established. USDA also indicated that it would take action to provide more precise definitions of exempt and nonexempt cooperative activities, which would assist in clarifying what is in excess and, thus, possibly monopolization or restraint of trade. It said, however, that it did not plan to include such conduct principles as terms and conditions in marketing orders because, as the Federal Trade Commission and the Department of Justice had pointed out, the illegality of specific practices depends on competitive conditions of the market. Because marketing orders have a great influence on

competitive conditions, GAO believes that specifically mentioning in the marketing orders the practices that are prohibited would serve as a reminder to the cooperatives and give them more specific notice of practices that could incur legal action. This could discourage cooperatives from engaging in such practices and would provide a more effective basis for taking administrative or legal action should such practices occur. Moreover, a comprehensive set of conduct principles jointly developed by the three oversight agencies should help to clarify the now-confusing Federal policy regarding cooperatives and thereby allow cooperatives to serve family farmers better. *(CED-79-106, 7-26-79)*

Appropriations

Department of Agriculture, Economics, Statistics, and Cooperatives Service—salaries and expenses

Appropriations Committee Issues

The Committees should require USDA to fully justify the need for any additional funds that may be requested for establishing the enforcement and monitoring system, conducting a national educational campaign on equity redemption programs, or setting up additional field offices. It should also ascertain the status of USDA's efforts to develop more precise definitions of exempt and nonexempt practices and what methods USDA plans to use to provide such information to the cooperatives.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Farmers Home Administration and Small Business Administration Natural Disaster Loan Programs: Budget Implications and Beneficiaries

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453).
Legislative Authority: Legislative Reorganization Act of 1970. Small Business Act (15 U.S.C. 636 (a)). P.L. 94-305. Disaster Relief Act of 1970.

The Small Business Administration (SBA) disaster assistance loan volume increased from $200 million in 1977 to $2.5 billion during fiscal 1978, while Farmers Home Administration (FmHA) disaster assistance loans increased from $1.2 billion to $3.4 billion for the same period. The increase caused a severe impact on the SBA budget, but had little impact on the FmHA budget. Because a uniform factor for measuring disaster could not be found, GAO was unable to determine the correlation existing between disaster severity and the amount of loans made. Since FmHA has developed an expertise for dealing with farmers' unique needs, the need for SBA to make natural disaster assistance loans to farmers seems questionable.
Findings/Conclusions: In a review of a sampling of SBA and FmHA loans, GAO found that many loans went to borrowers who could get credit from other sources. A FmHA test to screen out those who could get credit elsewhere was ignored or received only cursory attention. Limiting the disaster assistance loans to borrowers unable to obtain credit from other sources could target the loans to disaster related needs. The recommendations in a 1978 GAO report concerning FmHA and SBA disaster assistance loan programs are still valid, because the problems that prompted them still exist. These recommendations are: to amend the Small Business Act so that SBA would no longer be authorized to make disaster loans to farmers; if the Small Business Act is not amended in this manner, Congress should require the two agencies to work together to achieve consistency; Congress should maintain the FmHA credit-elsewhere requirement and enact legislation to impose a similar requirement on the SBA program; and the Secretary of Agriculture should direct FmHA to propose legislation revising the agency's minimum-loss criteria. The Department of Agriculture has been reluctant to propose such legislation.

Recommendations: The Secretary of Agriculture should direct the FmHA Administrator to clarify FmHA's test for credit elsewhere for all county supervisors and review all disaster assistance loans made in fiscal year 1978 for possible referral to other credit sources. It is recommended that Congress strengthen the criteria in the FmHA program in the manner described in the previous GAO report. The Congress needs to take this action if it wishes to restrict disaster loans to the amount of loss that exceeds drops in farm income in 1 year that would normally be expected in a farm operation. Further, if SBA continues to make disaster assistance loans to farmers, the Congress should also establish in this program the same minimum loss eligibility criteria.

FmHA is now taking action to clarify the test for credit elsewhere but has not decided whether to review 1978 disaster loans for possible referral to other credit sources. *(CED-79-111, 8-6-79)*

Appropriations

Department of Agriculture, Farmers Home Administration—Agricultural Credit Insurance Fund
Small Business Administration

Appropriations Committee Issues

The Committees should assure that disaster loans from the Agricultural Credit Insurance Fund are not made to farmers who (1) can obtain credit at reasonable rates and terms from private sources or (2) experience drops in farm income in 1 year that would normally be expected in a farm operation. The Committees should also assure that SBA does not make disaster loans to farmers who experience drops in farm income in 1 year that would normally be expected in a farm operation.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Long-Term Cost Implications of Farmers Home Administration Subsidized and Guaranteed Loan Program

Budget Function: Agriculture: Agricultural Research and Services (0352).
Legislative Authority: Agricultural Credit Act of 1978 (P.L. 95-334). Consolidated Farmers Home Administration Act (P.L. 87-128). Farmers Home Administration Act of 1946 (P.L. 79-731). Federal Financing Bank Act (P.L. 93-224). Housing Act of 1949 (P.L. 81-171). Rural Development Act of 1972 (P.L. 92-419).

Cost implications of subsidized and guaranteed loans made by the Farmers Home Administration (FmHA) were reviewed, and a methodology for long-term cost projections was developed by selecting the major lending programs in the agency and identifying the cost components for each.

Findings/Conclusions: In fiscal year 1979 the authorization request exceeded $7 billion, but the agency did not identify the future financial obligations for each loan program or for all programs. Some programs have a higher default loss rate, and some use proportionally more agency-provided financial advice than others. Loan program costs were estimated by identifying the incremental costs that would be incurred with the addition of a reasonable increase in funding.

Recommendations: The Secretary of Agriculture should ensure that: long-term cost projections are developed for major FmHA programs and are incorporated in the request for authorization and appropriation; each cost projection includes analyses of costs for the requested authorization level and costs for an increase; information requirements of a cost projection system are identified and provisions are made for collecting and analyzing the required data; and program managers in the business and industrial development loan program review the rural lending experience of the Economic Development Administration to improve their estimates of loan viability and default losses. The subcommittee concerned should specify that the agency's program authorization and appropriation request include long-term cost projections, and indicate a program funding level below which projections would not be required.

FmHA agrees that more sophiscated long-term cost projections should be developed, but that the requirements to produce such projections are beyond their current capabilities. FmHA is working to establish policies regarding cost projections and the use of computer models, and FmHA agrees that if support is forthcoming the information requirements for cost projection should be incorporated in designs of future computer systems. *(PAD-79-15, 4-24-79)*

Appropriations

Farmers Home Administration—Rural Housing Insurance Fund

Appropriations Committee Issues

It does not appear that FmHA will be providing cost estimates of the various programs in the near future. However, the GAO report can be used by the Subcommittee to prepare its own "best guess" estimates.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Food Stamp Receipts: Who's Watching the Money?

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).
Legislative Authority: Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-113).

Misuses and mishandling of over $34 million in food stamp receipts went undetected for extended periods because neither the Food and Nutrition Service nor the States were effectively monitoring the agents who sold food stamps.

Findings/Conclusions: Known major weaknesses in the monitoring system at both the Federal and State levels were allowed to continue for years without adequate efforts to correct them. Reported deposits were not verified; agents' depositing patterns were not monitored; and there was no followup when agents failed to submit required reports. The Service's computer-produced management reports, designed to identify problem agents, were not usable because they listed too many agents without problems, as well as agents with problems. Although some improvements have been made, much more needs to be done.

Recommendations: Several changes were needed in the accountability system to reduce the number of invalid expectations on cash reconciliation and other reports and to improve the reports' reliability and usefulness for monitoring agent accountability. Regardless of the changes made in the accountability system, the Secretary of Agriculture should require the Service to: provide the States and its regional offices with their respective sections of any management reports and other accountability-related reports prepared by the Service or others; disseminate regulations on the respective responsibilities of the States and the Service; and provide special help to States having the most serious problems in monitoring agent accountability.

The Department generally agreed with the recommendations. However, since the report was issued, the Food Stamp Act of 1977 was enacted which contained a provision eliminating the cash purchase of food coupons. This provision was implemented nationwide on January 1, 1979, and therefore, the recommendations dealing with cash accountability are no longer applicable. Recommendations dealing with coupon inventory control, however, are still applicable. The Food and Nutrition Service has taken some steps to tighten coupon accountability, but additional actions are needed. *(CED-77-76, 6-15-77)*

Appropriations

Department of Agriculture, Food and Nutrition Service—food stamp program and food program administration

Appropriations Committee Issues

Because of the potential for fraud and misuse, the Committees should see to it that procedures dealing with food coupon inventories are further improved.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

How Good Are School Lunches?

Budget Function: Agriculture (350).
Legislative Authority: National School Lunch Act (42 U.S.C. 1458).

The National School Lunch Act provides that lunches served by participating schools must meet standards prescribed by the Secretary of Agriculture. The type of lunch required by the Secretary, called the Type A lunch, contains specific quantities of various food types. The goal in requiring Type A lunches is to provide students, over time, with one-third of the recommended dietary allowances of specified nutrients published by the National Academy of Sciences.

Findings/Conclusions: Independent laboratory tests showed that compliance with Type A requirements did not insure the achievement of one-third of recommended dietary allowances. Sample lunches from New York, Cleveland, and Los Angeles were significantly short in as many as 8 of the 13 nutrients tested. Although microbiological tests showed that the lunches were safe to eat, testing and standards used by local authorities varied considerably, and there were no Federal procedures or standards for microbiological testing in the program other than for milk. At least 40 percent of a random sample of lunches served in New York City during a 6-week test period did not comply with Type A requirements. The Department of Agriculture has acknowledged that compliance with Type A requirements is a nationwide problem and plans to make changes in its regulations. The Department should modify the requirements for school lunches beyond the changes recently proposed.

Recommendations: The Department of Agriculture should give consideration to alternative requirements for the school lunch program. It should develop explicit instructions on how and when Federal, State, and local monitoring of compliance is to be performed, check to see that instructions are being followed and determine if Federal requirements are being met, and stop Federal reimbursement in cases where noncompliance with Federal requirements is not promptly corrected. The Department should consider the possibility of publishing uniform standards and procedures for localities conducting microbiological testing in the school lunch program.

The Department generally agreed with the findings and recommendations. The Department is considering the nutrients provided by the required meal pattern and has taken several steps to reduce food waste. The Department, however, has been slow in correcting the overall problem of school lunches not meeting meal requirements. *(CED-78-22, 2-3-78)*

Appropriations

Department of Agriculture, Food and Nutrition Service—child nutrition programs

Appropriations Committee Issues

The Committee should inquire into the Department's efforts to ensure that meals receiving Federal reimbursement comply with program requirements.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Problems in Auditing Medicaid Nursing Home Chains

Budget Function: Health: Nursing Homes (0557).
Legislative Authority: Social Security Act. Medicare-Medicaid Antifraud and Abuse Amendments (P.L. 95-142). P.L. 92-603.

A group of two or more nursing homes with common ownership is considered a chain. GAO has reviewed these chains to determine if Medicaid reimbursement for nursing home chain headquarters' costs was related to patient care and whether the States effectively audit nursing claims operations.

Findings/Conclusions: GAO found three major problems with nursing home chains. The States were not consistently field auditing reimbursement charges from the chain headquarters. When audits were conducted, the results were not shared with other affected States. Because of the complexity of some chain relationships, it is sometimes difficult to discern if chain affiliations exist. With stricter laws governing the disclosure of ownership information, the problem should be minimized. The Department of Health, Education, and Welfare (HEW) has no system by which Medicaid auditors might coordinate audit results. The Medicare system for coordinating audit information has worked in the past and could be adapted to suit the needs of Medicaid auditors.

Recommendations: To solve the records problem, HEW should direct the Health Care Financing Administration to provide for the exchange of audit results for nursing homes among all affected Medicaid intermediaries and State agencies. To facilitate this system, one agent should be given the responsibility for auditing each nursing home chain headquarters.

In its October 24, 1979, comments, HEW concurred with the GAO recommendations and an HEW representative said that, as a first step, it has undertaken efforts to identify all chain affiliations among nursing homes participating in the Medicare or Medicaid programs. After this effort is completed, an HEW task force will determine the procedures to be adopted to implement the GAO recommendations. However, HEW said there may be some problems in fully implementing the GAO recommendations. Existing HEW regulations require disclosure of providers' Medicare cost reports and an interim HEW regulation applies the principles of the Freedom of Information Act to the disclosure of chains' home office cost reports. Several chain organizations have obtained injunctions barring HEW from releasing cost reports pursuant to its regulations or the Freedom of Information Act. HEW is challenging the injunctions, but the issue may not be resolved in the near future. In June 1979, the Senate Committee on Finance approved a bill (H.R. 934) which would require that if an entity provides services reimbursable on a cost-related basis under titles V (Maternal, Child Health, and Crippled Children's services) or XIX (Medical Program) of the Social Security Act, audits of that entity would be coordinated through common audit procedures with audits performed under title XVIII (Medicare Program). In September 1979, the Subcommittee on Health, House Committee on Ways and Means, approved a bill with the same provision (H.R. 4000). *(HRD-78-158, 1-9-79)*

Appropriations

Grants to States for Medicaid

Appropriations Committee Issues

The Medicaid cost reports GAO examined contained costs that should have been disallowed but often were not. In most cases where GAO identified costs that should have been disallowed in chain-affiliated nursing home cost reports, the States had desk-audited the cost reports but had not field-audited the chain headquarters office. We believe that implementation of our recommendations will result in substantial savings through (1) avoidance of Medicare and Medicaid participation in excessive and unallowable home office charges to nursing homes, and (2) eliminating overlapping and duplicative audit coverage of some chains' home offices.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Regulation of Retailers Authorized to Accept Food Stamps Should Be Strengthened

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958).

The Department of Agriculture's Food and Nutrition Service (FNS) authorizes and regulates retailers who participate in its food stamp program. Approximately 270,000 retailers were authorized to accept food stamps. In fiscal year 1977, $8 billion worth of stamps were redeemed by 17 million participants.

Findings/Conclusions: Criteria for authorization of retailers were unclear, and firms such as pastry shops, gas stations, and taverns were authorized to accept the stamps. To achieve program objectives, better regulation and surveillance of food retailers were needed to encourage recipients to use their increased purchasing power to buy the staple foods needed in their diets. Data used by FNS for monitoring retailers was unreliable, and independent controls to ensure that commercial banks were accepting food stamps only as permitted did not exist.

Recommendations: The FNS should: establish specific criteria for authorizing retailers; take a series of actions to improve monitoring of retailers and wholesalers and control of the food coupon redemption process; institute guidelines for and improve the monitoring of FNS administrative reviews of penalties against firms violating program regulations; designate additional administrative review officers until cases can be reviewed expeditiously; reduce the compliance branch's work backlog and make the branch responsible for all investigations where criminal prosecution appears unlikely; and, in cooperation with the Attorney General, periodically review the guidelines for referring violators to the Department of Justice to ensure that all cases are handled in a reasonable and timely manner.

The Department generally agreed to either adopt or consider the recommendations or it proposed its own actions to solve the problems. It has taken steps toward addressing most of GAO's concerns. However, FNS has been unable to devote sufficient resources to investigating suspected retailer violations. *(CED-78-183, 12-28-78)*

Appropriations

Department of Agriculture, Food and Nutrition Service—food stamp program and food program administration

Appropriations Committee Issues

The Committees should inquire into the Department's allocation of funds for investigating suspected retailer violations.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Food Stamp Program: Overissued Benefits Not Recovered and Fraud Not Punished

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).
Legislative Authority: Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977, as amended (P.L. 95-113 and P.L. 96-58).

The Government is losing over half a billion dollars annually because of overissued food stamp benefits caused by errors, misrepresentation, and suspected fraud by recipients and by errors of local food stamp offices.

Findings/Conclusions: For every $100 of the more than $5 billion annual benefits issued nationally, overissuances account for about $12; only about 12 cents of that $12 have been recovered. The eight local projects reviewed were doing little to identify and recover the value of these overissuances. At five of the eight projects, about half of the dollar value of the claims established for food stamp overissuances was classified as involving suspected fraud by recipients, but very few recipients were prosecuted or otherwise penalized.

Recommendations: The Congress should authorize the Secretary of Agriculture to allow the States to keep some portion of the money recovered from recipients of overissued benefits and to increase from 50 to 75 percent the Federal share of the administrative costs associated with processing the suspected fraud cases. The Congress should also authorize Agriculture, in consultation with the Department of Justice, to handle most suspected recipient fraud cases administratively rather than referring them for criminal prosecution. The Department of Agriculture should take a number of steps to make sure that States adequately identify and recover overissued food stamp benefits and punish people who engage in food stamp fraud.

The Department said that additional action on its part was not warranted for many of the recommendations, but it described a few measures it planned to take in connection with implementing the Food Stamp Act of 1977. Although the Department has taken some steps to better identify and punish fraud, it has done little or nothing to improve the identification and recovery of overissuances for which fraud cannot be proven. *(CED-77-112, 7-18-77)*

Appropriations

Department of Agriculture, Food and Nutrition Service—food stamp program and food program administration

Appropriations Committee Issues

Because of the magnitude of food stamp overissuances, the Committees should evaluate the reasonableness of the Department's efforts to recover them, especially those for which fraud cannot be proven.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Special Supplemental Food Program for Women, Infants, and Children (WIC)--How Can It Work Better?

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Child Nutrition Act of 1966 (42 U.S.C. 1786). Child Nutrition Amendments of 1978 (P.L. 95-627); 92 Stat. 3606). Medicare-Medicaid Anit-Fraud and Abuse Amendments (42 U.S.C. 1305).

A follow-up review of the Special Supplemental Food Program for Women, Infants, and Children (WIC), Department of Agriculture, was conducted.

Findings/Conclusions: Many local WIC programs provided needed health services and operated as adjuncts to good health care as the Congress intended, but others did not. In addition, required professional assessments of applicants' nutritional status were not made in some locations; States used different criteria for judging whether applicants were nutritional risks and eligible for the program; supplemental food packages seldom were tailored to participants' individual nutritional needs; nutrition education and program evaluation had not received the priority and attention they deserve; and program regulations contained provisions hindering effective evaluations. Weaknesses in these areas have resulted in some local programs operating mostly as food distribution programs, similar to the food stamp program, without being directly related to participants' health status.

Recommendations: The Secretary of Agriculture should take a number of actions addressing: (1) the availability of health services in existing and planned program areas; (2) program coordination with the Department of Health, Education, and Welfare; (3) nutritional risk assessments; (4) tailoring of food packages; (5) nutrition education; (6) program evaluation; and (7) access to medical information. Authorizing WIC legislation should be revised to clearly require that participants receive needed health services where such services are available, accessible, and acceptable, with possible exceptions based on participants' religious beliefs. Congress should also address the problem of whether the benefits of the food supplement part of the program alone warrant its expansion into areas where needed health services cannot be delivered.

On May 2, 1979, the Department issued a statement to the Senate Committee on Governmental Affairs and the House Committee on Government Operations on proposed actions to implement the report recommendations. The Department's statement was not fully responsive to the recommendations, and GAO is making inquiries to obtain additional information on the proposed actions. *(CED-79-55, 2-27-79)*

Appropriations

Department of Agriculture, Food and Nutrition Service—Special Supplemental Food Program for Women, Infants, and Children

Appropriations Committee Issues

In view of WIC's rapid expansion and high cost, the Committees should inquire into whether the funds are being used efficiently and effectively. For example, if health care is not available for WIC participants, adjustments may be needed in the funding levels of WIC and the programs providing health care. Also, if WIC does not operate as intended by the authorizing legislation, the funds may not be effectively used.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Summer Feeding Program for Children: Reforms Begun, Many More Urgently Needed

Budget Function: Agriculture (350).
Legislative Authority: National School Lunch Act, as amended (42 U.S.C. 1761). P.L. 95-166 (91 Stat. 1325).

The summer food service program for children is one of several child feeding programs created to safeguard the health of the Nation's children. It is an extension of the school feeding programs and is designed to feed, during the summer vacation, children from poor economic areas. Almost since its inception in 1971, the summer feeding program has had problems adversely affecting program operations and goals.
Findings/Conclusions: Although abuses noted in the 1977 program were less flagrant and serious, the following problems remain: insufficient quantities of food in the meals served, poor food quality, and inadequate food storage facilities. Factors contributing to program abuses were: the inflexible legislative limits on the amount of Federal funds for State administration, staffing shortages resulting from factors other than limits on State administrative costs, inadequate efforts to identify areas eligible for the program, inconsistent evaluations in approving sponsors and sites, insufficient State program monitoring, and inadequate State efforts to determine amounts of advance payments to sponsors. Department of Agriculture attention needs to be directed to: determining areas' eligibility for program benefits, clustered and overlapping feeding sites, keeping sponsors with poor previous performances out of the program, visiting proposed feeding sites before they are approved, monitoring program feeding operations, and taking action against sponsors and sites violating program regulations.

Recommendations: The Congress should revise the summer feeding program legislation to provide the Secretary of Agriculture with more flexibility in providing administrative funds to meet the needs of the States. The Congress and the Department of Agriculture should consider various alternatives for dealing with problems resulting from inadequate facilities at feeding sites. The Secretary of Agriculture should strengthen some of the program regulations and better enforce them.

The Department generally concurred in GAO's findings and recommendations and has revised program regulations to better control program abuses. However, the program legislation has not been revised to provide for flexible funding of State administrative expenses. *(CED-78-90, 3-31-78)*

Appropriations

Department of Agriculture, Food and Nutrition Service—child nutrition programs

Appropriations Committee Issues

Because insufficient administrative funding could jeopardize program integrity in some States, the Committees should inquire into the need for legislative changes to provide adequate administrative funds and thereby prevent waste of program funds.

DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND QUALITY SERVICE

A Better Way for the Department of Agriculture To Inspect Meat and Poultry Processing Plants

Budget Function: Agriculture: Agricultural Research and Services (352).
Legislative Authority: Federal Meat Inspection Act, as amended (21 U.S.C. 601 et seq.) Poultry Products Inspection Act, as amended (21 U.S.C. 451 et seq.). Federal Food, Drug, and Cosmetic Act, as amended (21 U.S.C. 301 et seq.). Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.). Fish and Wildlife Act of 1956 (16 U.S.C. 742a et seq.; P.L. 87-718; 70 Stat. 663; 7 U.S.C. 450). 50 C.F.R. 260.97(d). 50 C.F.R. 260.103(f). 9 C.F.R. 318.4a.

The Federal meat and poultry inspection program provides for inspection of meat and poultry products moving in interstate and foreign commerce. Inspection is essential to protect the health and welfare of consumers and is carried out at slaughter and processing plants. The total Federal meat and poultry inspection cost has increased rapidly in the last several years—from about $135 million in 1970 to about $242 million in 1976—an increase of 79 percent.
Findings/Conclusions: Under current procedures of the Department of Agriculture's Food Safety and Quality Service, most processing plants are inspected daily, even though an inspector may only spend a few hours each day at a plant. The Service's inspection resources could be used more efficiently and effectively if inspection frequency at processing plants was tailored to the inspection needs of individual plants. Periodic unannounced inspections would allow the Service to inspect more plants or inspect plants needing upgrading more frequently. Upgrading certain plants would provide greater assurance that consumers are getting wholesome, unadulterated, and properly branded products. Any system of periodic unannounced inspections should require an in-plant quality-control system. The authority to require plant managements to develop and carry out adequate, reliable quality-control systems should be coupled with authority to apply strong penalties or sanctions when plant managements fail to carry out their responsibilities under these systems.
Recommendations: Congress should amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to: make periodic unannounced inspections of meat and poultry processing plants; require meat and poultry processing plants to develop and implement quality-control systems; and withdraw inspection or impose civil penalties of up to $100,000 for processing plants failing to take appropriate action when the quality-control system identifies a deficiency or when plants fail to comply with inspection requirements. If Congress amends the acts, the Secretary should develop criteria for deciding the optimal inspection frequency for individual processing plants and for assessing penalties within the provisions of the acts. The Secretary should, in cooperation with industry, develop criteria for determining the quality-control systems needed at various types and sizes of processing plants.

On July 17, 1978, the Department informed the Senate Committee on Governmental Affairs and the House Committee on Government Operations that it would draft a legislative proposal for the 1979 legislative session to amend the Federal Meat Inspection Act and the Poultry Products Inspection Act as recommended by GAO. In December 1978 the Department officials said that the legislative proposal was being delayed until the Department could study voluntary quality-control programs at certain processing plants. On September 14, 1979, the Department proposed regulations to provide for the approval of complete or partial quality-control systems, voluntarily developed by processing plants. The Department would continue to provide the Federal inspection necessary to carry out the responsibilities of the Acts. In October 1979 Department officials said that by September 1980 the voluntary quality-control program should be operational in at least 50 processing plants. If necessary, after completely testing, analyzing, and evaluating the voluntary quality-control program, the Department plans to draft a legislative proposal to require processing plants to develop and implement mandatory quality-control systems. Also, the Department was preparing a legislative proposal, for submission to the Congress by the end of December 1979, to provide for civil penalties and additional authority to withdraw inspection when processing plants fail to comply with

inspection requirements, regardless of whether a plant has an approved quality-control system or is inspected under current Department procedures. *(CED-78-11, 12-9-77)*

Appropriations

Department of Agriculture, Food Safety and Quality Service—salaries and expenses and expenses and refunds, inspection and grading of farm products (trust fund)

Appropriations Committee Issues

Inflation and Federal takeover of State inspection programs have been and will continue to be the major factors contributing to rising Federal inspection costs. These rising costs will continue unless Agriculture changes its basic approach to inspections. By tailoring inspection frequency to the inspection needs of individual processing plants, Agriculture could utilize its inspection resources not only more efficiently but also more effectively.

DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND QUALITY SERVICE

Department of Agriculture's Beef Grading: Accuracy and Uniformity Need To Be Improved

Budget Function: Agriculture: Agricultural Research and Services (352).
Legislative Authority: Agricultural Marketing Act of 1946 (7 U.S.C. 1621). 7 C.F.R. 2853.

Beef grading provides a basis for price quotations among feeders, packers, suppliers, retailers, and others along the marketing chain and a system for consumers to show their preferences for different qualities of meat.

Findings/Conclusions: In 29 slaughter plants visited by GAO, 21 percent of 2,215 carcasses were misgraded, and most errors involved overgrading. Beef grading was not consistent from one section of the country to another. Instruments to more accurately measure beef carcass characteristics are needed to correct problems resulting from the subjective nature of grading. Grading inaccuracy has also resulted from management problems. For example, a standard for grading accuracy has not been established, stations varied in methods of improving grader performance, supervisors did not always follow grader monitoring procedures, grading took place under conditions which increased the likelihood of errors, and packers used an informal complaint system rather than a formal process for resolving disputed grades—this could result in harassment of graders. The current grade standards do not fully meet the needs of the beef industry or of consumers. Value differences are not always clear and, because beef sold at retail is not always marked with an official grade, beef can be represented as being of a better quality than it actually is.

Recommendations: The Secretary of Agriculture should: increase research efforts to develop instruments to accurately measure carcass characteristics, establish a grading accuracy standard and require graders to meet this standard before being placed in a plant to grade carcasses and require periodic retesting, take steps to insure that graders do not grade carcasses when they cannot make an accurate determination because certain conditions have not been met, require packers to use the formal appeal system for redetermining grades and limit the use of informal appeals, establish criteria on when incorrect grade markings should be corrected and insure that they are uniformly applied, develop a public education program to increase consumer awareness concerning grades, and initiate research on factors not in current standards which may influence meat quality and revise standards if warranted.

On March 8, 1979, the Department issued a statement to the Senate Committee on Governmental Affairs and the House Committee on Government Operations on proposed actions to implement the report recommendations. Some of the proposed actions included research on instruments which could be used to objectively grade beef, developing information on the grading accuracy of experienced graders which could be used to assist in establishing a grading accuracy standard, and new procedures to improve the effectiveness of the national supervisory system. In October 1979 Agriculture announced a proposed rule to revise certain meat grading standards and related regulations. Some of the changes in the proposed rule, if adopted, would limit grading to whole carcasses or sides and in the plant in which the animals were slaughtered, require beef carcasses to be ribbed a minimum of 10 minutes prior to being offered for grading, and establish that certain practices designed to alter the ribeye or the fat cover over the ribeye would be considered fraudulent and deceptive if the carcass is presented for grading. *(CED-78-141, 7-21-78)*

Appropriations

Department of Agriculture, Food Safety and Quality Service—salaries and expenses and expenses and refunds, inspection and grading of farm products (trust fund)

Appropriations Committee Issues

Although most costs of the beef grading program are financed through reimbursable fees, research efforts are financed with appropriated funds. Therefore, increased research efforts to develop instruments to accurately measure beef carcass characteristics and research on those factors not in the current standards would probably require an increase in appropriations.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Forest Service Efforts To Change Timber Sale Method

Budget Function: Natural Resources, Environment and Energy: Conservation and Land Management (302).
Legislative Authority: S. Rept. 93-1069.

The primary timber sale method used in the Forest Service's western regions has been log measurement. Under this method a purchaser agrees to pay for logs on the basis of a Forest Service or scaling bureau estimate of the marketable volume of wood in logs that have been cut. In recent years, the Service has been trying to increase its western regions' use of the tree measurement method of selling timber. Under this method the purchaser agrees to pay a specific amount for the timber in a sale area on the basis of a Forest Service estimate of the marketable volume of wood in the trees before they are cut down. Because of industry opposition to this method, the Service has attempted, through test sales, to obtain data to compare the two methods.

Findings/Conclusions: In a report to Senator Pete V. Domenici, GAO pointed out that, because the Service had not provided special funds and adequate guidelines and procedures for conducting test sales, (1) there had been inconsistencies among the regions in carrying out the test sales, and (2) the relative accuracy and cost of the two methods had not been determined. The Service issued revised guidelines and procedures in March 1975 but had not established a test-sale program completion date or plans for special funding. Until the program is completed, the Service will not be able to provide well-documented evidence to settle the questions of effectiveness and costs of the two methods.

Recommendations: GAO recommended that the Service:

—set dates for completing test sales;
—provide its regions with the funds needed to conduct adequate and timely test sales; and
—evaluate and report the results of such sales to appropriate congressional committees.

Forest Service officials advised GAO in October 1979 that no additional funds had been allocated to its regions for test sales. Although the Forest Service considers test sales and training for converting to the tree measurement method to be a priority effort, it is unlikely that much progress will be made unless funds and manpower are made available to complete a test sales program. *(RED-75-396, 7-16-75)*

Appropriations

Department of Agriculture, Forest Service—forest protection and utilization

Appropriations Committee Issues

The Forest Service needs to give its regions funds to conduct adequate and timely test sales to provide data sufficient to compare the accuracy and costs of the two sales methods.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Intensive Timber Management

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302).
Legislative Authority: Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1601). National Forest Management Act of 1976 (16 U.S.C. 1600 et seq.). Knutson-Vandenberg Act of 1930 (16 U.S.C. 576).

The Forest Service reforestation and timber stand improvement program was evaluated, with an assessment of progress in implementing a 1978 action plan for improving administration of these programs.
Findings/Conclusions: The Forest Service continues to experience difficulty in determining the magnitude of reforestation and timber stand improvement needs and the economic value of accomplishing this work. The reported size of these needs appears to be overstated as substantial reductions have been made in management needs since 1975, thus lessening the urgency for increased appropriations. Due to the practice of giving priority to the least costly projects, the agency now is faced with rapidly rising costs and difficult projects which cannot readily be classified as cost effective. Because of increasing project costs, shortages in nursery stock, and lack of sufficient site preparation, the agency has been unable to complete the reforestation and improvement acres targeted by Congress. The action plan to overcome these weaknesses will require several years to implement fully and is already behind schedule. Any expansion in program levels would not be appropriate until weaknesses are overcome and the action plan is implemented nationwide.
Recommendations: The Secretary of Agriculture should direct the Chief of the Forest Service to strengthen guidelines and review procedures for inventorying and reporting lands in need of reforestation and timber stand improvement. Also, the Secretary should advise the Congress of the scope and economic benefits of remaining reforestation and timber stand improvement needs and when these needs can realistically be accomplished.

In its July 1979 statement on actions taken on the recommendations, the Department agreed that implementing the action plan must be given high priority; described certain actions it had taken or would take to strengthen the guidelines and review procedures for inventorying and reporting reforestation and timber stand improvement needs; and said that, although it agreed with the recommendation on advising the Congress of the scope and economic benefits of remaining needs, accomplishment would require on-the-ground examination of the needs and establishment of policies and procedures for applying economic principles to the reforestation and timber stand improvement programs. *(CED-79-88, 4-27-79)*

Appropriations

Department of Agriculture, Forest Service—forest protection and utilizaton, forest land management

Appropriations Committee Issues

The Committee should inquire into the Department's progress in identifying reforestation and timber stand improvement needs and when these needs can realistically be accomplished, and its progress in applying economic principles to the reforestation and timber stand improvement programs.

DEPARTMENT OF AGRICULTURE

SCIENCE AND EDUCATION ADMINISTRATION

Management of Agricultural Research: Need and Opportunities for Improvement

Budget Function: Agriculture: Agricultural Research and Services (352).
Legislative Authority: Organic Act of 1862 (7 U.S.C. 2201, et seq.). Hatch Act of 1887, as amended (7 U.S.C. 361a). McSweeney-McNary Forestry Research Act of 1928, as amended (16 U.S.C. 581). McIntire-Stennis Act of 1962 (16 U.S.C. 582a). 7 U.S.C. 450i. Food and Agriculture Act of 1977.

Although the extremely complex and highly diversified agricultural research system in the United States has made notable contributions to the Nation's well-being, there is an increasing realization that an up-to-date national plan needs to be developed and maintained if the system is to be responsive to future critical problems and needs and if limited public dollars are to be wisely used. The Agricultural Research Service, the largest organization in the Federal-State research system, could improve its research through better planning, project selection, and review of ongoing work.
Findings/Conclusions: Until recently, the Service placed most of its emphasis on short-range planning. In fiscal year 1977, the Service recognized the need for long-range planning by categorizing research under national and special research programs and developing a long-range planning document for each program area. Much of the technical and administrative data needed for developing strategies was unavailable, inaccurate, or fragmented.
Recommendations: The Secretary of Agriculture should direct the Agricultural Research Service to: identify and document the relative priorities of each national research program and of each problem and research need within the program areas; develop agencywide criteria and peer review procedures for assessing the scientific and technical merits of all research proposals; and require that the annual unit reports and plans better document the technical aspects of active research projects and be reviewed by technical advisors. The Secretary should also take the necessary steps to have a national agricultural research plan developed and maintained.

The Food and Agriculture Act of 1977 requires the Secretary to submit a report to the President and the Congress by February 1 of each year summarizing the Nation's agricultural research, extension, and teaching activities. The second and subsequent reports are to include a 5-year projection of national research priorities. Also, in October 1977, the Secretary consolidated the Agricultural Research Service, the Cooperative State Research Service, the Extension Service, and the National Agricultural Library into a new agency—the Science and Education Administration. An office has been established in the Science and Education Administration for joint planning and evaluation of research and education. Further, the Department is taking steps to improve project selection and review of its inhouse research along the lines of GAO's recommendations. *(CED-77-121, 8-23-77)*

Appropriations

Department of Agriculture, Agricultural Research Service

Appropriations Committee Issues

The Committees should review the progress being made to improve agricultural research through better planning, project selection, and review.

DEPARTMENT OF COMMERCE

APPALACHIAN REGIONAL COMMISSION

Should the Appalachian Regional Commission Be Used as a Model for the Nation?

Budget Function: Community and Regional Development: Area and Regional Development (0452).
Legislative Authority: Appalachian Regional Development Act of 1965.

The Appalachian Regional Commission (ARC) is an experiment to see whether effective policy and plans can be made for the economic, social, and environmental growth and development of Appalachia. The Commission considers its program a model for the Nation and recommends the concept be expanded to a nationwide system of multistate commissions. However, such expansion would be premature until the problems and unresolved issues are thoroughly considered.

Findings/Conclusions: Problems include program planning and evaluation, fund allocation procedures, internal controls, and monitoring state expenditures.

Recommendations: The Commission should: (1) amend its basic policy to require that each State plan address the same development problems; (2) develop and adopt additional written guidelines for State and district planners; (3) use its regional development planning process to establish specific goals in terms of acceptable education, employment, health, housing, income, and other standard-of-living levels; (4) require States to provide some fixed minimum level of State financial contribution for nonhighway programs and limit each State's nonsupplemental use of supplemental funds; and (5) define more clearly what each State's evaluation capability should be, set target dates by which that capability should be in place, establish a long-range fiscal plan addressing future Federal and State commitment to the program, and make provisions to evaluate program effectiveness within a reasonable period of time. Congress should amend the Appalachian Regional Development Act to require the Commission to monitor State expenditures in both the Appalachia and non-Appalachia parts of each State and establish a more current base level of State expenditures for the Act's maintenance-of-effort requirement.

ARC disagreed with the recommendations. It believed that many of the issues identified as problems challenge the flexibility of the process and the role of the States in setting priorities and allocating resources. *(CED-79-50, 4-27-79)*

Appropriations

Appalachian Regional Commission—Appalachian regional development programs

Appropriations Committee Issues

Congressional action is needed to ensure that State expenditures are properly monitored and that a more current base level of State expenditures for the maintenance of effort requirement is established. The Committee should monitor ARC operations to assure that State plans are more comprehensive and consistent.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Changes Proposed for the Funding of Public Works Projects Would Expedite Economic Development and Job Opportunities

Budget Function: Community and Regional Development: Area and Regional Development (452).
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121).

Fifteen hundred public works projects, or over 50 percent of those approved by the Economic Development Administration (EDA) since 1965, have been delayed in getting under construction, causing economic development and job opportunities to be postponed or lost.

Findings/Conclusions: Between fiscal years 1966 and 1975, the EDA approved grants of $1.4 billion to construct 2,800 public works projects in areas of substantial and persistent unemployment. Although construction should start within 1 year after the project is approved, 54 percent of these projects exceeded 1 year, and 20 projects approved over 5 years ago are not yet under construction. Millions of dollars have remained obligated to some projects, while others have not been approved for lack of funds. Delays often occur because projects are approved on the basis of preliminary design. Creation of a two-step grant system would permit reuse of funds if projects experienced considerable delays during design.

Recommendations: Congress should amend the Public Works and Economic Development Act of 1965 to authorize two grants for public works projects—one for project design and one for project construction. This would provide financial assistance to communities for designing projects without committing funds for construction until the projects are ready to bid. Since the EDA's 1-year appropriations will restrict implementation of a two-step grant system, Congress should make public works appropriations available for 2 fiscal years.

EDA agreed that the Congress should amend the Act to authorize 2-part grants for public works projects in order to permit project design and construction to be funded separately; and also supports our recommendation that construction funds should remain available for obligation for 1 year beyond the year appropriated. *(CED-77-86, 7-7-77)*

Appropriations

Department of Commerce, Economic Development Administration—grants for public works and development facilities

Appropriations Committee Issues

Legislation has been introduced which would authorize 2-part grants. Appropriations will remain on a 1-year basis. The Committees should monitor the 2-part grant system, if enacted, to see if 1-year appropriations impede implementation.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Measuring Accomplishments Under the Business Development Assistance Program—More Accurate Verification Recommended

Budget Function: Community and Regional Development: Community Development (0451).
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121). Civil Rights Act of 1964.

The Economic Development Administration (EDA) attempts through its Business Development Assistance Program to create permanent jobs in areas of high unemployment by helping businesses to expand or locate new facilities in these areas. This help includes direct loans and guarantees of loans with private lending institutions. EDA has a goal that at least one permanent job will result for each $10,000 of assistance. As of June 30, 1979, EDA had made 736 direct loans valued at about $672 million and had guaranteed 235 loans totaling about $387 million. GAO reviewed the following issues relating to the effectiveness of the Business Development Assistance Program: whether EDA compares and evalutes the number of jobs actually saved and created through the program with those projected; how EDA verifies the jobs saved and created; and how EDA assures that the jobs resulting from the program benefit the unemployed.

Findings/Conclusions: The business loan program was effective in saving and creating jobs for the 48 loans that were reviewed by GAO. These loans contributed to the saving and creating of over 9,400 jobs. The average cost per job was $6,700, which was below the target maximum of $10,000 established by EDA for individual projects. EDA had not adequately monitored jobs resulting from the program, however, and its information system contained numerous errors on employment benefits derived from the 48 loans. Some jobs reported as saved and created were based on original projections rather than actual results; jobs were still being credited for liquidated loans on bankrupt companies; and certain businesses receiving more than one loan had their employment counted twice.

Recommendations: The Assistant Secretary for Economic Development should develop and issue guidelines to be used by financial analysts in evaluating the reasonableness of job data submitted by loan applicants. These guidelines should be in addition to the criteria proposed for discounting applicant employment projections. The guidelines might include a provision requiring a comparison of the applicant's projected employment with actual employment of similar size companies in the same industry. The Assistant Secretary should also assign responsibility and develop procedures to monitor whether unemployed workers are benefiting from business loans. Consideration might be given to having businesses indicate on their loan applications or on their annual financial statements the total jobs filled by previously unemployed workers and the average duration of their unemployment. Businesses could provide this information by maintaining a simple log showing whether new employees were previously unemployed and the duration of their unemployment. Procedures should be established for periodically selecting a sample of projects to verify reported accomplishments. These procedures should specify which documents, such as payroll or tax records, to use in making this verification.

The agency agreed to take corrective actions, and said it is in the process of setting up an Operational Planning and Control System designed to improve management's ability to monitor and evaluate agency programs. *(CED-79-117, 9-6-79)*

Appropriations

Economic Development Administration—economic development assistance programs

Appropriations Committee Issues

The Committee should oversee the Operational Planning and Control System to assure that it is effectively implemented.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

More Can Be Done To Identify and Help Communities Adjust to Economic Problems Caused by Increased Imports

Budget Function: Community and Regional Development: Community Development (0451).
Legislative Authority: Trade Act of 1974 (P.L. 93-618; 19 U.S.C. 2101). Public Works and Economic Development Act of 1965 (42 U.S.C. 3121). Trade Expansion Act of 1962 (P.L. 87-794). 4 C.F.R. 315.98. H.R. 1953 (96th Cong.). S. 227 (96th Cong.).

An attempt was made to assess the impact of imports on local economies and to determine whether public officials and business representatives were aware of community benefits provided under the Trade Act. The Economic Development Administration (EDA) of the Department of Commerce is responsible for administering adjustment assistance to communities and business firms. Under the Trade Act, communities injured by imports are entitled to a wide range of financial assistance provided under the Public Works and Economic Development Act; however, communities must apply for this assistance.

Findings/Conclusions: The EDA has not set up a separate program to assist communities that have been injured by imports; therefore, these communities have had to compete with communities having economic problems attributable to other factors, such as natural disasters or closed military installations. The Trade Act also mandated that a trade monitoring system be established to identify communities with economies that are vulnerable to import injury. Limitations in data comparability have hindered the establishment of an effective system. Problems include: differences in classifications between imported and domestically produced products, and insufficient detail in reporting and delays in publishing domestic employment and production statistics. There are also insufficient funds to maintain and refine the system.

Recommendations: To assist the Congress in assessing what changes may be desirable in the program, the Secretary of Commerce should direct the Assistant Secretary of EDA to: develop information on the magnitude of the problem by identifying communities injured by imports and indicating the nature and extent of the injury; and present recommendations to the Department on how assistance levels to trade-impacted communities should be established and the specific funding needed for this purpose. The Congress should reaffirm its position that communities injured by imports are to receive special attention and should specify whether the Department of Commerce should take the actions recommended by GAO. The Congress should also amend the certification and benefit delivery provisions of the Trade Act of 1974 by specifying that adjustment assistance be provided through provisions of the Public Works and Economic Development Act of 1965. In place of the certification criteria, the Congress should specify that adjustment assistance be provided to communities based on a systematic assessment of their relative needs and their ability to adjust to their individual dislocation problems.

EDA did not agree that they had not established sufficient criteria and procedures to identify and assist communities impacted solely by imports. Their experience is that community trade adjustment assistance is inseparable from community economic adjustment assistance. *(CED-79-42, 5-15-79)*

Appropriations

Economic Development Administration—economic development assistance programs

Appropriations Committee Issues

Committee interest and concern is needed to assure that communities injured by imports are receiving special attention based on a systematic assessment of their relative needs and ability to adjust to their individual dislocation problems.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Survey of the Economic Development Administration's Implementation of the Title IX Program

Budget Function: Community and Regional Development: Community Development (0451).
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121).

The Title IX Special Economic Development and Adjustment Assistance Program was designed to save or create jobs and stimulate the economy of depressed areas. Nationwide, communities received 243 grants totaling about $311 million through fiscal year 1978. The Economic Development Administration (EDA) has the responsibility for implementing the Title IX program, which requires that grant recipients submit an annual report for each year of assistance and that the Secretary of Commerce provide an annual consolidated report to the Congress.

Findings/Conclusions: The majority of grantees have not submitted progress reports annually as required by the Title IX legislation. In some instances, grantees submitted reports containing inadequate data to measure the grant's effectiveness in achieving planned goals. EDA has not made sufficient effort to collect data on the progress of Title IX grants. Further, EDA evaluation of grantee progress has been difficult because of the different reporting periods imposed on grantees. The Secretary's annual reports do not provide the Congress with data on Title IX's effectiveness. The reports merely reiterate the intended purpose of the grants approved during the year. For the most part, EDA has followed the practice of not reporting on the effectiveness of prior year grants. The Congress is entitled to more information on what these grants have achieved, and an annual report that includes a consolidation of properly verified grantee progress reports appears to be a logical extension of the grantee reporting system.

Recommendations: The Secretary of the Department of Commerce should direct EDA to: (1) require grantees receiving Title IX assistance to submit progress reports showing program results covering standardized reporting periods; (2) assure that project managers conduct sufficient followup on Title IX grantees to control annual progress reporting and confirm, to the extent possible, the validity of the data reported by grantees; and (3) provide the Congress with information on the overall effectiveness of the Title IX program including feedback on unsuccessful as well as successful uses of Title IX assistance.

The agency believes their present reporting requirements are adequate, and that limited resources restrict sufficient followups. Legislation currently before Congress is expected to give EDA expanded personnel and budget resources for next year, and at that time serious consideration will be given to providing additional staff to monitor these activities. As part of a new combined report in 1980, EDA plans to include more analytical and evaluation reporting on the Title IX program. *(CED-79-104, 6-28-79)*

Appropriations

Economic Development Administration—economic development assistance programs

Appropriations Committee Issues

When evaluating EDA's budget requests, the Committees should require feedback on unsuccessful as well as successful uses of Title IX assistance.

DEPARTMENT OF COMMERCE

MARITIME ADMINISTRATION

Cargo Preference Programs for Government-Financed Ocean Shipments Could Be Improved

Budget Function: Commerce and Transportation: Water Transportation (406).
Legislative Authority: Military Transportation Act of 1904 (10 U.S.C. 2631). Cargo Preference Act of 1954 (P.L. 83-664; 46 U.S.C. 124(b)). Merchant Marine Act of 1970 (46 U.S.C. 1241(b)). Merchant Marine Act of 1936. 15 U.S.C. 616(a).

Cargo preference laws seek to promote the development and maintenance of an adequate well-balanced U.S. merchant marine, to promote U.S. commerce, and to aid in the national defense. The laws require use of U.S. flag vessels for 50% to 100% of Federal Government-generated ocean shipments. The Secretary of Commerce is responsible for issuing cargo preference regulations, reviewing the administration of agency cargo preference programs, and reporting them annually to the Congress.
Findings/Conclusions: The three major civilian Government agencies reporting to the Maritime Administration (MarAd) have generally met the U.S. flag shipping requirements. The MarAd had some success in expanding the number of programs with cargo preference requirements but has been hampered by nonspecific legislation and lack of clear-cut authority to determine the applicability of cargo preference legislation to programs. Reports to the Congress on cargo preference shipments have been incomplete, and some agencies have not fully complied with MarAd reporting regulations. Although MarAd has tried to resolve these problems, improvements are still needed. It is developing a computerized system to improve its cargo preference monitoring and reporting capabilities.
Recommendations: The Congress should clarify section 901(b) of the Merchant Marine Act of 1936 concerning the types of programs to be covered under cargo preference legislation and the extent of MarAd's authority to determine the applicability of the legislation to specific programs. The Secretary of Commerce should direct the Assistant Secretary for Maritime Affairs to: include in the annual cargo preference report those agencies not complying with MarAd's determination under section 901(b) and the reasons why not, amend MarAd's cargo preference regulations to require submission of available summary shipment or other data as well as bills of lading for all Federal agency cargo preference shipments, and establish a timetable for identifying all of the Department of Defense's (DOD) programs that have cargo preference applicability and for developing DOD reporting requirements.

The Department of Commerce concurs with the intent of GAO's recommendations. *(CED-78-116, 6-8-78)*

Appropriations

Departments of State, Justice, Commerce, the Judiciary, and related Agencies

Appropriations Committee Issues

Enactment of clarifying legislation (resulting in more cargo covered by the cargo preference law) might result in additional ocean transportation cost to the Federal Government.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION: NATIONAL MARINE FISHERIES SERVICE

Progress and Problems of Fisheries Management Under the Fishery Conservation and Management Act

Budget Function: Natural Resources and Environment: Other Natural Resources (0306).
Legislative Authority: Fishery Conservation and Management Act (P.L. 94-265).

Depletion and overfishing of domestic fishery resources prompted the passage of the Fishery Conservation and Management Act in 1976. U.S. jurisdiction was thus extended to 200 miles from the U.S. shoreline, and a new fisheries management organization was established. Eight regional fishery management councils were set up to manage fisheries in conjunction with the States and the Department of Commerce's National Marine Fisheries Service (NMFS). GAO examined the implementation of the Act, with emphasis on the activities of the regional councils and their interactions with NMFS.

Findings/Conclusions: NMFS and the eight regional councils have done much to achieve successful domestic fisheries management. They are working together toward insuring conservation and realizing the full potential of the Nation's fishery resources. Foreign fishing in the Fishery Conservation Zone, the area extending 200 miles from the U.S. coastline, has been managed through preliminary fishery management plans (FMP). FMPs have been developed to provide fisheries management for domestic and foreign fishermen, and demand has been decreased on domestic fish stocks. While the Act and the accomplishments cited have established the U.S. as a leader in fisheries management, improvements are still needed. Limited biological and socioeconomic data on which to base FMPs hinder the Act's effectiveness. Other hindrances are limited public involvement, understanding and acceptance of the FMPs, and limited long-range planning. The process of developing and approving FMPs is time-consuming and the multiplicity of jurisdictions involved are also continuing problems. The councils and NMFS are working toward solving some of these problems. Plans to provide necessary data have been approved, suggestions are being developed to streamline the approval process, and the improvement of public participation is being considered.

Recommendations: The Secretary of Commerce should support NMFS' data collection plans to assure that data necessary for effective fisheries management are provided. The Secretary should monitor the extent to which jurisdictional problems impede the implementation of FMPs, and should, through NMFS and the regional councils, work with the States to enforce FMPs. If cooperative efforts with the States are ineffective, the Secretary should use the preemptive authority or propose additional legislation to extend Federal fisheries management over the territorial sea. The Secretary should direct the Assistant Administrator for Fisheries to encourage councils to publicize and conduct meetings at more convenient locations and explain actions taken. The Administrator should speed up the FMP development process by: providing needed guidance on FMP requirements to the councils; promptly reviewing draft FMPs; and working with councils to develop implementing regulations concurrently with final FMPs. The Administrator should also assist the councils in developing long-range plans for fisheries management, which include measurable long- and short-range biological and socioeconomic goals. *(CED-79-23, 1-9-79)*

Appropriations

Department of Commerce, National Oceanic and Atmospheric Administration—operations and research

Appropriations Committee Issues

The Committee should assure itself that the Secretary of Commerce is requesting adequate funding to support fishery management programs established under the Fishery Conservation and Management Act of 1976.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

The Congress Should Clearly Define the National Weather Service's Role To Provide Specialized Weather Services

Budget Function: National Resources, Environment, and Energy: Other Natural Resources (306).
Legislative Authority: OMB Circular A-62. H.R. 8763 (95th Cong.).

The National Weather Service's basic mission is to provide meteorological services to meet public needs or the common needs of Federal agencies. It also provides special services for specialized users including: agricultural, aviation, marine, and forestry weather; environmental air quality; and weather conditions affecting such activities as space flight operations and energy development. The Service's total fiscal year 1978 budget is about $185 million, with about $32 million allotted for specialized weather services.

Findings/Conclusions: The most recent statement of policies affecting specialized weather service is contained in Office of Management and Budget Circular A-62, which provides for the Department of Commerce to keep a current plan, including specialized weather services. However, plans have been developed only for forestry and agriculture weather, and even these are out-of-date. Effective weather services for aviation, air pollution, and marine activities have been hampered by lack of specific formal plans between the Service and the agencies. Although there is now cooperation in developing plans, the Service believes that the demands of the basic mission and budgetary limitations will limit its ability to effectively provide additional services. Increasing demands for basic services have resulted in reduction of the specialized services.

Recommendations: The Congress should clearly define the Service's role and responsibilities for providing specialized weather services to user agencies and assure that resources available to the Service are adequate to carry out the responsibilities. The Secretary of Commerce should assure that specific operational plans for specialized weather services are formally agreed to by it and the user agencies. The Secretary, together with user agencies and in consideration of other program priorities, should provide such services through reallocation of existing resources.

Agency officials generally agreed with GAO's recommendation and are in the process of formalizing operational plans for specialized weather services with user agencies. Agency officials also said that such approved plans will assist the Department of Commerce in determining proper resource levels for specialized weather services. The House Committee on Science and Technology considered our report and incorporated its recommendations into H.R. 13715, a bill to improve the operational weather programs of the National Oceanic and Atmospheric Administration. The bill defines the role of the Department of Commerce's National Weather Service in providing specialized weather services, and specifically makes the Secretary of Commerce responsible for developing coordinated interagency operational plans for providing specialized weather services to other Federal agencies. *(CED-78-77, 3-29-78)*

Appropriations

Department of Commerce, National Oceanic and Atmospheric Administration—operations and research
Various other agencies funds involving weather requirements

Appropriations Committee Issues

None.

DEPARTMENT OF COMMERCE

NATIONAL TECHNICAL INFORMATION SERVICE

Development of a National Productivity Clearinghouse

Budget Function: General Government: Other General Government (0806).
Legislative Authority: P.L. 94-136.

One of the major recommendations in a recent report on national productivity was the establishment of a productivity clearinghouse to provide national and international data and knowledge on various aspects of productivity. This would include effective methods, their costs, and how long it takes to provide results. It would benefit all sectors of the economy.

Findings/Conclusions: Currently, no unified system exists for the collection, processing, analysis, and dissemination of information, documents, or materials in the field of productivity. Although the National Center for Productivity and Quality of Working Life established a clearinghouse, it was not effective in reaching wide audiences. A clearinghouse should be equipped to provide the following: copies of reports and publications from its own or outside collections, information about new findings and events, special information analysis, general publications on various aspects of the field, special handbooks and guides, responses to telephone or mail requests for actual statistics or information, and assistance in locating information outside the clearinghouse. The clearinghouse should also: set standards for communications within the field; review, index, and abstract its collection; and monitor current research, produce state-of-the-art reports, and research reviews.

Recommendations: The Director of the Office of Management and Budget, in his capacity as Chairman of the National Productivity Council, should assign responsibility for the development and operation of a productivity clearinghouse. Adequate funding should be provided to the organization given responsibility for the development and implementation of the clearinghouse.

OMB agreed with the GAO recommendation that a productivity clearinghouse be established within the National Technical Information Service. *(FGMSD-79-4, 12-12-78)*

Appropriations

Department of Commerce

Appropriations Committee Issues

Although a productivity clearinghouse was established as recommended, it appears that it is not operating very effectively. To be effective, the clearinghouse must actively seek and disseminate needed data.

DEPARTMENT OF COMMERCE

OFFICE OF FEDERAL STATISTICAL POLICY AND STANDARDS

After Six Years, Legal Obstacles Continue To Restrict Government Use of the Standard Statistical Establishment List

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376).
Legislative Authority: Tax Reform Act of 1976. Privacy Act of 1974. I.R.C. 6103.

The Standard Statistical Establishment List maintained by the Bureau of the Census is a computerized file of information on 5.5 million U.S. corporations, partnerships, sole proprietorships, and other businesses which have employees.

Findings/Conclusions: The need for a centralized sampling list of businesses has been recognized since 1937. Three attempts to establish such a list have been made, and the third, in 1968, has been successful to the extent that the List is being used within the Census Bureau. By using the List for economic surveys, the Bureau has lowered costs and improved the quality of collected data. Although the List would greatly benefit the data collection by other agencies and increase the efficiency of Federal statistical information collection, Census Bureau and Income Tax confidentiality laws prevent its use by other agencies. Since 1972, efforts have been underway to draft and submit legislation to Congress to amend the Census law and permit other agencies access to the List. However, after 6 years, no proposals have been forwarded to Congress.

Recommendations: Congress should consider legislation to amend the Internal Revenue Code of 1954 to allow the Census Bureau to provide List information to Federal and State cooperative agencies for statistical purposes. The Secretary of Commerce should direct the Census Bureau and the Office of Federal Statistical Policy and Standards to improve plans for sharing the List by preparing cost estimates, holding technical meetings with future user agencies, exploring monitoring options to ensure List confidentiality, and collaborating with the Department of Agriculture to develop plans for the farm portion of the List. The Secretary also should direct the Office of Federal Statistical Policy and Standards to establish a priority date for submitting proposed changes to Congress and add a provision to this legislation requiring consent of a company or establishment if information is to be used in a manner other than specified in the legislative draft.

In its comments to congressional committees on actions taken of GAO's recommendations required by the Legislation Reorganization Act of 1970, Commerce reported that draft legislation to permit shared use of the List among statistical agencies has been prepared and is being reviewed by the Administration. Commerce noted that the legislative proposal does not contain waiver provision as recommended by GAO. Commerce stated that it does not believe language should be added to the proposal that might make the use of waivers less controllable. Commerce said that GAO's recommendations to improve the plans for sharing the List are being addressed by the Bureau of the Census. *(GGD-79-17, 5-25-79)*

Appropriations

Department of Commerce, Bureau of the Census—salaries and expenses

Appropriations Committee Issues

Because expanded use of the List would reduce costs and improve the comparability of government surveys, reduce duplication in data collection efforts, and alleviate reporting burden on businesses, the Committees should follow up with Commerce on the status of efforts to obtain legislative authority to permit other agencies to have access to the List and to plan for List sharing.

DEPARTMENT OF COMMERCE

OFFICE OF MINORITY BUSINESS ENTERPRISE

Federal Agencies Can Provide More Opportunities for Minority Motor Carriers

Budget Function: Nondiscrimination and Equal Opportunity Programs (1006).
Legislative Authority: Interstate Commerce Act. Small Business Act of 1953. Executive Order 11625.

Minority motor carrier participation in moving Government cargo has been minimal. Federal agencies have not formulated affirmative action programs which set specific objectives, goals, and courses of action for increasing the use of minority motor carriers. Progress made has not been periodically evaluated or monitored.

Findings/Conclusions: The reason given most often by agency personnel for the low participation was the difficulty in identifying qualified minority carriers. A listing of minority carriers now has been published. Minority carriers cited their lack of awareness of Government transportation needs, and problems in obtaining Government assistance to prepare the paperwork and satisfy the requirements for securing Federal business as reasons for low participation.

Recommendations: The Department of Commerce and the Interagency Council for Minority Business Enterprise should work with the individual agencies in correcting weaknesses. Corrective actions should include developing affirmative action programs and distributing and expanding the listing of minority carriers. The Department of Commerce and individual agencies should take appropriate action by helping the minority carriers obtain operating authority, increasing the consideration given to using contract carriers, encouraging contracting under the Small Business Administration section 8(a) program, and considering obtaining outside expertise and assistance.

The Department of Commerce agreed with our findings and recommendations and stated that a comprehensive plan of action would be developed. We plan to follow to see if the plan has been prepared and implementing measures taken. *(LCD-79-208, 4-25-79)*

Appropriations

Department of Commerce—minority business enterprise

Appropriations Committee Issues

Agencies can increase opportunities for minority motor carriers.

DEPARTMENT OF COMMERCE

OFFICE OF MINORITY BUSINESS ENTERPRISE

The Office of Minority Business Enterprise Could Do More To Start and Maintain Minority Businesses

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).
Legislative Authority: Executive Order 11458. Executive Order 11625.

The Office of Minority Business Enterprise (OMBE) was established to be the focus of Federal efforts to help establish and expand minority businesses. However, OMBE's management assistance program provided few benefits to the 344 minority and prospective minority businesses sampled. Only 25% of the 169 prospective businesses got enough help to start, and about 37% of the existing businesses helped were out of business or could not be located.

Findings/Conclusions: The Office has emphasized quantity rather than quality assistance, causing such deficiencies as: business plans not being prepared for about two-thirds of the cases, management assistance not being given to about one-third of the cases, and cases receiving assistance getting only portions of the comprehensive program. Contractors generally do not provide assistance according to OMBE criteria and have not followed their clients' progress after initial assistance.

Recommendations: The Secretary of Commerce should require the Director of OMBE to: redirect the management assistance program to encourage contractors to provide a comprehensive assistance program to only as many clients as the contractors can assist over a long-term period; require contractors to obtain periodic financial statements from their clients; require that each serious client's business weaknesses and needs be analyzed in a formal business plan; assure that contractors provide clients sufficient management assistance to meet their needs; assure that contractors follow clients' progress frequently to evaluate growth and identify problems; restructure the time-phase plan so that primary emphasis in OMBE's evaluation process is placed on meeting program objectives and secondary emphasis placed on activity levels; direct contractors to stop abandoning clients at the first indication that clients cannot qualify for financial assistance; direct contractors to exhaust all alternatives in helping clients locate equity and other resources needed to finance businesses; and study the possibility of freeing regional program officers from their heavy contract-administration workload.

OMBE concurred with each of the GAO recommendations and advised us that a task force has been established to review OMBE's program structure and management, streamline its contract and grant procedures, and develop a schedule and methodology for implementing appropriate changes. OMBE states that it is now able to obtain updated financial profiles on a large enough cross-sectional sample of its client firms, and together with data already being compiled, will give OMBE what they believe to be the most comprehensive set of program impact measures available to any government agency with a responsibility for economic development. *(CED-77-136, 11-10-77)*

Appropriations

Office of Minority Business Enterprise—minority business development

Appropriations Committee Issues

There is a need to assure that contractors concentrate on quality assistance to minority businesses rather than quantity assistance.

DEPARTMENT OF COMMERCE

PATENT AND TRADEMARK OFFICE

Patent and Trademark Fees Need To Be Raised

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376).
Legislative Authority: Patent Act of 1952, as amended (35 U.S.C. 41). Trademark Act of 1946, as amended (15 U.S.C. 1113). Patent Act of 1975. S. 2255 (94th Cong.). H.R. 13628 (95th Cong.).

During fiscal year 1977, the Patent and Trademark Office (PTO) of the Department of Commerce received 109,773 patent applications and 63,886 trademark applications. The principal fees the PTO charges for its patent and trademark services are prescribed by statute; in 1965, PTO user fees were set by the Congress to recover about 74percent of PTO operating costs.

Findings/Conclusions: Fiscal year 1977 operating costs rose to $87.5 million, and the cost recovery rate fell to 32 percent. If the recovery of costs had been the considered reasonable rate of 74 percent, an additional $37 million would have been collected from patent and trademark users. Statutory fees for individual patent and trademark services need to be increased so that a more reasonable share of PTO's costs may be borne by those using its services. Some individual inventors and small business concerns may not have adequate resources so that higher fees could deter them from obtaining patents and trademarks. The Congress may wish to consider lower fees for independent inventors and small businesses with limited resources.

Recommendations: The Congress should amend the patent and trademark acts to update patent and trademark fees. In the future, the Congress should: establish criteria that will assure a constant overall recovery of a fixed percentage of PTO's operating cost, authorize the Secretary of Commerce to periodically determine and establish revised fees based on the cost recovery criteria established in the law, and specify how frequently fees should be adjusted.

The Administration is developing legislation to obtain increases in patent and trademark fees. *(CED-78-163, 11-14-78)*

Appropriations

Department of Commerce—salaries and expenses

Appropriations Committee Issues

Passage of recommended legislation will provide for a more equitable share of Office costs being borne by users of the services and will enable the Patent and Trademark Office to recover a greater portion of its operating costs for the Government.

DEPARTMENT OF COMMERCE

PATENT AND TRADEMARK OFFICE

The Need to Evaluate the Benefits and Costs of a Proposed Trademark Treaty and Implementing Legislation

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376).
Legislative Authority: Trademark Act of 1946 (15 U.S.C. 1051).

The Department of Commerce proposes to change the U.S. trademark law. The Department vigorously supports the proposed International Trademark Registration Treaty, to which the United States is a signator. If the Congress is to ratify the treaty, changes in U.S. trademark law are necessary. The proposed legislative changes will not only affect the registration of international trademarks but will greatly alter the process and methods for registering domestic trademarks in this country. The changes will affect all U.S. business firms registering trademarks.

Findings/Conclusions: An informed and objective decision on the treaty and proposed legislation cannot be made without complete and accurate estimates of the benefits and increased costs to all parties. The Department, however, did not obtain the data necessary to make such a decision. This data could be obtained from a representative sample of business firms registering domestic and foreign trademarks.

Recommendations: The Secretary of Commerce should require the Commissioner of Patents and Trademarks to undertake a survey designed to elicit needed information from a statistically valid sample of trademark owners and use this information to establish the realizable benefits and probable costs that U.S. business firms and the Government will experience from the proposed legislation.

As of November 1, 1979, the Department has undertaken the development of a marketing research type study to obtain available information from trademark owners. *(CED-77-133, 10-7-77)*

Appropriations

Department of Commerce

Appropriations Committee Issues

In order for the Patent and Trademark Office to adequately cope with the increase in anticipated work, this Office may require additional resources.

DEPARTMENT OF ENERGY

Cleaning up Commingled Uranium Mill Tailings: Is Federal Assistance Necessary?

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Atomic Energy Act of 1946. Atomic Energy Act of 1954. Uranium Mill Tailings Radiation Control Act of 1978 (P.L. 95-604).

Until recently, commingled uranium mill tailings were believed to be of such low radiation that they were not considered harmful to the public. As a result, the tailings were often left in uncontrolled piles. Recent concern about the possible adverse effects of low-level radiation over long periods of time prompted the request that GAO determine whether Federal assistance should be provided to active mills to clean up the mill tailings.

Findings/Conclusions: Cleaning up all of the commingled tailings would have the advantages of reducing a possible health hazard and taking another step toward resolving some of the problems of safely disposing of radioactive wastes. Offsetting these advantages, however, are some strong disadvantages. The cleanup costs could go as high as $315 million using current technology. Further, the cleanup program could be considered as an additional precedent for cleaning up other nuclear facilities, which would be a far more costly endeavor. This is extremely important because the question of who should pay for cleaning up nuclear facilities has not yet been fully considered, primarily because very little decommissioning of these facilities has been done to date. In GAO's view, the most significant factor in favor of providing Federal assistance in cleaning up commingled tailings pertains to the Federal Government's role in creating the mill tailings situation.

Recommendations: In order to assure that the uranium mill tailings are controlled in a safe and environmentally sound manner, the Congress should provide assistance to the active mill owners to share in the cost of cleaning up that portion of the commingled mill tailings that were generated under Federal contracts. These are the tailings for which the Federal Government has a strong moral resonsibility. The Congress should also consider having the Federal Government assist those mill owners who acted in good faith in meeting all legal requirements pertaining to stabilization of the mill tailings that were generated for commercial purposes and for which the Federal Government, through the Nuclear Regulatory Commission, is now requiring retroactive stabilization. At the same time, however,the Congress should make clear that this establishes no precedent for the Federal Government assuming the financial responsibility of cleaning up other non-Federal nuclear facilities and wastes, including those mill tailings generated after the date when the Federal Government notified industry that the tailings should be controlled. *(EMD-79-29, 2-5-79)*

Appropriations

Department of Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Congress should provide assistance to active mill owners to share the cost of cleaning up mill tailings produced under Federal contract. The Congress should consider having the Federal Government assist mill owners who meet legal mill tailings control requirements, particularly those with commercially-generated mill tailings for which the Federal Government is now requiring retroactive remedial action.

DEPARTMENT OF ENERGY

Commercializing Solar Heating: A National Strategy Needed

Budget Function: Energy: Energy Supply (0271).
Legislative Authority: Price-Anderson Act (Atomic Energy Damages) (42 U.S.C. 2210). Rural Electrification Act (7 U.S.C. 901). National Energy Conservation Policy Act of 1978 (P.L. 95-619). Public Utility Regulatory Policies Act of 1978 (P.L. 95-617). Energy Tax Act of 1978 (P.L. 95-618). Powerplant and Industrial Fuel Use Act of 1978 (P.L. 95-620). Natural Gas Policy Act of 1978 (P.L. 95-621). Solar Heating and Cooling Demonstration Act of 1974 (P.L. 93-409).

Solar heating systems warrant particular attention because of their advanced position of being economically and technically accepted relative to other solar technologies. Solar heating devices also have a large potential for use since more than 40 percent of the Nation's energy is used for heating purposes. Although the technical feasibility of using solar heating for a wide range of residential, commercial, and industrial applications is well established, many constraints tend to discourage consumers and businesses from investing in solar heating equipment. These constraints include economic, institutional, regulatory, and legal constraints, as well as a lack of consumer protection. The National Energy Act (NEA) contains provisions aimed at encouraging the use of solar heating systems. These include a non-refundable income tax credit for individuals who install solar equipment in their principal residence, business tax credits for investments in solar equipment, a $100-million program to provide support for loans to owners of family dwellings who install solar heating and cooling equipment in their residential units, and a $100-million program for demonstrating solar devices in Federal buildings.

Findings/Conclusions: Both Federal and many State governments are working to remove one or more constraints. State efforts have emphasized financial incentives and many have enacted legislation aimed at removing the legal constraints. The Federal Government's activities have generally focused on: (1) developing standards governing the design, installation, and performance of solar heating systems; (2) cooperating with industry in developing a certification process to verify how well solar equipment meets existing standards; (3) developing model legislation and codes; and (4) creating a network of regional solar energy centers. However GAO found that State and Federal efforts have not yet evolved into a comprehensive and uniform approach to effectively encourage the use of solar heating systems. The tax credit provisions of the NEA are likely to have their biggest impact on encouraging the use of solar water heaters for residential use. But because of their high cost and economic drawbacks, the use of other solar heating applications are not expected to have as much of an impact. The other provisions of the NEA will not be nearly as significant as what is expected to result from the tax credits. Overall, if successful, the initiatives enacted under the NEA should greatly expand the solar industry. However, in terms of energy saved or replaced by 1985, the impact will not be large. Furthermore, there is a need for a clearly defined national commercialization strategy for solar heating systems.

Recommendations: The Secretary of Energy should: (1) establish a detailed commercialization strategy for solar heating systems, which should identify, and indicate how best to overcome, constraints to using the systems, as well as clearly delineating the roles and responsibilities of the Federal, State, and local governments and industry in commercializing the systems with specific goals and time frames for overcoming these constraints; (2) in cooperation with other Federal agencies, expedite efforts to develop standards governing the installation, design, and performance of solar heating systems, prescribe a certification process for verifying that the systems meet these standards, and formulate model legislation and codes for overcoming legal constraints; (3) work together with State and local governments in implementing the components of the strategy and establish procedures and guidelines for providing informational and other appropriate assistance to the States; (4) monitor the success of the various provisions of the NEA aimed at encouraging the use of solar heating systems and annually report the findings, which should include the number of installations resulting from the incentives and the equivalent energy savings, to the Congress; and (5) as part of these reporting procedures, inform the Congress on ways to improve the overall effectiveness of the NEA provisions, including the magnitude of additional incentives that might be needed to encourage greater use of those solar heating applications, especially commercial applications, which,

without additional incentives, are projected to have very little use prior to 1985.

DOE did not take exception to GAO's conclusions and recommendations. The department is now developing a program plan which, among other things, will present a national commercialization strategy for solar energy systems. Additionally, while GAO was preparing its final report for publication, the President, in a message to the Congress dated June 20, 1979, outlined major elements of a national solar strategy. This strategy sets forth a goal for solar energy use and includes legislative proposals and directives for various Federal agencies aimed at achieving that goal. *(EMD-79-19, 7-20-79)*

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

Because of the limited impact existing financial incentives are likely to have in encouraging the use of solar heating, further proposed incentives, as well as new programs, are likely to come before the Congress over the next few years. Because of this, the committee—prior to enacting any additional incentives or programs—should take steps to be assured that any new incentives result in meaningful energy savings and require DOE to develop and implement a well-conceived national strategy for commercializing solar energy systems.

DEPARTMENT OF ENERGY

The Congress Needs To Redirect the Federal Electric Vehicle Program

Budget Function: Energy: Energy Conservation (0272).
Legislative Authority: Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976 (P.L. 94-413).

The Government is exploring the commercial potential of electric vehicles as one effort to reduce national oil consumption. Currently, transportation accounts for about half the oil consumed. Congress authorized $160 million for the program of research and development, vehicle demonstrations, and production incentives. Estimates of oil savings from electric vehicles range widely and depend on the number of vehicles ultimately in use. At the estimated level of commercialization, the Department of Transportation (DOT) believes 200,000 barrels of oil will be saved each day.
Findings/Conclusions: Before electric vehicles can be widely commercialized, the following advances will be necessary: improve electric vehicle technology, strengthen the electric vehicle, establish an electric vehicle market, and create an infrastructure necessary for the growth and continuance of electric vehicle use. The greatest barriers to successful electric vehicle commercialization are that they cost more and are less efficient than conventional vehicles. A number of problems with the electric vehicle program were found and it was concluded that the private sector demonstration effort is premature, research and development needs to be strengthened, and the small business program needs reexamination.
Recommendations: The Secretary of Energy should: postpone future demonstrations until technology improves and vehicle reliability, safety, and reasonable competitive life-cycle costs are shown; use demonstration programs to identify major technical problems and safety hazards; develop and report to Congress a reasonable strategy for the demonstration program; continue to assign program funding priority to research and development; ensure meaningful small business participation in the program by evaluating the results of the first planning grant awards; and delay issuing loan guarantees for electric vehicle and component production until the vehicles are shown to be commercially viable. Congress should amend existing legislation to provide more flexibility in both the timing of vehicle purchases and the number of vehicles demonstrated, and by removing the mandatory requirement to demonstrate a specific number of vehicles. Congress should consider the Secretary of Energy's report pursuant to GAO's recommendation and take appropriate actions to ensure that the recommendations are effectively carried out.

The Department of Energy disagreed with GAO's conclusions and recommendations. Consequently, no action has been taken by the Department to implement the recommendations. *(EMD-79-6, 4-9-79)*

Appropriations

Department of Energy—operating expenses and capital aquisition

Appropriations Committee Issues

The Department of Energy should take action to ensure that electric vehicle research and development is strengthened, vehicle demonstrations are initially limited to the Federal sector, and loan guarantees for commercial production are delayed.

DEPARTMENT OF ENERGY

Cost To Retire Uranium Enrichment Facilities Should Be Included in Current Uranium Enrichment Charges

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2001). Legislative Reorganization Act of 1970. P.L. 95-91.

GAO has maintained an interest in the Department of Energy (DOE) uranium enrichment pricing policies and procedures. DOE, the sole supplier of enriched uranium in the United States, has three enrichment plants in operation with a fourth scheduled to begin operation in the late 1980's. Eventually these plants will be retired. According to the former Energy Research and Development Administration, the costs to resore the plant areas to their original conditions were estimated to be up to 5 percent of the capital investments in the plants, or about $570 million. This would add about $1.50 per unit of enriching services to the current DOE price of about $89 per unit, and increase the average cost of electricity to consumers by 3 mills per kilowatt hour.

Findings/Conclusions: DOE has no firm estimates available concerning the future cost of decontaminating and decommissioning its uranium enrichment facilities, and has indicated that, given the current capital improvement program at existing facilities, it does not expect to evaluate these costs any time in the forseeable future. It is depreciating the three existing plants through the year 2000, implying that their useful life could end as of that year. GAO believes that the Secretary of DOE should take the necessary steps to see that commercial customers' share of the estimated cost of retiring these uranium enrichment facilities is recovered in the current DOE charge for uranium enrichment services by adding a reasonable charge to its current enrichment service prices.

Recommendations: The Secretary of DOE should prepare detailed estimates of the future cost of decommissioning and decontaminating the Nation's uranium enrichment facilities; modify the DOE criteria for enrichment services charges to include a charge for enrichment plant decommissioning and decontamination costs; and request any legislative authority needed to permit DOE to include future uranium enrichment plant decommissioning and decontamination costs in its present charges for uranium enrichment services.

The Department of Energy disagreed with GAO's recommendations and has taken no action. *(EMD-79-94, 9-6-79)*

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Department of Energy should request authority to charge the current users of uranium enrichment services for the cost of decommissioning and decontamining the facilities that are now providing the services.

DEPARTMENT OF ENERGY

Department of Energy Participation in Defense System Acquisition Review Council Review

Budget Function: National Defense: Atomic Energy Defense Activities. (0053).

The Department of Energy (DOE) is developing a common warhead for the Air Force's Air Launched Cruise Missile and the Navy's Sea Launched Cruise Missile.

Findings/Conclusions: Before gaining approval to enter the next phase of development or production, the military services must demonstrate to a Defense System Acquisition Review Council that predetermined milestones on major weapons programs have been accomplished. Although it is a key part of the weapons program, the DOE's warhead programs do not require similar evaluation by the Council. GAO believes that DOE should participate fully in the Review Council and present the status, program alternatives, and issues needing decisions at all Council meetings involving nuclear weapons. This will allow the Council to evaluate the entire weapon system before making recommendations on how the program should proceed.

Recommendations: GAO recommended that DOE participate in all Council reviews involving nuclear weapons.

Defense advised GAO that procedures had been implemented to provide for Energy participation in the Council. Energy believes that direct involvement in the Council will provide appropriate and timely information exchange at crucial decision points and will be mutually beneficial to the nuclear weapon development process. *(PSAD-79-4, 11-7-78)*

Appropriations

Department of Energy
National Security Programs Council

Appropriations Committee Issues

In view of the dual management responsibility of the Departments of Defense and Energy to acquire a nuclear weapon, it is imperative that the Departments fully discuss issues and coordinate efforts at the crucial program decision points.

DEPARTMENT OF ENERGY

The Department of Energy's Development of a 10-Year Plan for Energy Conservation in Federal Buildings

Budget Function: Natural Resources, Environment, and Energy: Energy (305).
Legislative Authority: Energy Policy and Conservation Act of 1975 (P.L. 94-163). National Energy Act. Executive Order 11912. Executive Order 12003. OMB Circular A-94.

The Energy Policy Conservation Act, enacted in 1975, required the President to develop and implement a 10-year plan for energy conservation on buildings owned or leased by the Federal Government. The Department of Energy (DOE) has the responsibility, originally delegated to the Federal Energy Administration, for development of the plan. As of June 1978, DOE still had no document which can be called "the 10-year plan." Although the original draft plan prepared in June 1977 would have substantially met requirements of the act, it has been discarded, and DOE is now trying to place much of the development burden on other executive agencies. This approach will probably result in a plan that will not be as comprehensive as the original draft plan. Also, DOE is delaying issuance of guidelines pending passage of the proposed National Energy Act. Energy used in the 399,000 buildings owned and operated by the Federal Government amounts to about 39 percent of the energy used by the Federal Government. The Secretary of Energy should focus DOE's efforts to develop a 10-year plan along the original lines, reevaluate the response to recommendations contained in a previous report and incorporate items recommended into the plan, should also evaluate the existing Federal Energy Management Program structure in terms of its responsibilities and funding level to assure that the program is able to provide effective leadership and management of Federal energy conservation efforts.

The Department of Energy said the development of the 10-year plan has been held up pending passage of the National Energy Act so that provisions of the Act relating to Federal buildings can be incorporated. DOE said that, in developing the plan, it will draw on the works performed in the original draft plan that was developed. It anticipates that the plan will be available in 1979. *(EMD-78-89, 7-20-78)*

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

The Department of Energy should aggressively pursue the development of the 10-year plan for energy conservation in Federal buildings. The Federal Government owns and operates over 399,000 buildings. The energy used in these buildings amounts to about 39 percent of the energy that is used by the Federal Government. With an energy use of this magnitude, the need for developing a comprehensive plan to fulfill the requirements of the EPCA becomes clear.

DEPARTMENT OF ENERGY

Federal Facilities for Storing Spent Nuclear Fuel—Are They Needed?

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Hazardous Materials Transportation Control Act of 1970.

The domestic and foreign aspects of the spent-fuel program of the Department of Energy (DOE) were reviewed. In the past, it was thought that partially used fuel loads would be taken from the nuclear reactor and transferred to a commercially-operated reprocessing plant, where residual uranium and plutonium in the spent fuel could be removed for use again in other nuclear reactors. In order to minimize the proliferation of nuclear weapons, the President in 1977 decided to defer indefinitely the commercialization of technologies that reprocess or depend on the recycling of plutonium. DOE has now proposed to take title to the spent nuclear fuel accumulating at reactor sites in the United States and abroad. DOE realized that a centralized interim storage facility must be provided, since many utilities would not be able to store their spent fuel on-site beginning in 1983. Alternatives being considered by DOE for a Federal interim storage facility include: construction of a new 5,000-metric-ton facility to be located on a Federally owned site; purchase of storage pools at three existing but closed reprocessing plants; and lease of storage space from the Tennessee Valley Authority. Depending on which of these is selected, DOE then would calculate a storage fee to recover all Government costs for both interim and permanent storage of spent fuel.
Findings/Conclusions: GAO does not believe that DOE has fully explored the nuclear industry's potential to provide additional storage space at reactor sites or to independently build away-from-reactor spent-fuel storage facilities. DOE does not recognize that the nuclear industry has the technical capability and should have the motivation to provide interim spent-fuel storage services. On the other hand, estimates by DOE of needed foreign storage capacity are speculative. Also, DOE should not unilaterally decide on a foreign spent-fuel storage policy until the completion of the International Fuel Cycle Evaluation Study.
Recommendations: Because the GAO analysis shows that a Federal interim spent-fuel storage facility is not needed, it is recommended that the Secretary of DOE should: establish a timetable for having a method for permanent spent-fuel storage; include in that timetable provisions for consideration by the President as to whether commercial spent-fuel reprocessing should resume; work with and explore ways that utilities can solve their spent-fuel storage problems until a method of permanent storage is available; and encourage and work with the private industry to provide any needed interim spent-fuel storage facilities. Federal interim storage facilities should only be considered if DOE cannot meet the date that it commits to having a permanent storage alternative available. To resolve any uncertainty about the rights of utilities and other authorized groups to transport spent fuel through interstate commerce, the Secretary of Transportation should include in any routing regulation for transportation of radioactive materials, specific language to make clear the extent and scope of the authority of the States to regulate, but not prohibit, the movement of spent fuel.

In response to the recommendations, DOE said that it was not DOE's intention to provide extensive spent fuel away-from-reactor storage space. Instead, it wanted to provide only a limited amount of space for those utilities who were running out of storage options. DOE did not think the nuclear industry had shown any interest or inclination to provide spent-fuel storage space, thus leaving it to the Government to fill the void. *(EMD-79-82, 6-27-79)*

Appropriations

Department of Energy—operating expenses

Appropriations Committee Issues

The Appropriation Committees should not permit DOE to build or acquire, "away-from-reactor," spent-fuel storage facilities. Existing evidence shows that the nuclear industry has expertise and motivation to handle its own interim spent-fuel storage until a permanent storage solution is available. Instead, the Appropriation Committees should require DOE and the Administration to resolve the permanent spent-fuel disposition question, including whether or not spent fuel should be reprocessed.

DEPARTMENT OF ENERGY

The Federal Government Should Establish and Meet Energy Conservation Goals

Budget Function: Natural Resources, Environment, and Energy: Energy (305).
Legislative Authority: Energy Policy and Conservation Act of 1975 (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385).

Between 1972 and 1976 the rate of energy consumption in the Nation decreased because of supply disruptions, a recession, and increased prices. Energy conservation has not been sustained, however, and energy consumption currently is increasing. The administration has proposed a national energy plan (NEP) which stresses conservation.

Findings/Conclusions: The success of energy conservation measures will depend on the development of consumer attitudes and habits which foster efficient energy use. Federal programs to change energy consumption patterns involve three basic approaches—voluntary, indirect market intervention, and direct market intervention. Federal programs have had some success in reducing energy consumption in transportation and in the residential sector. The NEP includes initiatives which could make investments in industrial energy conservation more financially attractive, result in greater realization of energy conservation opportunities in the residential sector, and meet needs in the commercial sector for financial incentives to energy conservation investments. Additional Federal actions are needed in all sectors to meet NEP's goals and objectives.

Recommendations: The Department of Energy should continuously assess each Federal initiative for its contribution in meeting NEP's objectives and develop standby initiatives. The Secretary of Energy should, by January 1, 1979, submit to the Congress an energy conservation plan which includes: energy conservation goals by sector, executive branch actions which constitute a program to achieve the goals, milestones and a plan to monitor and evaluate each portion of the program's contribution toward meeting goals, and proposals to try other methods if the program is not meeting milestones. He should submit recommendations to the Congress regarding additional financial actions that can be taken to encourage the use of mass transit. The Secretary should also monitor automobile fuel costs per mile and submit proposals to increase gasoline prices when costs decrease, monitor residential energy consumption and fuel prices and propose standby authority to increase fuel prices and implement a revised program to replace the existing industrial energy conservation improvement targets program. The Congress should equalize the Federal share of costs for mass transit projects and include heat pumps as measures eligible for residential tax credit.

The Department of Energy basically agreed with the recommendations except for those affecting the industrial sector. The Department said many of the recommendations were being carried out and others would be undertaken. *(EMD-78-38, 6-30-78)*

Appropriations

Department of the Interior and related agencies

Appropriations Committee Issues

The Department of Energy should establish goals for each energy conservation program and describe how each program contributes to an overall national energy conservation goal. The goals should be clearly stated; and milestones and a plan to continuously monitor each program should be developed.

DEPARTMENT OF ENERGY

Fossil Energy Research, Development, and Demonstration: Opportunities for Change

Budget Function: Natural Resources, Environment, and Energy: Energy (305).
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

There has been a significant increase in recent years in research, development, and demonstration (RD&D) funding for fossil energy technologies, with a large proportion of funds directed towards efforts to demonstrate that these techniques will be commercially viable.

Findings/Conclusions: The Department of Energy (DOE) lacked some of the tools necessary to properly manage fossil energy RD&D programs. It had not developed a formal system of priorities for developing the most promising approaches, detailed cost and performance milestones to judge progress and determine how best to proceed, nor criteria for determining when a project is ready for the next phase of development. Since GAO's review, DOE initiated actions which should help resolve many of the problems, but further action is needed. DOE should change the following practices in its fossil demonstration program: issuing requests for proposals and relying on industry to propose processes for consideration, issuing or considering contracts for demonstration plants which are either not large enough to obtain needed data or are larger than needed, requiring a rigid 50-50 cost-sharing policy with industry, and fully funding the design phase of project development.

Recommendations: The Secretary, DOE, should develop and include as part of its overall and/or individual program and project plans: a system of formal program priorities to allocate resources among different technologies and among alternative approaches, supported by comparative studies; program and project cost objectives for technologies; and specific evaluation criteria for determining process advancement. To improve the Fossil Demonstration Plants Program, the Secretary should: establish specific criteria for evaluating and selecting processes for demonstration, evaluate potential processes within each technology and select the best for demonstration, change the approach in specifying the size of demonstration plants needed to obtain commercialization information, and change the cost-sharing policy to provide more flexibility in achieving goals by varying the cost-sharing amount for each process and by requiring cost-sharing from the beginning of the project.

The Department of Energy in commenting on the draft report, agreed with all but one of GAO's recommendations and said it is taking or plans to take action to implement them. It disagreed with GAO's recommendations about changing the approach in specifying the size of demonstration plants needed for the demonstration program. *(EMD-78-57, 9-18-78)*

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

GAO identified only one area where DOE has taken action to implement our recommendations. Procurement regulations issued in June 1979 do not require a specific industry cost participation ratio. The regulations also state that the ratio will be determined on a case-by-case basis. This change could provide the flexibility needed to achieve program goals. Subsequent to the report's issuance, DOE questioned the need for a system of formal program priorities and evaluation criteria for determining process advancement. DOE believes its current budget process is adequate for determining program priorities. We continue to believe implementation of these recommendations is needed.

DEPARTMENT OF ENERGY

Iranian Oil Cutoff: Reduced Petroleum Supplies and Inadequate U.S. Government Response

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Department of Energy Organization Act (42 U.S.C. 7101). Energy Policy and Conservation Act (42 U.S.C. 6261).

A review was made of how the Iranian oil shortfall affected U.S. oil companies and what the Department of Energy (DOE) did to monitor the situation and deal with its effects. The 19 major U.S. oil companies from which GAO obtained information account for about 75 percent of U.S. refining capacity, oil imports, and gasoline sales. The information included monthly inventory levels, gasoline production and sales figures, and refinery operating levels.

Findings/Conclusions: The estimated net reduction in U.S. petroleum supplies due to the Iranian situation was between 600,000 and 700,000 barrels a day during the first 4 months of 1979. The multinational oil companies' crude oil allocation procedures which caused a further loss of 200,000 barrels a day, the unusually large reduction in U.S. crude oil production, and decisions of the larger companies not to purchase crude oil on the spot market all helped to further tighten the U.S. crude oil supply. Other factors such as DOE regulations caused the companies to reduce gasoline allocations beyond the amount of their Iranian imports. The shortfall was further exacerbated by government-mandated reductions in production by several other oil-producing countries, who also took advantage of the tight supply to increase their oil prices 54 percent. The DOE lack of adequate energy planning and data has led to inconsistent and conflicting administration statements and policies on the U.S. oil shortfall. While the overall shortage contributed to companies not increasing their production, no evidence was found that the 19 companies' stocks of crude oil, gasoline, and distillates exceeded normal operating levels.

Recommendations: The Secretary of Energy should develop the following: (1) a comprehensive plan for dealing with energy shortages such as the Iranian situation which should include, as much as possible, the specific actions or options available for monitoring and responding to the shortage, so that ad hoc reactions are kept to a minimum; (2) a system for better identifying demand and consumption of petroleum products on a national and regional basis, in order to determine the extent of supply shortages; and (3) a reliable system for gathering, verifying, and publishing accurate and complete energy data in a timely manner with the system including information not only on refinery stocks and operations, but also on the stocks at the middleman level such as wholesalers, jobbers, and distributors. *(EMD-79-97, 9-13-79)*

Appropriations

Department of Energy—operating expenses and capital acquisitions

Appropriations Committee Issues

The Department of Energy should develop (1) a comprehensive plan for dealing with energy shortages, (2) a system for better identifying demand and consumption of petroleum products and (3) a reliable energy data system.

DEPARTMENT OF ENERGY

Issues Needing Attention in Developing the Strategic Petroleum Reserve

Budget Function: Natural Resources, Environment, and Energy: Energy (305).
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

The concept of the Strategic Petroleum Reserve is to provide protection against future oil embargoes by creation of a reserve equal to approximately 500 million barrels of crude oil. As part of the reserve, an Early Storage Reserve is to be established to contain at least 150 million barrels by December 1978. The proposed reserve will contain only crude oil which will be stored underground in salt dome caverns or in mines, primarily along the Gulf Coast. Issues which require further analysis by Congress relate to three questions: (1) Is there a need for the type of Strategic Petroleum Reserve? (2) How should the Strategic Petroleum Reserve be filled? and (3) How should the Strategic Petroleum Reserve be financed?

Findings/Conclusions: GAO continues to support the concept of a system of national emergency energy reserves. It believes, however, that the use of industry crude oil and product stocks may be an alternative to the creation of Strategic Petroleum Reserve. The Federal Energy Administrtion plans to purchase oil for the reserve at near the national average composite price. As long as price controls remain on domestic oil, royalty oil could be acquired to fill the reserve, resulting in significant dollar savings with little or no adverse financial impact on small refiners.

The Federal Energy Administration agreed that further analysis is needed regarding the extent to which industry inventories can be used during a severe supply interruption and is studying the matter. The agency disagrees that royalty oil should be used for the Reserve because its use would result in indirectly passing some of the Reserve costs on to petroleum users since higher cost foreign oil would have to be obtained by the private sector as a substitute. *(EMD-77-20, 2-16-77)*

Appropriations

Department of Energy: Energy—operating expenses and capital acquisitions

Appropriations Committee Issues

Since our report, crude oil prices have been decontrolled and world oil prices have significantly increased. DOE has postponed its crude oil purchases for the Reserve and is now considering acquiring various domestic sources of crude oil for the Reserve. These include (1) offsetting a portion of the Reserve with excess industry inventories and (2) purchasing royalty oil.

DEPARTMENT OF ENERGY

Lighting and Thermal Efficiency Standards

Budget Function: Energy: Energy Conservation (0272).
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385). National Energy Conservation Policy Act (P.L. 95-619).

The progress made by the Department of Energy (DOE) in the development of mandatory lighting and thermal efficiency standards for Federal buildings was evaluated.

Findings/Conclusions: Technical problems are hampering the development of a lighting efficiency standard which would take into account the following factors: nonuniform lighting levels for various building areas; lamp efficiency; lighting controls; and natural light. Such problems must be resolved to achieve lighting and thermal efficiency standards for new and existing Federal buildings. In addition, recent requirements for conserving energy in Federal buildings placed on DOE by the National Energy Conservation Policy Act may compound this situation.

Recommendations: DOE should move forward with an aggressive and effective 10-year plan to conserve energy in both existing and new Federal buildings. Requirements that are causing problems in carrying out an effective energy conservation program should be reported by DOE to appropriate congressional committees.

DOE intends to develop lighting and thermal standards, in part, from information supplied by Federal agency ten-year plans. *(EMD-79-32, 3-8-79)*

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

DOE has not yet developed a 10-year plan for energy conservation in Federal operations nor has DOE established mandatory lighting and thermal efficiency standards as required by law.

DEPARTMENT OF ENERGY

More Use Should Be Made of Energy-Saving Products in Federal Buildings

Budget Function: Energy: Energy Conservation (0272).
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Energy Policy and Conservation Act (P.L. 94-163). Office of Federal Procurement Policy Act (41 U.S.C. 401). Executive Order 12003.

In a continuing evaluation of the Federal Energy Management Program, GAO identifies areas in which the program could be improved in order that Federal agencies may achieve the President's 20 percent energy reduction goal for existing buildings. In this report GAO discusses the following 10 devices that may be used as retrofit projects in Federal buildings: null thermostat; temperature control valve for radiators; packaged stack gas economizers; electric ignitors; on-load cleaning system for condenser tubes; time clocks for convenience equipment; heat run-around for hospitals; more efficient exterior light sources; chiller water temperature control; and more efficient interior lighting.

Findings/Conclusions: Several factors were found which impede the Federal Government's use of energy-saving technology: the evaluation, collection, and distribution of information on energy-saving devices is not being coordinated; lack of information delays procurement of available energy-saving products; and procurement policies do not ensure that adequate consideration is given to energy conservation in the procurement process.

Recommendations: The Director of the Office of Management and Budget should have the Administrator of the Office of Federal Procurement Policy issue a new policy statement requiring consideration of energy conservation and efficiency in the procurement process. It is also recommended that the Secretary of Energy direct officials responsible for the Federal Energy Management Program to develop policies and procedures that will assist agencies to use currently available energy-saving products more effectively. These policies and procedures should provide for the Department of Energy to: coordinate the evaluation of energy-saving devices among Federal agencies to prevent duplication of effort; collect and distribute information on energy-saving devices to Federal procurement officials and to those who are responsible for operating and maintaining Federal buildings; and establish and coordinate a program of demonstration projects utilizing energy-saving devices in Federal buildings.

The Department of Energy generally agreed with the recommendations and said that FEMP does have and is fulfilling a continuing coordination role within the Federal Government. DOE said that its Federal Programs Office has in the past performed the function of collecting and distributing information on energy savings products and technologies on an informal basis and to the extent permitted by available information and limited staff and resources. DOE agreed that a program of demonstration projects using energy devices in Federal buildings would undoubtedly accelerate the widespread use of such devices by the agencies. *(EMD-79-10, 1-23-79)*

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

The Federal Government owns and operates over 400,000 buildings and facilities, and these consume about 40 percent of the energy used by the Government. Because of the potential for reducing the amount of energy consumed in Federal buildings through increased use of energy saving products and technologies, the Department of Energy should aggressively pursue the development of policies and procedures that will carry out the recommendations.

DEPARTMENT OF ENERGY

The Nation's Nuclear Waste—Proposals for Organization and Siting

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).

Over the last 30 years, the Federal Government has generated vast quantities of highly radioactive contaminated waste. Spent fuel from commercial reactors has also accumulated. Both are characterized by high levels of radiation and a long toxic life. The Environmental Protection Agency, the Nuclear Regulatory Commission, and the Department of Energy (DOE) have major responsibilities for managing and disposing of these wastes. Several attempts by the DOE and its predecessor agencies to permanently dispose of nuclear waste in deep underground repositories have failed because of public and political opposition, rather than technical reasons. The Federal Government has never articulated a firm policy on how it intends to manage nuclear waste over the long term, and consequently there has never been a clearly defined, technically feasible waste management plan.

Findings/Conclusions: A task force established by the President has made some recommendations which highlight the significant problems and are a step in the right direction. A defensible master plan for long-term development and implementation, and an organizational concept which will provide for public participation are still needed and are critical to a technically feasible and broadly accepted program. If State approval for repository sites cannot be obtained within an established time, the Federal Government might have to mandate selections to solve the waste problem within a reasonable time. Any entity which may assume responsibility for site selection should give first consideration to determining if any of the existing reservations are acceptable for waste disposal. If they are not acceptable for storing nuclear wastes that would be shipped there from other locations, then these sites should not be acceptable for the long-term storage of wastes already there.

Recommendations: The Secretary of Energy should determine, unless and until its reponsibility in this area is assigned to another organization, how it is going to deal with the highly contaminated DOE reservations and whether they are acceptable as nuclear waste repositories before selecting any other sites. The Congress should enact legislation which will create a Federal and State committee and place responsibility for developing a national waste management plan in that committee. While Senate bill 742 would establish such a committee, GAO believes that this or any other bill considered must recognize that if the concept does not lead to the selection of waste repository sites within an established time, the Federal government would exercise its right to mandate selections.

DOE disagrees that the Congress should enact legislation, because they believe it will prolong the decisions on waste disposal. They agree, with reservations, with the recommendation that they determine the manner in which they will deal with the contaminated reservations. They feel use of sites for waste disposal would interfere with planned use of the site. No action has been taken by DOE to implement the recommendation. *(EMD-79-77, 6-21-79)*

Appropriations

Department of Energy—operating expenses

Appropriations Committee Issues

A national waste management plan should be developed in line with GAO's recommendation and DOE should assess its contaminated sites for use as nuclear waste repositories.

DEPARTMENT OF ENERGY

Need To Consider a Regional Petroleum Reserve for All Petroleum Products

Budget Function: Energy: Energy Supply (0271).
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

A review of efforts by the Department of Energy (DOE) to create a strategic petroleum reserve has brought to light the fact that legislation which authorized the development of regional reserves has not been fully implemented. Specifically, DOE has failed to obtain sufficient data concerning demand and imports of refined petroleum products.

Findings/Conclusions: The Energy Policy and Conservation Act requires DOE to annually develop and evaluate product demand and import data for each of its regions to determine whether regional product storage is needed to offset the impact of a supply interruption. DOE has failed to comply with this requirement. While DOE believes that no regional reserves, other than for residual oil, are needed and collection of the data necessary to more effectively implement the law may not be cost effective, DOE has not made the analysis necessary to support this belief.

Recommendations: The Secretary of Energy should fully implement the legislation which authorized the regional reserve program by expanding and improving the data base used by DOE in considering the establishment of regional reserves of refined petroleum products. Specifically, DOE should expand its list of petroleum products for which it collects import and demand data and annually gather this data by region.

DOE commented that no regional reserves, other than for residual oil, are needed and collection of the data necessary to implement the law more effectively may not be cost effective. *(EMD-79-14, 3-20-79)*

Appropriations

Department of Energy—energy-operating expenses and capital acquisitions

Appropriations Committee Issues

DOE has not expanded its list of pertoleum products for which it collects import and demand data. DOE maintains its present list includes all products requiring regional reserve consideration.

DEPARTMENT OF ENERGY

Need To Increase Department of Energy's Efforts To Encourage Small Business Contracting

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Department of Energy Act of 1978 - Civilian Applications (42 U.S.C. 7256). Small Business Act (15 U.S.C. 644).

A review was conducted to determine the effectiveness of the Department of Energy's (DOE) efforts to encourage small business contracting in solar energy research and development.

Findings/Conclusions: A strong commitment to small business involvement is vital for DOE to foster greater small business participation in its procurement process. For fiscal year 1979, the overall goal for contract awards to small business is established at 15 percent of the total contract award dollars. Based on the percent of small business contract awards for fiscal year 1978, the small business procurement goal set for 1979 appears to be low. Goals are developed by a consensus of all office managers. The prime consideration of program managers in awarding contracts is technical competence of the contractor. Some program managers did not know the definition of small business and were unaware of present contractors which met the criteria. Moreover, most program managers are not using the available information system which lists and profiles small business contractors by their areas of expertise, and might help locate potential small business contractors.

Recommendations: The Secretary of Energy should improve procedures for setting goals for small business contract awards; provide guidance through formalized procedures to those initiating procurement requests on identifying technically competent potential small business contractors and methods for increasing small business contract awards; and assign a small business technical advisor to the Small Business Administration representative as required by law. To insure adequate monitoring of small business participation in the procurement process and to identify the need for corrective actions, the Secretary should direct managers of program offices, field buying offices, and Department-owned, contractor-operated facilities to report statistics on small business contracts and subcontracts until the Integrated Procurement Management Information System is fully operational. *(EMD-79-83, 6-26-79)*

Appropriations

Department of Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Department of Energy should take steps to strengthen the Office of Small and Disadvantaged Business Utilization by complying with the legal requirements to reorganize the office so that the director reports directly to the Secretary or to his deputy and the small business specialists report to the director.

DEPARTMENT OF ENERGY

Need to Minimize Risks of Using Salt Caverns for the Strategic Petroleum Reserve

Budget Function: Natural Resources, Environment, and Energy: Energy (305).
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

The Energy Policy and Conservation Act requires the Federal Energy Administration (FEA) to create a Strategic Petroleum Reserve to protect against interruptions in energy and petroleum product supplies. Oil for the reserve will be stored in caverns within salt domes and in salt and limestone mines. FEA has identified nine potential sites—four salt domes, three salt mines, and two limestone mines—with capacities totaling 402 million barrels. Three of the four salt domes have been acquired through condemnation.

Findings/Conclusions: The FEA permitted the previous operators of the caverns at Bayou Choctaw and West Hackberry, Louisiana, to continue production of brine after the caverns were tested and certified as suitable for crude oil storage. In order to preclude potential problems associated with continued brining at Bayou Choctaw and West Hackberry, the FEA should negotiate with the chemical companies to eliminate brining operations. FEA officials believe that there is no need to control brine production or to retest the caverns after brining is completed since they consider cavern damage to be low risk. Two tests are necessary to determine cavern suitability—a sonar survey and a casing and cavern pressure test—which would take about 2 weeks per cavern and cost $15,000 per cavern, a total of $90,000.

Recommendations: The Secretary of Energy should: determine the feasibility of amending the condemnation agreements to eliminate continued brining operations, institute a formal system for controlling the brining operations if the agreements are not amended to assure that brine is not being produced in excess of safe rates of production and operating pressures, and have the caverns retested after brining has been completed.

DOE has instituted a formal system for controlling the brining operations. However, DOE believes there is no need to retest the caverns after brining is completed since they consider possible cavern damage to be low risk. *(EMD-78-25, 1-9-78)*

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

DOE took unnecessary risks in not retesting the caverns after brining operations are completed. Congress should assure that DOE minimizes risks.

DEPARTMENT OF ENERGY

Potential Savings through Purchase of Royalty Oil for Strategic Petroleum Reserve

Budget Function: Energy: Energy Supply (0271).
Legislative Authority: Energy Policy and Conservation Act of 1975 (P.L. 94-163).

A 1977 report to the Congress stated that oil produced from Outer Continental Shelf and onshore Federal leases—on which royalties are paid—could be purchased for the strategic petroleum reserve at substantial savings to the Government. Department of Interior officials calculated that, based on May 1978 crude oil prices, royalty oil would be $3.01 a barrel less than the national average composite price. Total savings that could result from buying royalty oil for the reserve could be significant, especially if current price differences and price controls remain. The Office of Strategic Petroleum Reserve cited three potential problems associated with purchasing royalty oil: an additional administrative burden to the Federal Government, unsuitability for reserve storage, and passing on some of the cost to oil users rather than taxpayers. In regard to these potential problems, we stated that: (1) the cost of the additional administrative burden is very minor when compared to the potential savings; (2) much of the royalty oil is suitable for reserve storage; and (3) some of the cost would be passed on to the oil users—this is already being done through use of the entitlements program.

Findings/Conclusions: Based on May 1978 crude oil prices, a savings of $3.01 could result for each barrel of royalty oil purchased for the reserve.

Recommendations: To minimize the cost to the Federal Government of the strategic petroleum reserve, the Secretary of Energy should purchase all suitable royalty oil for storage in the reserve.

The Department of Energy (DOE) commented that our recommendation was not feasible for several reasons, but the agency has recently decided to evaluate various domestic sources of crude oil for the reserve, including royalty oil. *(EMD-79-1, 10-6-78)*

Appropriations

Department of Energy—energy-operating expenses and capital acquisitions

Appropriations Committee Issues

Since our report, crude oil prices have been decontrolled and world oil prices have significantly increased. DOE has postponed its crude oil purchases for the reserve and is now considering acquiring various domestic sources of crude oil for the reserve, including royalty oil.

DEPARTMENT OF ENERGY

Rocky Mountain Energy Resource Development: Status, Potential, and Socioeconomic Issues

Budget Function: Natural Resources, Environment, and Energy: Energy (305).
Legislative Authority: Federal Coal Leasing Amendments Act of 1975 (P.L. 94-377). Federal Land Policy and Management Act of 1976 (P.L. 94-579). P.L. 94-565.

Rapid and extensive development of the uranium, oil shale, and coal resources in the relatively sparsely populated Rocky Mountain States may have profound socioeconomic and environmental effects on the area. **Recommendations:** The Undersecretaries Group for Regional Operations should: (1) take whatever action may be necessary to open and staff an office where State and local officials can obtain advice on the availability of Federal assistance programs and, if necessary, assistance in applying for such aid; (2) monitor and periodically evaluate the work of the office and the need for additional Federal assistance to Rocky Mountain State and local communities affected by energy development; and (3) direct that any such office established by the group prepare an annual report to the President evaluating the need for additional Federal assistance. Although the need for additional Federal assistance at this time has not been demonstrated, if the Congress wishes to further help Rocky Mountain communities, any such assistance should be contingent on the States taking actions to meet a minimum level of assistance to communities affected by energy development and on the States developing plans to systematically deal with the impacts. The States should be required to clearly demonstrate in these plans that the assistance would actually be used to help energy-affected communities.

The Office of Management and Budget and the Department of the Interior generally agreed with our conclusions, and the Western Governors' Regional Energy Policy Office disagreed with them. The Federal Energy Administration said that mitigating socioeconomic impacts of energy resource development would require cooperation and coordination among all Federal agencies, not a massive increase in Federal assistance. The Council on Environmental Quality believed that the report did not support a conclusion that the need for additional Federal assistance had not been demonstrated. GAO testified on last year's proposals for energy impact assistance, S. 1493. No action was taken on that bill. S.1699 and Amendment 395 to S. 1308 are currently being considered by the Senate Energy and Natural Resources Committee. These proposals would amend the Powerplant and Industrial Fuel Use Act of 1978 to provide increased assistance to communities affected by energy development. This legislation is generally consistent with the recommendations of our report if the Congress determines that there is a need for more Federal impact assistance. *(EMD-77-23, 7-13-77)*

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The main issue still before the Congress is "Has the need for additional Federal energy impact assistance now been demonstrated?". In our July 1977 report, we determined that for the Rocky Mountain area, the need has not been demonstrated.

DEPARTMENT OF ENERGY

The Solar in Federal Buildings Demonstration Program

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: National Energy Conservation Policy Act.

The Solar in Federal Buildings Demonstration Program was proposed as a major initiative to demonstrate the Federal Government's leadership in promoting conservation and the use of renewable resources in its own buildings. However, because the Department of Energy (DOE) has not developed a comprehensive strategy or assumed its mandated leadership responsibilities, this new program is being carried out in isolation from other conservation and solar effects for Federal buildings.

Findings/Conclusions: DOE does not appear to be fully committed to this new program even though it represents a significant commercialization effort. Basic management and staff support functions will be performed by the National Aeronautics and Space Administration (NASA) rather than DOE personnel. DOE has also not requested the full funding authorized by Congress nor an extension of the program to the 3-year period originally proposed by the administration in the National Energy Policy. This lack of commitment is especially serious in view of the fact that the President set a national goal for meeting 20 percent of the country's energy needs with solar and renewable resources by the end of the century. The manner in which DOE is proceeding with the development of this program will severely restrain the impact that was intended for the program in both the Federal and private sectors.

Recommendations: DOE should: (1) assume and carry out its mandated leadership and coordination responsibilities by developing a comprehensive strategy and plan to guide and integrate conservation and solar efforts for Federal buildings; (2) within the framework of the 10-year Federal Buildings Plan, establish a mechanism to coordinate all conservation and solar efforts; (3) revise the proposed rules for preliminary energy audits of Federal buildings to require that consistent data be collected for all buildings; (4) reevaluate the extensive use of NASA to provide basic management and staff support to the program; (5) implement a Federal buildings solar program on the scale envisioned by the President and Congress; and (6) review and resolve the life cycle cost-effectiveness problems that have been identified as major impediment to the use of solar technology in Federal buildings.

Comments have not been received from DOE regarding planned actions although the 60 day status letter was due on October 10, 1979. *(EMD-79-84, 8-10-79)*

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

The Department of Energy should develop a comprehensive strategy and plan to guide and integrate conservation and solar efforts for Federal buildings. This strategy should be articulated both within the 10-year Federal Buildings Plan and any national plan for the solar program on the scale envisioned by the President or Congress. This would entail requesting an extension of the program to a 3-year period and the full $100 million budgetary authority approved by Congress.

DEPARTMENT OF ENERGY

Transportation Energy Conservation in the Federal Government

Budget Function: Energy: Energy Conservation (0272).

Efforts under the Federal Energy Management Program (FEMP) to develop and promote a transportation energy conservation program as envisioned and authorized have not been developed and implemented. The Department of Energy (DOE) is responsible for energy conservation in the Federal Government, the largest single user of energy in the Nation.

Findings/Conclusions: DOE has not provided guidance to Federal agencies in developing plans to conserve and goals to reduce consumption of transportation energy. DOE's ineffectiveness in managing a transportation energy conservation program is due to the lack of organizational emphasis. The primary effort relating to the transportation area has been to collect and compile energy consumption data reported by Federal agencies. While agencies individually have implemented conservation programs, energy use reductions are more directly related to mission changes, reduced levels of operation, and rising costs of energy.

Recommendations: DOE, through the FEMP, should take a more active leadership role in the transportation area by: (1) issuing guidance; (2) requiring agency plans and goals; (3) investigating and promoting known transportation energy conservation opportunities; (4) providing technical assistance; and (5) developing a better means of monitoring and evaluating agency conservation activities.

The Department of Energy said its FEMP program does have and is fulfilling a continuing coordination role within the Federal Government. The Department agreed with and supports our recommendations for placing more emphasis on the transportation energy conservation activities. It intends to issue in the near future more detailed guidance to executive agencies on general operations planning—giving particular emphasis to reducing transportation energy use. *(EMD-79-3, 1-25-79)*

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

The Department of Energy should aggressively pursue its leadership role in the transportation area. The Federal Government owns approximately 650,000 vehicles of all types. The energy used in these vehicles amounts to about 55 percent of the energy that is used by the Federal Government. With energy use of this magnitude the need for a strong leadership role by the Department becomes clear.

DEPARTMENT OF ENERGY

Transportation Planning for the Strategic Petroleum Reserve Should Be Improved

Budget Function: Energy: Energy Supply (0271).
Legislative Authority: Energy Policy and Conservation Act of 1975. 42 U.S.C. 6201. Cargo Preference Act of 1954. 46 U.S.C. 1241. Merchant Marine Act of 1920. Jones Act. 46 U.S.C. 883.

To minimize the vulnerability of the United States to the effects of a severe energy-supply interruption and to provide limited protection from the short-term consequences of interruptions in supplies of petroluem products, the Congress provided for the creation of a Strategic Petroleum Reserve for the storage of petroleum products. The current goal is to have 1 billion barrels of crude oil in storage by the end of 1985 and 500 million barrels by the end of 1980. At July 31, 1978, there were 35 million barrels of crude oil in storage. The Department of Energy (DOE) has the responsibility for developing a comprehensive plan for transporting the crude oil.

Findings/Conclusions: DOE has not developed a comprehensive plan for transporting the crude oil, nor has it prepared overall transportation cost estimates. Neither the December 1976 Strategic Petroleum Reserve Plan nor the May 1978 amendment had specific information on transportation plans and costs. Transportation costs were not broken out separately in the $7.5 to $8 billion estimate of the total cost of the reserve. The impact of the Cargo Preference Act should be a major consideration. Adherence to the Act's requirements will raise transportation costs substantially, but DOE has not developed the information needed to accurately quantify these costs. The Maritime Administration and at least two oil companies disagree on whether U.S.-flag tankers will be able to transport 50 percent of the crude oil for the reserve as required by the Cargo Preference Law.

Recommendations: The Secretary of Energy should develop and make available to appropriate congressional committees a comprehensive transportation plan for the Strategic Petroleum Reserve, including detailed transportation cost estimates and firm information on the costs and other effects of the Cargo Preference Act.

The Department of Energy agreed with our recommendations. On September 25, 1979, we were furnished a transportation plan which has the following general policy objectives:

—deliver crude oil at a rate sufficient to meet full targets;
—minimize the total delivered cost of oil; and
—ensure cargo preference requirements are met.
(LCD-78-211, 10-18-78)

Appropriations

Department of Energy—Strategic Petroleum Reserve

Appropriations Committee Issues

A detailed overall transportation plan should be developed that can be used as a framework when making actual transportation arrangements.

DEPARTMENT OF ENERGY

U.S. Refining Capacity: How Much Is Enough?

Budget Function: Energy: Energy Supply (0271).
Legislative Authority: Coastal Zone Management Act of 1972 (P.L. 92-583). National Energy Act. Department of Energy Organization Act (P.L. 95-91). Energy Petroleum Allocation Act of 1973 (P.L. 93-159). Clean Air Act (42 U.S.C. 7401).

Between 83 and 92 percent of the Nation's petroleum products are provided by U.S.-based refineries, and the U.S. refining industry is planning capacity additions in order to maintain this position. The Department of Energy (DOE) must define refining capacity needs after evaluating the domestic and international tradeoffs involved. The following domestic factors are reviewed by GAO: concern for air quality and related air quality regulations; multiple use of the coastal zone under the Coastal Zone Management Act; pricing and allocation regulations; gasoline lead-content restrictions; environmental and technological requirements for desulfurization equipment; and the Crude Oil Entitlements Program.

Findings/Conclusions: After reviewing domestic programs and policies and international considerations, GAO believes that DOE has not evaluated the tradeoffs necessary to establish a definitive U.S. refining policy. In response to this need, the Department of Energy recently initiated a study to identify future U.S. refining capacity needs.

Recommendations: As part of the study to identify future U.S. refining capacity needs, the Secretary of Energy should analyze the international and domestic implications of alternative levels of U.S. refining capacity and determine the criteria for Government involvement in effecting any desired levels. This analysis should include an evaluation of the environmental, economic, national security, and technical tradeoffs necessary to meet various domestic capacity levels. The future U.S. refining capacity needs should be determined after consideration of such factors as the optimum mix of refinery sizes necessary to insure desired levels of U.S. petroleum products and the optimum relationship with U.S. petroleum product consumption. Possible policies and actions should be analyzed and submitted to the appropriate congressional energy committees. The submission should include an analysis of the advantages and disadvantages of using incentive versus disincentive alternatives to meet desired capacity needs, and should include an analysis of the probable marketplace reactions to Government regulations. The submission should also include any needed legislative proposals in the event that progress is not being made. *(EMD-78-77, 1-15-79)*

Appropriations

Department of Energy—operating expenses and capital acquisition

Appropriations Committee Issues

To date DOE has not completed its analysis of future U.S. refinery capacity needs. DOE should submit the completed study and documentation of Government policies and actions necessary to attain optimum domestic capacity to the Appropriations and other energy committees.

DEPARTMENT OF ENERGY

Uranium Enrichment Policies and Operations: Status and Future Needs

Budget Function: Natural Resources, Environment, and Energy: Energy (305).
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Atomic Energy Act of 1954, as amended. S. 2035 (94th Cong.). H.R. 8401 (94th Cong.).

The three U.S. Government-owned uranium enrichment plants which prepare uranium for use as nuclear reactor fuel provide enrichment services to all U.S. nuclear reactors, all Government research and weapons programs, and most foreign reactors. When additional enrichment plants beyond those currently planned will be needed depends largely on nuclear power growth, the U.S. share of the foreign enrichment service market, and the use of existing plants and enriched uranium supplies. If there is a uranium shortage and the United States obtains 35% of the foreign market, future enrichment plants will be needed by the 1990's. The only option for meeting long-term demand is to build additional plants.
Recommendations: The Secretary of Energy should: document the results of monitoring the impact of removing or relaxing restrictions on utilities' use of foreign uranium for use by the Congress, industry, and the public; promptly publicize the agency's current stockpile policy and the basis for that policy; examine with the Department of Defense, the advantages and disadvantages of using some retired weapons material in the civilian nuclear power program weapons; prepare and implement a new operating strategy and make it available in report form to interested parties; determine, with the Department of State, the portion of the foreign market necessary to achieve the President's nonproliferation objectives and establish foreign enrichment goals by which to measure the Nation's progress in achieving those objectives and to facilitate planning for future enrichment plants; gradually increase the price of all uranium sold from its stockpile until it equals the market price at the time the Government's uranium is sold; and discontinue the policy of allowing credits for uranium obtained from residual material that is being recycled and charge customers for the uranium they receive.

The Department of Energy agreed to (1) document the results of monitoring the impact of removing or relaxing restrictions on U.S. utilities' use of foreign uranium, (2) publicize its uranium stockpile policy, (3) prepare and implement a new operating strategy and make it available in report form to interested parties, and (4) work closely with the State Department and other concerned agencies to develop ways of improving nuclear fuel assurances. The Department disagreed with our recommendations to (1) gradually increase the price of all uranium sold until it equals the market price at the time the Government's uranium is sold and (2) discontinue the policy of allowing credits for uranium obtained from recycled tails material. Two DOE uranium price increases and changes in the uranium market have largely taken care of the first recommendation. The second recommendation is still valid. *(EMD-77-64, 11-18-77)*

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Appropriations Committee should encourage the Department of Energy to promptly adopt our recommendations to gradually increase the price of its uranium and to discontinue allowing credits for recycled uranium.

DEPARTMENT OF ENERGY

Use, Cost, Purpose, and Makeup of Department of Energy Advisory Committees

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Federal Advisory Committee Act of 1972 (P.L. 92-463). P.L. 86-599. OMB Circular A-63.

The Department of Energy's (DOE) advisory committees were reviewed in regard to their purpose, cost, utilization, and structure. DOE has made a major effort to reduce and consolidate its advisory committees with about a one-third reduction since October 1977. It has also sought to review and revise the membership on all its committees.

Findings/Conclusions: Certain features of DOE's advisory committee management system still need improvement: (1) many of DOE's advisory committee charters are not specific in objectives and scope; (2) DOE does not have overall written membership selection guidelines to assure that all selection criteria are consistently applied and that committees are of optimum size; and (3) all applicable support costs were not being allocated to the committees. Some 12 of the 20 current DOE charters do not contain specific committee objectives and scope, and 18 of these charters do not contain specific timespans for the committee to accomplish its purpose.

Recommendations: DOE should: (1) insure that each advisory committee charter contain clear and specific statements of purpose and specific timespans for a committee to accomplish its purpose; (2) develop overall written membership selection guidelines to assure that all selection criteria are consistently applied and that committees are of optimum size; and (3) develop guidelines for allocating costs to advisory committees and monitor committee activities to insure that all applicable costs are properly allocated. The General Services Administration should require that every executive agency advisory committee charter be clear and specific in stating its purpose and include a specific timespan for accomplishment of its purpose.

The Department of Energy has implemented an accounting code tracking system on advisory committee expenditures. The Department does disagree, however, with the remaining recommendations concerning the need for (1) more specific and clear statements of advisory committee purpose and (2) the development of written membership selection guidelines. *(EMD-79-17, 2-2-79)*

Appropriations

Department of Energy—operating expenses and capital acquisition

Appropriations Committee Issues

We remained convinced that the initiation of our recommendation could improve the Department of Energy's Advisory Committee Management.

DEPARTMENT OF ENERGY

BONNEVILLE POWER ADMINISTRATION

Region at the Crossroads: The Pacific Northwest Searches for New Sources of Electric Energy

Budget Function: Natural Resources, Environment, and Energy: Energy (305).
Legislative Authority: Federal Columbia River Transmission System Act of 1974 (16 U.S.C. 838). Department of Energy Organization Act (P.L. 95-91). Freedom of Information Act. Bonneville Project Act of 1937. Flood Control Act of 1944. H.R. 3508 (96th Congress). H.R. 4159 (96th Congress). S. 885 (96th Congress).

The Pacific Northwest region has entered a difficult transition period. Most large hydropower sites in the region have been developed, and additional large supplies of inexpensive hydroelectric power, long the mainstay of regional electric supply, are not available. Remaining dam sites are less desirable and often involve substantial detriment in terms of environmental and recreational effect. The Federal Government, primarily through the Department of Energy's Bonneville Power Administration (BPA), plays a major role in energy management for the region.

Findings/Conclusions: Intraregional conflicts over access to Federal hydropower and Federal financial assistance have obscured the need for an updated approach to managing the region's electrical resources. It appears that congressional action will be needed to recharter the BPA and to resolve the conflicts which now deadlock regional planning and decisionmaking. More information is needed before the Federal Government makes any firm commitments to guarantee the financing of new thermal powerplants. Representative citizen involvement in planning and policymaking is essential to development of an acceptable electricity management program. Although long-range energy demand forecasts are critical to planning and policy analysis, they are too inconsistent at present. Pricing electrical energy at true replacement cost would result in greater consumer awareness and voluntary conservation. Arguments that higher energy prices will lead to economic disaster are not supported by the facts.

Recommendations: The Congress should relieve BPA of its charter responsibilities for encouraging the widest possible use of electricity and, instead, charge the agency with regionwide responsibility for development of electricity management plans and programs, encouraging conservation, and assuring adequate public involvement in planning and policymaking. The Congress should direct BPA to: continue to market hydropower to preference customers in accordance with existing legislation; develop and implement a plan for moving toward pricing at replacement cost, encourage conservation, and reduce disparities in regional power rates; prepare and update a comprehensive electricity management plan for the region; and conduct studies and tests needed to assess more accurately regional potentials for energy conservation. The Secretary of Energy should take the lead in establishing a representative regional power-planning board to exercise regionwide electricity management.

The Department of Energy (DOE) believes the report does an excellent job of assembling a variety of data on the energy situation in the Pacific Northwest and should be useful to the Department of Energy, regional leaders, and the Congress in understanding the various energy options and developing those most appropriate to the region. However, DOE believed the report understates the impacts of pricing electricity at replacement prices and the importance of providing a reliable power supply. Legislation was introduced in the 95th Congress and reintroduced in the 96th Congress, (H.R. 3508, H.R. 4159, S. 885) which would charge Bonneville with implementing conservation programs, developing renewable resources, and becoming the most important entity in the Northwest for planning and assuring a power supply. S. 885 passed the Senate in September 1979, and at present it is going through House mark-up hearings. The bill is expected to be passed by the Congress in the near future. *(EMD-78-76, 8-10-78)*

Appropriations

Bonneville Power Administration does not receive appropriations but operates on power revenues and borrowing authority. Their budget is presented to the Subcommittee on Public Works of the Senate and House Appropriation Committees.

Appropriations Committee Issues

The recommendations in this report are to make legislative changes in the charter of Bonneville Power Administration. Bonneville's responsibilities would be expanded with such changes and, thus, more expenditures would be required. Although none of the new responsibilities recommended for Bonneville would require appropriated money, the Appropriations Committees should review the increased expenditures.

DEPARTMENT OF ENERGY

ENERGY INFORMATION ADMINISTRATION

Natural Gas Reserves Estimates: A Good Federal Program Emerging, but Problems and Duplications Persist

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978. Natural Gas Act (P.L. 75-688). Department of Energy Organization Act (91 Stat. 572; 42 U.S.C. 7101). Phillips Petroleum Co. v. Wisconsin, 347 U.S. 672 (1945).

The Government relies on the natural gas reserves' estimates published annually by an industry trade association, but the creditability of these estimates has been challenged in recent years because the data could not be independently verified. The Energy Information Administration (EIA) is developing a program with an appropriate and comprehensive approach to collect these estimates.

Findings/Conclusions: However, further development and improvement in the program are needed. The EIA program will collect national estimates of reserves and related data for natural gas, crude oil, and natural gas liquids. The approach to obtain the information from the lease operators is sound because they have the best knowledge of the reserves, both on and offshore. The EIA program was supposed to supersede duplicative Government programs, but two programs are continuing which are less comprehensive. The Geological Survey program will collect information only on leases on the Outer Continental Shelf. The Federal Energy Regulatory Commission program will collect information only on natural gas and not from companies operating exclusively in the intrastate markets. The Department of the Interior is required to investigate trade associations' natural gas reserves estimates on the Outer Continental Shelf and provide estimates of oil and natural gas reserves to States and local governments. These requirements should not be used as support for a duplicative reserves estimation program, but should be met through use of reserves estimates collected under the EIA program.

Recommendations: The Secretary of Energy should direct the EIA Administrator to document whether all the data to be collected under the oil and gas reserves information program are needed to fulfill Government responsibilities; conduct a pilot test of the data collection form; and emphasize the development of a strong validation program to make sure that the data collected are accurate and complete. The Federal Energy Regulatory Commission should advise EIA that it does not require the EIA program to collect data on individual reservoirs. The Secretary of the Interior should meet the requirements for reserves estimates of oil and natural gas through the use of reserves estimates collected by the EIA program. The President should eliminate the staff positions authorized for the Geological Survey Reserves Inventory Program and add to EIA the number of positions needed to fully staff its validation program. Congress should not appropriate any additional funds for the Reserves Inventory Program of the Geological Survey.

Interior continues to contend that it needs to operate its duplicate program, but does not provide new justification for doing so. All justification was rebutted in the report. *(EMD-78-68, 6-15-79)*

Appropriations

Department of Interior, United States Geological Survey—Federal lands

Appropriations Committee Issues

The recommendation to eliminate the duplicative and expensive Interior program is still a valid recommendation.

DEPARTMENT OF ENERGY

FEDERAL ENERGY REGULATORY COMMISSION

Improved Energy Contingency Planning Is Needed To Manage Future Energy Shortages More Effectively

Budget Function: Energy: Emergency Energy Preparedness (0274)
Legislative Authority: Federal Power Act (16 U.S.C. 791). Natural Gas Act (15 U.S.C. 717). Federal Energy Administration Act of 1974. Energy Supply and Environmental Coordination Act of 1974.

Because of increasing energy emergencies, such as the natural gas shortage during the 1976-77 winter and the threat of a lengthy coal strike during the 1977-78 winter, efforts were initiated to develop an energy emergency contingency plan. In November 1977, the Department of Energy (DOE) issued an Energy Emergency Planning Guide to Government and State officials.

Findings/Conclusions: Although the guide was a reasonable first step in energy emergency planning, some of its proposals were too general, some were unrealistic, it reflected a lack of coordination, and did not assign monitoring responsibilities. The guide was of limited use to State officials and to Federal task forces established to monitor energy supplies. The Federal effort to minimize the effects of the coal strike was generally limited to monitoring energy supplies. Federal, State, and industry actions were generally responsive to emergency needs, but most States were reluctant to impose emergency measures. Aside from coal miners and certain transportation workers, unemployment attributable to the coal strike was relatively low. The dollar cost of the strike was felt mainly by consumers. Current DOE planning efforts include the development of an Energy Emergency Information System. DOE will continue to use contractors although contractual services for the planning guide were not very satisfactory.

Recommendations: The Secretary of Energy should develop a Federal interagency energy emergency agreement to designate: actions to be taken by Federal agencies and who is responsible for each action; staffing, organization, and responsibilities of task forces; candid reporting of energy situations; encouragement of planning based on regional approaches; public hearings on proposed Federal regulations for energy allocation; and closer monitoring of contractual services. He should critically review DOE's planning process to make sure that: only those needs that cannot be met by State and industry programs are being considered, State needs for Federal assistance are met, sufficient details on Federal programs are included in the 1978-79 contingency plan, proposed actions can realistically be implemented, a specific plan is provided to respond to an energy emergency, proposed actions involving energy industries are approved by energy technical specialists, and development of the Energy Emergency Management Information System is given top priority. The Federal Energy Regulatory Commission should establish procedures for monitoring costs of wholesale power transactions during emergencies and make sure that utilities have appropriate rate schedules.

The Department of Energy agreed with our recommendations that certain actions were needed to improve their emergency planning process. They stated that procedures were being implemented to respond to the recommendations. This included: (1) closer monitoring of contractual services; (2) the initiation of efforts to improve Federal/State emergency activities; (3) providing more candid energy information; and (4) developing a Federal interagency energy emergency agreement. Part (4) of the Department's response was to be carried out in conjunction with the development of a Short Term Energy Operations Manual and the Handbook of Energy Emergency Programs. The Department has completed few of the proposed actions. Contract monitoring remains inadequate, Federal/State coordination has not been fully developed, the adequacy of energy information is questionable, and the Operations Manual and Handbook have not been prepared. The recommendation concerning the priority given to the Energy Emergency Management Information System has been implemented. The program has been given priority and progress is being made on developing the system. The Federal Energy Regulatory Commission also agreed with our recommendations and promised corrective action would be taken. Little progress has been made, however, to formalize a monitoring system for costs of electric power transfers or defining the proper rate schedules to be used during emergency conditions. *(EMD-78-106, 10-10-78)*

Appropriations

Department of Energy—emergency energy preparedness.

Appropriations Committee Issues

The Department's energy emergency planning process is still inadequate to cope with emergency conditions. Contracting services, which have been an integral part of the planning process, also remain inadequate. The Department's heavy reliance on these outside services to provide the basis for planning makes it mandatory that contracting procedure deficiencies be corrected.

DEPARTMENT OF ENERGY

FEDERAL ENERGY REGULATORY COMMISSION

Improvements Needed in the Enforcement of Crude Oil Reseller Price Controls

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Emergency Petroleum Allocation Act of 1973 (15 U.S.C. 751 et seq.). 10 C.F.R. 212.93. 18 U.S.C. 3282.

A review was made of the Government's handling of crude oil reseller cases involving probable violations of Federal price control regulations.

Findings/Conclusions: The Department of Energy (DOE) and its predecessor agencies have not adequately enforced crude oil resellers' compliance with legislative requirements. Key issues involving the interpretation of pricing regulations have not been resolved, hindering effective auditing. Despite recently improved coordination with the Department of Justice (DOJ) in the handling of criminal cases, DOE still does not draw sufficiently on DOJ expertise at key decision points, and needs to put its operating arrangements with DOJ in writing. Adequate priority has not been given to pricing audits, and DOE does not appear to be committing adequate resources to ensure the quality of individual audits and the adequacy of overall audit coverage. Excess time spent by auditors and investigators in establishing the willfulness of violations, going beyond the point at which cases could have been referred to DOJ, has limited coverage and could jeopardize Federal prosecution of some violations due to statutory limitations.

Recommendations: The Secretary of Energy should enter into a memorandum of understanding with the Attorney General to: establish written procedures for referring criminal cases to DOJ, defining both agencies' responsibilities clearly; review staff assignments to ensure assignment of an adequate number of qualified auditors to ongoing audits to achieve timely completion; provide the audit resources necessary to fulfill all aspects of the revised workplan for fiscal years 1979-1980, including pricing audits; monitor audit results and increase coverage if a high incidence of violations is seen; and develop and report to Congress on the details and status of a specific plan to promptly resolve all regulatory issues. In addition, the Attorney General should review opportunities to expand informal cooperation channels with DOE, including regional level discussions of cases prior to formal referral.

The Department of Justice agreed with our recommendation to review opportunities to expand informal cooperation channels with DOE, and in its 60-day response to Congressional committees, described examples of how such informal communications were being implemented. The Department of Energy, in its 60-day response to Congressional committees, agreed with our recommendations dealing with: (1) the assignment of qualified auditors, (2) providing necessary audit resources to accomplish work plans, and (3) monitoring audit results; but claimed that such actions had already been initiated by DOE. DOE disagreed with our recommendation calling for: (1) a memorandum of understanding with Justice on referral of criminal cases; and (2) a specific plan to promptly resolve regulatory issues. In explaining its disagreement, DOE claimed that its present procedures were satisfactory and that no major changes were necessary. *(EMD-79-57, 5-29-79)*

Appropriations

Energy information, policy, and regulation

Appropriations Committee Issues

The Department of Energy needs to strengthen its enforcement procedures and practices covering crude oil resellers' compliance with price controls.

DEPARTMENT OF ENERGY

FEDERAL ENERGY REGULATORY COMMISSION

Verification of Trunkline Gas Company's Incremental Pricing Data

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Energy Policy and Conservation Act (42 U.S.C. 6381). Natural Gas Policy Act of 1978. FERC Opinion 796. FERC Opinion 796A. FERC Opinion 786.

Information submitted to the Federal Energy Regulatory Commission (FERC) in liquefied natural gas (LNG) proceedings by Trunkline LNG Co. was subjected to a verification examination by GAO. The question involved the requirement that high-cost natural gas be incrementally priced to certain users, except for LNG imported under projects certificated by FERC before May 1, 1978. This exception covered Trunkline, and, although GAO did not challenge FERC Opinion 796A, which required rolled-in, or averaged, pricing, it did conclude that the data supplied by Trunkline, upon which FERC relied in reaching its decision, was inadequate. FERC ordered Trunkline in June 1977 to sell imported LNG at rolled-in prices, modifying its earlier order stipulating incremental pricing. The change was the result of a determination that a supplemental gas supply project proposed by Trunkline was in the public interest and its economic viability should be ensured. For its part, Trunkline claimed inability to finance the project if selling prices had to be incremental, because few of its customers would buy at actual cost. FERC concluded that rolled-in pricing was a necessary ingredient in financing the project, which was consistent with its decisions in other cases.

Findings/Conclusions: The ability to market incrementally priced LNG has been controversial since the initial project hearings by FERC, with staff witnesses arguing for a true market test of pricing policies to gauge customers' willingness to pay actual costs and complaining that averaging gas prices gave consumers incorrect signals as to the scarcity and costliness of additional gas supplies. The administrative law judge's approval of rolled-in pricing was due to lack of assurance that the Trunkline project could succeed without it, but FERC objected that rolled-in pricing would encourage inefficient use of LNG and reversed the decision, asking State commissioners to adopt the same policy for local distributors. Trunkline, at oral arguments appealing this ruling, cited a survey of its customers and declared that they would not purchase LNG at incremental prices, persuading FERC to modify its decision by permitting rolled-in pricing as a necessary feature of the project. GAO examined the accuracy, reliability, and adequacy of the data gathered by Trunkline and found that no detailed analysis of the customer survey results had been prepared. Because of survey limitations, GAO could only determine that customers unwilling to buy LNG at incremental prices accounted for a minority of Trunkline's LNG sales. The marketability decision could have been better supported if FERC had required additional support for oral claims and verified the evidence. FERC failed to address such matters as customers' projected LNG demands, fuel options available and their price ranges, and the uses to be made of LNG.

Recommendations: The FERC Chairman should independently verify data presented to the Commission by interested partes when that data pertains to critical issues in its decisionmaking process.

In his 60-day response to congressional committees, the Chairman, FERC, said that he agreed with the spirit of the GAO recommendation; however, given the enormous amount of data involved, the Chairman believed it was not practical to verify independently all critical data. *(EMD-79-39, 8-27-79)*

Appropriations

Energy information, policy and regulation

Appropriations Committee Issues

The Chairman, FERC, should, to the extent practical and necessary, independently verify data presented by interested parties when the data pertains to critical issues in its decisionmaking process.

DEPARTMENT OF ENERGY

OAK RIDGE OPERATIONS OFFICE

The Nuclear Weapons Complex--A Declining Capability

Budget Function: National Defense: Atomic Energy Defense Activities (0053).
Legislative Authority: P.L. 95-509.

GAO has completed a survey of the physical condition and technological status of equipment and utility systems at the Department of Energy (DOE) Savannah River nuclear material facility in South Carolina and the Y-12 nuclear material facility in Oak Ridge, Tennessee. The purpose was to determine the state of America's weapons complex and evaluate the extent of the physical deterioration and technological obsolescence of equipment at nuclear facilities.

Findings/Conclusions: The facilities visited by GAO were generally maintained in a safe operating condition, although funding constraints for construction, capital equipment, and maintenance over the past several years have contributed to the poor physical condition and technological obsolescence that currently exist. Aging facilities, coupled with limited funds for replacement equipment, have resulted in reactor shutdowns and down-time. Facility officials believe that a multiyear, full-funding arrangement is needed to restore the facilities to their proper operational level. GAO believes that full funding could also restore important aspects of management, such as facilitating equipment purchases and installation, minimizing construction delays, and providing cost savings when used in conjunction with multiyear contracting. This full-funding concept also gives DOE, the Congress, and the public, knowledge of the full dimension and cost of a project when it is first presented for consideration.

Recommendations: GAO recommended that a 100-percent survey be made of the facilities' physical condition and identify the priority needs according to DOE's goals. Various funding approaches should then be analyzed and submitted to the Congress to fully restore the weapons complex to the condition and status adequate to meet forecasted DOD requirements.

DOE advised that two proposals for restoring the nuclear weapons complex had been provided Congress. Annual funding requirements were to be developed through normal budgetary procedures as part of a multiyear restoration program. *(PSAD-79-20, 1-16-79)*

Appropriations

Department of Energy—Special Material-Production Program

Appropriations Committee Issues

The nuclear weapons facilities and equipment restoration program are to be performed over a number of years and involve large expenditures. Since the restoration program is multiyear, but funded annually, the congressional oversight may be obscured on how the restoration is progressing against initial cost, schedule, and performance plans.

DEPARTMENT OF ENERGY

OFFICE OF CONSERVATION AND SOLAR APPLICATIONS

Organization and Management of the Department of Energy's Office of Conservation and Solar Applications

Budget Function: Energy: Energy Conservation (0272).
Legislative Authority: National Energy Conservation Policy Act (P.L. 95-619). Department of Energy Organization Act (P.L. 95-91).

An ongoing survey of the organization, management, and activities of the Office of the Assistant Secretary for Conservation and Solar Applications of the Department of Energy (DOE) has revealed certain matters which GAO believes warrant immediate top-management action.

Findings/Conclusions: In the year and a half since DOE was established, a complete organizational structure for the Office has never been approved. There is no overall system for planning, no system of reports, no uniform system for selecting projects to be funded, and only the beginning of a system for project monitoring. Officials have been slow in filling top management and other authorized staff positions due to a lack of job descriptions and classification information, and the effect of a Federal hiring freeze. Delay in confirming the Assistant Secretary's nomination had an adverse effect which could have been avoided by top management action.

Recommendations: The Secretary of Energy should direct the Under Secretary, the Director for Administration, and the Assistant Secretary for Conservation and Solar Applications to give priority attention to finalizing the organizational structure of the office; classifying and staffing the positions in the Office; and developing a management system, including a long-range plan, to manage the Office's programs.

DOE agreed with the findings and has taken action on the report recommendations. The organizational structure for the Assistant Secretary's office was approved in June 1979, a plan was developed for classifying and filling personnel positions by late 1979 (two additional staff years of effort were reported devoted to this task), and a management system has been developed and is being implemented. *(EMD-79-64, 5-18-79)*

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

Energy Conservation has been touted as the cornerstone of the Nation's energy plan. The Department of Energy's ability to plan and implement energy conservation programs and to fully capitalize on potential conservation energy savings will be hampered until a viable conservation organization is institutionalized in the Department.

DEPARTMENT OF ENERGY

OFFICE OF CONSERVATION AND SOLAR APPLICATIONS

Weatherization Procurement Proposals Need To Be Reevaluated

Budget Function: Energy: Energy Conservation (0272).
Legislative Authority: Energy Conservation and Production Act (P.L. 94-385).

A review of the organization and management of the Office of Conservation and Solar Applications, Department of Energy (DOE), was begun by GAO in January 1979. A segment of the report focused on the Office of Weatherization Assistance (OWA) within the Office of State and Local Assistance. In November 1978, Syracuse Research Corporation submitted an unsolicited proposal to OWA for the development of a weatherization program manual for State-level administrators, a project which OWA was considering at the time as a high-priority item. Lacking sufficient in-house staff to accomplish the task unaided, OWA accepted the proposal and initiated action to award Syracuse Research a noncompetitive contract to develop the manual. In a separate but related action involving Syracuse Research, OWA and the Community Services Administration (CSA) formed an interagency agreement in 1978 to develop and pilot test a weatherization newsletter as a medium for exchanging information about the program. OWA funded the project for CSA to administer, and a contract was awarded to Syracuse Research to conduct the study, including developing a mailing list, publishing and distributing three issues, soliciting comments on the newsletter from recipients, and reporting the results, with recommendations, to OWA and CSA. In January 1979, Syracuse Research submitted an unsolicited proposal to OWA to continue the program through 18 additional issues with special supplements on individual topics and possibly a Spanish-language edition.

Findings/Conclusions: OWA prepared a procurement package to justify the weatherization manual project as a sole source procurement, but the GAO review found the action to be insufficiently pressing to rule out competitive bidding. No information was given on the associated costs or the schedule requirements. Syracuse Research's planned use of consultants in the preparation of its manual was also questionable. Over 18 percent of the total estimated project cost was allotted to consultants' fees, about 39 percent of the project's labor costs. It did not seem appropriate to justify a sole source contract on the basis of a firm's capabilities if the firm needed extensive consultant assistance to fulfill the terms of the contract. In the case of the newsletter, also, the need for a sole source procurement was doubtful because of the nontechnical nature of the information in the pilot issues. Also, OWA acted prematurely in approving an extension of the program without adequately evaluating the pilot issues. In any case, under OWA plans Syracuse Research would have primary responsibility for both the weatherization manual and the newsletter, an inappropriate role for a contractor and an indication that OWA may be understaffed. Contractor support activities should not supplant the agency's normal functions, and contracts, when used, should be directed toward fostering competition. In its contracting practices, OWA may have been too reliant on contractor support for the accomplishment of its mission.

Recommendations: The Assistant Secretary of Energy, Conservation and Solar Applications, should assess the staff needs of OWA to ensure that sufficient staff is assigned for the agency to discharge its duties. OWA should conscientiously seek competition in awarding contracts and avoid over-reliance on a single contractor. The Assistant Secretary should also reevaluate the manual and newsletter proposals before proceeding with the contracts awarded to Syracuse Research.

DOE has not provided written comments addressing the GAO recommendations. GAO met with DOE officials on November 5, 1979, to discuss the matter and was told that there have been problems in reaching full Departmental concurrence with the proposed reply to our report. The Controller's Office plans to expedite the matter. *(EMD-79-81, 6-26-79)*

Appropriations

Department of the Interior and related agencies

Appropriations Committee Issues

None

DEPARTMENT OF ENERGY

OFFICE OF CONSERVATION AND SOLAR APPLICATIONS
OFFICE OF RESOURCE APPLICATIONS

Loan Guarantees for Alternative Fuel Demonstration Facilities

Budget Function: Energy: Energy Supply (0271).
Legislative Authority: Department of Energy Act of 1978 - Civilian Applications (P.L. 95-238). Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901 et seq.).

Loan guarantees may be issued for demonstration facilities to produce alternative fuels or to convert municipal and industrial waste into synthetic fuels. The loan guarantee program of the Department of Energy is administered by three groups: the Urban Technology Branch, the Office of Industrial Energy Conservation, and the high-Btu gasification Resource Manager. Within 180 days after the passage of the Department of Energy Act of 1978 - Civilian Applications, the Department was to report on the opportunities to implement the program. The Department was unable to provide comprehensive plans at this time, however, because of the complexity of the regulations and because of internal coordination problems. A funding request was denied by the Office of Management and Budget.

Recommendations: The requirement for audit of recipients every 6 months is unnecessarily restrictive, since periodic audits are a part of ongoing GAO audit responsibilities. The audit provisions in the Federal Nonnuclear Energy Research and Development Act of 1974 should be eliminated by amending authorization legislation of the Department of Energy.

No action has yet been taken to implement this recommendation. GAO believes a legislative audit requirement is unnecessarily restrictive. *(EMD-79-35, 4-03-79)*

Appropriations

Department of Energy—operating expenses and capital acquisitions

Appropriations Committee Issues

GAO continues to believe that the requirement for audit of recipients every 6 months is unnecessarily restrictive and should be eliminated.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Difficulties in Evaluating Public Affairs Government-Wide and at the Department of Health, Education, and Welfare

Budget Function: Health: Health Research and Education (0552).
Legislative Authority: National Consumer Health Information and Health Promotion Act of 1976 (P.L. 94-317).

In order to test the effectiveness of a major public information program, GAO addressed the following: problems and concerns with the lack of uniform definitions concerning public affairs, information dissemination, education, and advertising; management of public affairs within the Department of Health, Education, and Welfare (DHEW); and management of selected health education efforts. The management of two nationwide campaigns, the National High Blood Pressure Education Program and the new smoking and health initiative program, is examined. The questions that need to be answered before undertaking a campaign are as follows: how does each funding request relate to the past and future efforts; what determines the amount of advertising to be used; and what management structures have been considered to achieve program objectives more effectively. Government agencies do not always define what is involved in public affairs, and are not consistent in reporting and evaluating their public affairs costs.

Findings/Conclusions: Public affairs activities in DHEW are managed by the Office of the Assistant Secretary for Public Affairs and by 30 other offices. Although the Assistant Secretary's office is responsible for coordinating and reviewing public affairs activities, departmental oversight has been weak. Public affairs plans, budgets, audiovisual products, and publications were not always submitted to the Assistant Secretary's office for review, contrary to HEW's instructions. In an examination of the smoking and health program, GAO found that there was little indication that the managers had considered many of the essential elements of campaign development. The basis for the fiscal year 1979 budget request for the public information campaign and research on childhood determinants of smoking is unclear, and goals have not been established for the campaign. The high blood pressure program, on the other hand, is well managed and appears to have had some success in controlling hypertension.

Recommendations: The Director of the Office of Management and Budget should work with the agencies to develop uniform definitions of "public affairs" and "campaigns," and should require all Government agencies to identify in their annual budgets the costs for their public affairs activities. GAO also recommends that the Secretary of DHEW should establish guidelines for the evaluation of communications activities to include what activities should be evaluated and what types of evaluations should be conducted. Explanations should be required concerning how public affairs projects submitted for review and approval will be evaluated. If an evaluation is not planned, an adequate justification should be provided. In addition, DHEW should develop procedures to ensure that necessary criteria, such as establishing objectives, planning the campaign, and monitoring and evaluating the program, will be adequately and consistently applied to DHEW's public affairs activities.

HEW concurred with all of GAO's recommendations and has taken steps to correct the deficiencies. To date OMB has done nothing to implement our recommendations. *(LCD-79-405, 1-18-79)*

Appropriations

Department of Health, Education, and Welfare—departmental management

Appropriations Committee Issues

The Committee should require all Government agencies to identify on their annual budgets the costs for their public affairs activities.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Early Childhood and Family Development Programs Improve the Quality of Life for Low-Income Families

Budget Function: Education, Training, Employment and Social Services: Social Services (0506).
Legislative Authority: Education for All Handicapped Children Act (20 U.S.C. 1401). Social Security Act (42 U.S.C. 1396). Social Services Amendments of 1974 (42 U.S.C. 1397).

GAO reviewed the results and costs of Federally-funded early childhood development programs for low-income children and their families. About 3.7 million young children are badly in need of help to attain an opportunity to lead successful and healthy lives. Many young children receive inadequate care and millions of children suffer from poor nutrition, a lack of immunization, abuse, neglect, and undiagnosed learning disabilities. In 1975 about 89,000 women who gave birth received little or no prenatal care, thereby increasing the risk of mental retardation in the newborn. It has been estimated that 75 percent of mental retardation can be attributed to adverse environmental conditions.

Findings/Conclusions: Research completed in 1977 indicates that developmental programs for low-income children during their first 4 years of life produced lasting, significant gains; helped them to perform substantially better in school than control groups of children who did not participate in early childhood development programs and were most effective when the child starts at a young age and when parents are closely involved in the program. The research also showed that parents are receptive to and enthusiastically support such programs. The costs of early childhood and family development programs vary, depending on how the programs are implemented and on community needs and resources.

Recommendations: The Congress should consider this report in its deliberations on any future legislation that authorizes comprehensive child care programs. If legislation is enacted, it should require that the programs provide or secure (emphasizing use of existing community resources) comprehensive services for young children and their families who wish to participate, including: preventive and continual health care and nutrition services; family services based on a needs and goals assessment for each family; developmental/educational programs for children from birth through preschool years (with recognition that parents are the first and most important educators of their children); and programs that involve parents in program activities and give parents an influential role in program planning and management. Funding comprehensive child care programs should be increased gradually, and evaluations should be made while they are ongoing. The programs should be revised and improved as new and effective techniques pertaining to the development of young children and families are discovered and refined. *(HRD-79-40, 2-6-79)*

Appropriations

Department of Health, Education, and Welfare, Office of Human Development Services

Appropriations Committee Issues

Consideration needs to be given to the many benefits which can result from effective early childhood and family development programs. These programs focusing on prevention could reduce problems contributing to educational and health deficiencies in young children which are expensive and difficult to overcome in later years.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Flaws in Controls Over the Supplemental Security Income Computerized System Cause Millions in Erroneous Payments

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Internal control weaknesses over the Social Security Administration's (SSA) computer system have resulted in over $25 million in erroneous benefit payments to Supplemental Security Income recipients. Administration of the Supplemental Security Income program depends on a highly complex computerized system.
Findings/Conclusions: Currently, over 4 million persons receive Supplemental Security Income benefits that are automatically computed based on the information housed in the computerized system's automated records. Since recipient information can change monthly, it must be closely controlled to make sure that correct benefit payment amounts are made. The SSA designed an automated exception control process to help assure that all Supplemental Security Income claims and post eligibility events are accurately entered and correctly posted to the computerized system's automated data base. However, the process does not always work, and inaccurate beneficiary data can be entered and used to compute benefit payment amounts. Instructions are inconsistent concerning the appropriate actions needed to correct inaccurate beneficiary data, thus causing confusion at field offices. Based on recipient records existing as of September 1978, it is estimated that about $20 million in erroneous payments have occurred in the Supplemental Security Income program because of inadequate controls in the automated data exchange with the Retirement, Survivors, and Disability Insurance computerized system.
Recommendations: The Secretary of the Department of Health, Education, and Welfare should direct the Commissioner of SSA to improve controls over the Supplemental Security Income program's computerized system by: (1) correcting deficient exception controls in the system; (2) improving the documentation of the system's exception control process at the field office level; (3) restricting the system override capability to supervisory personnel with appropriate authority to make these override decisions; (4) removing the data exchange override capability and the default on verification provision from the computerized system; (5) modifying the Retirement, Survivors, and Disability Insurance computer system to provide a complete payment record history; (6) modifying the Supplemental Security Income system to properly post Retirement, Survivor, and Disability Insurance eligibility decisions to all appropriate data segments in the computerized master record; (7) removing system limitation that necessitate the manual calculation and control of forced payment cases; (8) establishing more controls over forced payment cases, assuring that all posteligibility events affecting these cases are processed in a timely manner; and (9) reviewing existing forced payment cases to identify reasons for forced payment, verify accuracy of all payments made, and return cases not required to forced payment status as soon as possible. *(HRD-79-104, 8-9-79)*

Appropriations

Social Security Administration—Supplemental security income

Appropriations Committee Issues

The Committee should assure itself that the actions recommended in the GAO report have been taken by Social Security to stop the types of erroneous payments that were identified.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION

Legislative and Administrative Changes Needed in Community Mental Health Centers Program

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Community Mental Health Centers Act (42 U.S.C. 2689).

A review of the Department of Health, Education, and Welfare (HEW) community mental health centers program discusses problems in monitoring the program as well as problems encountered by HEW, the States, and the individual centers in complying with legislative provisions. Responsibility for administering the program has been delegated to the National Institute of Mental Health (NIMH), under HEW.

Findings/Conclusions: Administrative and legislative changes must be made if the goal of a national network of community mental health centers is to be realized in the foreseeable future. The centers visited were experiencing many problems which hampered their effectiveness due, in part, to the limitations on the geographic areas served, the complexity and inflexibility of legislative requirements, and the multitude of funding mechanisms imposed by HEW. State, local, and third-party reimbursements must increase to assure the financial viability of existing centers and the development of new centers. Conversion and financial distress grants have been ineffective as a means for establishing or expanding services on a long-term basis. Administrative changes are needed to improve the efficiency of the grant review, approval, and monitoring process.

Recommendations: The Secretary of HEW should: require NIMH to identify communities that cannot apply for Federal community mental health center funding under the current rules due to geographic limitations, work with the States to revise the catchment area designations to allow those communities to apply; examine the possibility of consolidating or standardizing grants and grant periods to reduce administrative burden; require regional offices to follow specified grant application review procedures; improve reporting and monitoring procedures for the construction grant program; prescribe and implement standards for the centers; and work to assure that coordination, screening, and aftercare procedures are established with State and Veterans Administration mental health facilities. The Congress should amend the Community Mental Health Centers Act to: allow the Secretary of HEW to waive the requirement for any of the mandated services in certain cases; eliminate the provision for conversion and financial distress grants; restrict consultation and education grants to organizations not receiving staffing or initial operations grants; and allow HEW to award grants for other than a 1-year period. Congress should also explore development of a funding mechanism that would allow communities which are unable to develop "full service" centers to provide at least for their highest priority needs.

HEW was in substantial agreement with the basic conclusions of the report but pointed out that major revisions were forthcoming for the program. As an outgrowth of the efforts to carry out the recommendations of the President's Commission on Mental Health, the Department proposed new legislation which addresses some recommendations and, if implemented, will substantially change the program. HEW generally concurred with the recommendations to the Secretary and pointed out a number of actions it was taking to implement them, including:

—communities unable to apply for Federal community mental health center funding will be identified in the development and review of the fiscal year 1980 State plans;
—States will be encouraged to revise catchment areas to comply with the recommendation;
—an examination will be made to determine the feasibility and need for consolidating grant periods for each grantee;
—procedures will be developed to improve monitoring and reporting on the construction grant program;
—regional offices will be instructed to coordinate with the States to develop screening and aftercare procedures with the State mental hospitals. The Veterans Administration will be requested to join in a cooperative effort to develop screening and aftercare procedures between centers and the Veterans Administration psychiatric facilities. *(HRD-79-38, 5-02-79)*

Appropriations

Alcohol, Drug Abuse, and Mental Health Administration

Appropriations Committee Issues

This report discusses the problems HEW, the States, and centers are having in the implementation of Public Law 94-63, progress being made in completing the network of centers, and an estimate of the time required to complete the network at present funding levels. The report also discusses problems which relate to providing funds to expand services through conversion and distress grants.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

FOOD AND DRUG ADMINISTRATION
HEALTH CARE FINANCING ADMINISTRATION
HEALTH SERVICES ADMINISTRATION
NATIONAL INSTITUTES OF HEALTH
PUBLIC HEALTH SERVICE

Evaluating Benefits and Risks of Obstetric Practices--More Coordinated Federal and Private Efforts Needed

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Medical Device Amendments of 1976. Food, Drug, and Cosmetic Act of 1938. Kefauver-Harris Amendment of 1962.

The Federal Government, through the Department of Health, Education, and Welfare (HEW), has a number of responsibilities relating to obstetric practices, including: ensuring the safety and effectiveness of drugs and medical devices; funding medical research and Professional Standards Review Organizations; educating the public on health care; and paying for deliveries under some Federally funded programs. Critics maintain that hazards are associated with the following obstetric practices: elective induction of labor; the use of medication to relieve labor pain; the preventive use of forceps; routine electronic fetal monitoring; and the increasing use of Caesarean sections.
Findings/Conclusions: HEW has taken some actions regarding obstetric practices, such as the safety and efficacy of some drugs used in obstetrics. HEW recommended that labels of drugs used for induction contain a warning stating that the benefit versus risk ratio for elective induction of labor has not been defined, and the recommendation was also made that two drugs used for induction of labor be removed from the market. Although HEW has a system for collecting information on adverse drug reactions, it has no system for periodically reviewing marketed drugs. HEW has sponsored little research on obstetric practices. Except for evaluations of the use of Caesarean sections, Professional Standards Review Organizations have done few medical care evaluations on obstetric practices.
Recommendations: The Secretary of HEW should designate the newly created National Center for Health Care Technology, or some other organization, to oversee, coordinate, and promote departmental activities relating to obstetric practices. Specific activities should include: (1) convening a panel of representatives from Federal agencies and medical and consumer organizations with interests or responsibilities involving obstetric practices to develop a plan for reviewing obstetric practices; (2) evaluating existing research to give the public an assessment of what is known and unknown about the benefits and risks of various U.S. obstetric practices; (3) setting priorities for and coordinating research efforts of HEW on various obstetric practices and developing a plan to obtain needed data, including long-term effects on the child; (4) determining how to help minimize incorrect use of obstetric procedures through Professional Standards Review Organizations; and (5) emphasizing health education, information, and promotion activities on obstetric practices for health care providers and the public. In making a decision concerning whether or how to strengthen the Food and Drug Administration's authority on procedures for regulating drugs, Congress should consider the problems relating to regulation of selected drugs used during labor and delivery. *(HRD-79-85, 9-24-79)*

Appropriations

Department of Health, Education, and Welfare, Food and Drug Administration, National Institutes of Health, Health Care Financing Administration— payment to health care trust funds

Appropriations Committee Issues

HEW will likely need additional funds to resolve several of the problems identified in this report. Activities that will require additional funding include: (1) post-market drug monitoring and an improved compilation of information on adverse drug reactions by the Food and Drug Administration; (2) enhanced health infor-

mation, education, and promotion efforts on childbirth practices for the public and health care professionals; (3) more and better evaluations of medical care quality during childbirth by Professional Standards Review Organizations; and (4) Federal sponsorship of more and better research on obstetrical practices.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION: MEDICARE BUREAU

Actions Needed To Stop Excess Medicare Payments for Blood and Blood Products

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Social Security Act (42 U.S.C. 1395).

An evaluation of the blood replacement practices at community and hospital blood banks was made to determine consistency with Medicare regulations. Medicare insurance for the aged and disabled covers health care services, including blood and blood products. It reimburses hospitals for fees charged by blood banks for blood processing. Many blood banks also charge a nonreplacement fee when blood used by a patient is not replaced or donated on a patient's behalf.

Findings/Conclusions: Billing and replacement practices of blood banks and hospitals have caused substantial Medicare overpayments for blood and blood products. Blood banks have prevented the use of blood replacement credits to reduce blood fees whenever Medicare would pay the fees. Some hospitals charged nonreplacement fees to Medicare and to Medicare patients for blood supplied by community blood banks that charged only for processing. Hospitals often do not submit corrected bills to Medicare when blood banks release blood credits after the hospital has billed Medicare. When improper replacement practices of blood banks cease and blood banks are required to release all needed credits, the hospitals' failure to submit corrected bills will result in excess Medicare payments. Intermediaries responsible for program administration were generally unaware of the billing and replacement practices of blood banks and hospitals, or of the impact those practices have on Medicare payments.

Recommendations: The Administrator of the Health Care Financing Administration should: revise Medicare billing instructions to more clearly require that hospitals and blood banks allow Medicare patients the same opportunities as allowed non-Medicare patients to eliminate blood fees; revise Medicare instructions to provide that nonreplacement fees charged on processing-fee-only blood are not allowable charges to Medicare; improve corrected billing requirements for late blood credits to more accurately and economically account for Medicare blood replacements; require the identification of hospitals and blood banks that have engaged in improper practices and seek recovery; require, as a condition for reimbursement of blood costs, that hospitals enter into formal agreements or understandings with community blood banks that obligate the blood banks to comply with Medicare billing and replacement instructions; require the review of blood billing and replacement practices at hospitals and blood banks as a part of the regular review and audit procedures to assure equal replacement opportunities for Medicare patients; and periodically assure that monitoring efforts applicable to the matters covered in this report are properly performed, that appropriate records are being retained by hospitals that bill Medicare for patient blood use, and that corrective actions are taken as needed.

In September 1978, HEW identified specific actions it plans to take in response to each of our recommendations. *(HRD-78-172, 2-26-79)*

Appropriations

Department of Health, Education, and Welfare, Health Care Financing Administration—Health Care Trust Fund

Appropriations Committee Issues

Medicare overpayments will continue until such time as corrective action is implemented by HEW. The Congress should assure that timely and aggressive action is being taken by HEW to curtail the improper practices.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Attainable Benefits of the Medicaid Management Information System Are Not Being Realized

Budget Function: Health: General Health Financing Assistance (555).
Legislative Authority: Medicare and Medicaid Anti-Fraud and Abuse Act (P.L. 95-142). Social Security Act, title XIX, P.L. 92-603. 42 C.F.R. 450. S. 1470 (95th Cong.). H.R. 7079 (95th Cong.). H. Rept. 92-231.

Medicaid management information systems are integrated computer processing operations used by the States to process and pay bills for health care services provided to Medicaid recipients, store and retrieve service and payment data for use in monitoring and analyzing program activity, and generate management reports. A review of the Medicaid management information systems in three States—Ohio, Michigan, and Washington—indicated that the States have not realized the full potential of their systems.

Findings/Conclusions: Although approved by the Department of Health, Education, and Welfare (HEW), the systems do not meet requirements of the law, implementing regulations, or HEW's administrative requirements. Some systems are underdeveloped and/or underused, and as a result, neither the Federal Government nor the States are realizing all benefits expected. HEW lacks information on the cost of the systems and cannot effectively monitor or control administrative expenditures because of limitation in cost-reporting requirements. HEW has not required the States to develop or report the cost of operating the systems in detail. The system's data base is often incompatible with the mechanized payment systems used by Medicare carriers and hinders timely, accurate, and mechanized exchange of payment data.

Recommendations: The Secretary of HEW should: develop written approval procedures for use by HEW personnel in approving State information systems; update the general systems design and the program regulation guide to reflect system experiences to date; assist the States in developing medically acceptable definitions of medical practice which correlate medical diagnosis, procedure, age, and sex so that States can use the computer to check billings; clearly define the kinds of information systems' costs that HEW will reimburse at the 75 percent sharing level; and develop and implement a functional cost-reporting system for Medicaid claims processing. The Congress should consider amending title XIX of the Social Security Act to require HEW to establish systems performance standards and to require that HEW periodically reevaluate approved systems to determine if they continue to meet Federal requirements.

On October 15, 1979, HEW provided its statement of actions taken or planned to respond to GAO's recommendations. HEW said it was in the process of implementing them. On October 25, 1979, the Senate approved an amendment to title XIX of the Social Security Act (unprinted amendment no. 665) which would amend the Act as we recommended. This amendment also would require that several of our recommendations to the HEW Secretary be implemented. *(HRD-78-151, 9-26-78)*

Appropriations

Grants to States for Medicaid

Appropriations Committee Issues

A Medicaid Management Information System (MMIS) is supposed to provide a State with the information necessary to control Medicaid costs and detect fraud and abuse. What is HEW doing to improve the effectiveness of MMIS? How has HEW improved its process to ensure that the requirements of law and regulation are being met before increased Federal sharing in State information system costs is authorized? What has HEW done to enable States to properly claim increased sharing in appropriate MMIS costs without over- or underclaiming?

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Comparison of Physician Charges and Allowances Under Private Health Insurance Plans and Medicare

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Social Security Amendments of 1965 (42 U.S.C. 1395). B-164031(4) (1978).

A comparison was made of the actual and allowed charges for physicians at four commercial and two Blue Shield Medicare carriers for their private and Medicare businesses. An assessment was also made of the Department of Health, Education, and Welfare's (HEW) use of a Medicare provision requiring that charges allowed as reasonable under Medicare not be higher than those allowed under Medicare carriers' private business for comparable services and circumstances. This provision was meant to limit program costs.

Findings/Conclusions: Physicians charged their private health insurance plan patients less than they charged their Medicare patients in only 9 percent of the cases sampled. In only 7 percent of the cases were the allowed charges under the private plans lower than those allowed under Medicare. Private plan allowed charges usually exceeded Medicare allowed charges by more than 10 percent. In addition, GAO found that HEW was not using the Medicare provision requiring that charges allowed as reasonable under Medicare should not be higher than those allowed under Medicare carriers' private business for comparable services under comparable circumstances. Neither the law nor HEW regulations defined what constituted comparability. Regional offices have received little guidance on this matter.

Recommendations: The Committee on Ways and Means, Subcommittee on Health, should consider either deleting the comparability language in the law, or defining comparability so that it applies to all private health insurance plans which reimburse on a current reasonable charge basis. GAO believes that the most desirable action would be to delete the comparability language from the law. This would have little, if any, financial effect on the program, and it would remove inconsistencies in program administration and alleviate an ineffective program requirement and the administrative costs associated with it. *(HRD-79-111, 9-6-79)*

Appropriations

Federal Supplemental Medical Insurance Trust Fund

Appropriations Committee Issues

The comparability language in the law has not resulted in limiting program costs, as was intended. GAO believes that the comparability language should be deleted.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Home Health Care Services--Tighter Fiscal Controls Needed

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Health Insurance for the Aged. Social Security Amendments of 1972.

As of June 1978, there were 2,612 agencies certified by Medicare to provide home health care. A detailed audit was conducted at 11 home health agencies to verify that the costs claimed for Medicare were in fact incurred, allowable, reasonable, and properly reported. This review focused on proprietary and private nonprofit agencies.

Findings/Conclusions: GAO found wide variances and inadequacies in Medicare's reimbursement procedures for home health care. The management and clerical costs for two home health agencies in Louisiana that were comparable in size were $291,400 and $129,000. A comparison of two agencies in Florida showed wide variances in personnel salaries. The number of nonprofit home health agencies has grown significantly in recent years. One reason for this growth is due to the efforts of some for-profit organizations which assist in the establishment of such agencies and subsequently do business with them. GAO believes that there is program abuse because of the following examples: (1) the newly created agencies obtain services from the for-profit organizations without the benefit of competition; (2) the contracts of two for-profit organizations were for an excessive period of time (35 years and 29 years); (3) some for-profit organizations used facilities of the nonprofit agencies to conduct their business at the expense of the Medicare program; (4) some services under the contracts may be unnecessary for providing home health services; and (5) frequent examples of self-dealing were noted between the for-profit organizations and the home health agencies.

Recommendations: The Secretary of the Department of Health, Education, and Welfare (HEW) should direct the Administrator of the Health Care Financing Administration (HCFA) to develop the cost limits under Section 223 of the Social Security Amendments of 1972 for individual home health care cost elements where this is appropriate. The Secretary of HEW should also direct the Administrator of HCFA to emphasize to providers that costs claimed under Medicare must be documented, require intermediaries to test the adherence of providers to the documentation requirements, clarify and strengthen program instructions for the specific types of promotional activities that are allowable, require providers to document the scope and nature of the duties of agency employees often designated as discharge planners or hospital coordinators, emphasize to home health providers that prior approval is required for those fringe benefits not otherwise specifically authorized, and require that home health agencies provide specific reporting on the salaries and fringe benefits furnished to individual employees. Finally, the Secretary of HEW should direct the Administrator of HCFA to require prior intermediary approval of home health agency contracts whose costs exceed a specified amount or whose term exceeds a specified period of time.

HEW has established overall cost limits for home care, but limits have not been established for individual elements of home health care costs because HEW does not yet have sufficient data on which to base such limits. HEW is developing the needed data but it is not yet available. On June 28, 1979, the Senate Finance Committee approved a bill (H.R. 934) which would require HEW to establish guidelines for determining direct and indirect costs of home health providers to serve as a basis for determining the reasonable cost of home health services. The guidelines would apply to specific elements of home health service costs. The bill would also require HEW to monitor the costs and utilization of home health care services and report thereon to the Congress. HEW has implemented or begun implementation of most of GAO's other recommendations. However, HEW has not indicated concurrence in our recommendations that intermediaries be required to: (1) test the adherence of providers to the documentation requirements, and (2) approve home health agency contracts whose costs exceed a specified amount or whose term exceeds a specified period of time. *(HRD-79-17, 5-15-79)*

Appropriations

Federal Hospital Insurance Trust Fund
Supplemental Medical Insurance Trust Fund

Appropriations Committee Issues

GAO's recommendations, particularly the ones concerning limits for individual elements of home health service costs and the requirement for intermediaries to approve certain home health agency contracts, have the potential to serve as effective aids in controlling home health costs and program abuse.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Home Health: The Need for a National Policy to Better Provide for the Elderly

Budget Function: Health: General Health Financing Assistance (555).
Legislative Authority: Social Security Act, as amended, title XX (42 U.S.C. 1397). Older Americans Act of 1965 (42 U.S.C. 3021); 42 U.S.C. 3031; 42 U.S.C. 3045). Special Health Revenue Sharing Act of 1975 (P.L. 94-63). H.R. 8423 (95th Cong.). H. Rept. 95-549. H.R. 12255 (95th Cong.) H. Rept., 95-1150 S. 3544 (95th Cong.) H.R. 13097 (95th Cong.).

The Department of Health, Education, and Welfare (HEW) administers the principal Federal programs which provide home health care. The main home health care programs that are medically oriented are Medicare and Medicaid. Proposed changes to the Medicare and Medicaid programs include eliminating the requirement that beneficiaries be confined to their homes and be in need of skilled care, limitations on the number of home visits, and the addition of homemaker services in fiscal year 1978. Except for the removal of the skilled care requirement, the costs associated with these changes would not be prohibitive and could provide disincentives to institutionalization.

Findings/Conclusions: Most of the problems noted in a 1974 GAO report have been alleviated by the implementation of various provisions of the 1972 Amendments to the Social Security Act, and by better provider understanding, gained through experience, of Medicare's home health care requirements. Many physicians are still unaware of the types of services being provided by home health agencies, and States still have different requirements concerning the number of visits allowed under Medicaid. Until older people become greatly or extremely impaired, the cost for home services, including the large portion provided by families and friends, is less than the cost of putting these people in institutions. About 17 percent of those 65 years or over fall within the greatly or extremely impaired category, about one-third of whom are in institutions. At the "greatly impaired" level, where the breakeven point in cost is reached, families and friends are providing about $287 per month in services for every $120 being spent by agencies. At all levels of impairment, the value of services provided by families and friends is significantly higher than public agency costs. The Older Americans Act, as amended, made the Administration on Aging (AOA) responsible within the Federal Government for handling problems of the aged and aging. Interagency/intra-agency agreements effected among Federal, State, and local agencies have not provided effective coordinated home health services to beneficiaries. Services provided are not accessible through a single entry point. HEW officials believe that under then existing legislation, home health services defied coordination.

Recommendations: Congress should consider focusing jobs created for assisting the sick and elderly on those older people who live alone and are without family support. The Secretary of HEW should: have the carriers and intermediaries publicize the use of home health care and provide information concerning the availability of home health services to physicians and institutional providers, identify State Medicaid programs which do not provide equal treatment to eligible individuals and take steps to correct such inequities, and develop a national policy to be considered by the Congress which would consolidate home health activities. HEW should promote the establishment of a comprehensive single entry system by which individuals are assessed prior to placement in a program.

In its January 22, 1979, comments on our report, HEW said that home health agencies themselves must work toward achieving professional community acceptance and that it was not appropriate for intermediaries and carriers to undertake such efforts in their behalf. HEW said it had sent questionnaires to all States and identified three States which were not providing equal treatment to eligible individuals. HEW said it was taking action to insure that equal treatment is provided to eligible individuals in those three States. HEW generally concurred with our recommendation regarding the development of a comprehensive national policy which would consolidate home health activities. HEW also recognized that the various programs providing home health services were completely disparate in their scope, populations served, and methods of financing. Section 18 of Public Law 95-142 required the Secretary of HEW to study the

delivery of home health services under the Social Security Act, and to report to the Congress on recommendations for improvement. On July 11, 1979, the Senate passed S. Res. 169, rejecting HEW's report as submitted, and on August 2, 1979, the House of Representatives also rejected HEW's report. The report was returned to HEW for revision and resubmission to the Congress. The Medicare Amendments of 1978, H.R. 13097, passed by the House but not enacted by the 95th Congress, provided for a number of improvements in Medicare benefits, including liberalization of home health benefits. Also in October 1978 the Senate Finance Committee approved a bill (S. 3544) which would provide Federal funds for States to train and employ welfare recipients as homemakers and home health aids for the elderly and disabled; however, legislative action was not completed on this proposal either. Enacted in the 95th Congress was a bill (H.R. 12255) revising and extending the Older Americans Act which authorized special projects on comprehensive long-term care with emphasis on services designed to support alternatives to institutional living and the assessment of need, the development of a plan of care and the referral of individuals in the delivery of services. The new law also strengthened the Administration on Aging's (AOA) functions in coordinating programs for the elderly including Medicare and Medicaid. On June 28, 1979, the Senate Finance Committee approved a bill (H.R. 934) which would amend the Social Security Act to liberalize home health care benefits and require (1) improvements in the "plan of care" for home health recipients, (2) HEW to establish guidelines for determining reasonable costs of home health services and report to the Congress on costs and utilization of home health care, and (3) HEW to test methodologies for utilization review of home health services and to report thereon to the Congress. On September 20, 1979, the Subcommittee on Health of the House Ways and Means Committee approved a bill (H.R. 3990) to liberalize home health care benefits and require the HEW Secretary to establish additional standards and reimbursement guidelines for home health agencies. *(HRD-78-19, 12-30-77)*

Appropriations

Department of Health, Education, and Welfare— grants to States for Medicaid, payment to health care trust funds, human development services
Department of Health, Education, and Welfare— payment to health care trust funds
Department of Health, Education, and Welfare— human development services

Appropriations Committee Issues

Better opportunities to provide home health and in-home services to the poor and elderly under the various titles of the Social Security and Older American Acts could result if programs are effectively coordinated. AOA, as the focal point within the Federal Government to handle problems of the aged and aging, has not satisfactorily coordinated home health services. Services are available through many different programs but the delivery of the services is not coordinated. Services provided differ, or are called by various names in different programs, which creates confusion among beneficiaries over the best source of assistance for their circumstances. Services available have not been accessible through a single entry point. Legislation enacted in the final days of the 95th Congress was aimed at improving coordination of in-home services for the aged.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

More Can be Done To Achieve Greater Efficiency in Contracting for Medicare Claims Processing

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Medicare-Medicaid Anti-Fraud and Abuse Amendments. Social Security Amendments of 1972. P.L. 92-603. S. 489 (96th Cong.).

Most Medicare benefits are administered by the Department of Health, Education, and Welfare (HEW) through contracts with private insurance companies called intermediaries, which pay bills for services provided by health care facilities, and other contractors called carriers, which pay claims for services from doctors and suppliers. These contracts have been on a cost reimbursable basis, with neither profit nor loss realized by the contractors. Congress directed GAO to conduct a comprehensive study of the claims processing system under Medicare and determine necessary modifications for more efficient administration.
Findings/Conclusions: There are 46 carriers and 77 intermediaries now administering Medicare; past studies have shown that significant savings would result from merging their workloads and redistributing them among fewer contractors, which would also provide an opportunity to terminate the less efficient among them. While many organizations are both intermediaries and carriers, only rarely does one contractor perform both functions within a single region. Also, because of the similarity of the carrier and intermediary roles, combining their functions under one contractor could improve coordination of program benefits, eliminate duplication, and reduce overhead, chiefly by establishing an integrated claims processing system. HEW has announced that it will propose legislation to replace cost reimbursement contracts with competitive fixed-price contracts, a change which GAO concluded would reduce costs about 20 percent, but whose effects on the quality of service are unknown; a comparable Federal program has shown poor to adequate results. If the proposed contracting change is made, standards should be set and marginal contractors terminated. Incentive contracting is another possibility which HEW should explore. The functions of the Travelers Insurance Company, which processes Medicare claims for railroad retirement beneficiaries, could be shifted to other carriers at an annual savings of about $6.6 million to the Government. The processing for crossover claims, with Medicare and Medicaid jointly liable for beneficiary services, includes costs and delays which could be cut by using integrated processing systems.
Recommendations: The Secretary of HEW should direct the Administrator of the Health Care Financing Administration (HCFA) to evaluate experimental fixed-price contracts as to their advantages and disadvantages, incorporate performance standards in all Medicare contracts, implement a policy of contract termination for unsatisfactory performance, conduct experiments to test the feasibility of merging contractor functions under a single contractor and the effectiveness of an integrated software system, and evaluate the possible implementation of Medicare performance incentives. The Secretary should also reduce immediately the number of contractors in the Medicare program and determine which ones to eliminate by directing the HCFA Administrator to decide on the most efficient caseload and territorial configuration, based on an identification of the most competent contractors and those which can best handle large caseloads. Congress should enact legislation to withdraw authority from RRB for the selection of a nationwide carrier to process part B Medicare claims and should transfer responsibility for claims processing and payment to the area carriers handling those claims for other Medicare beneficiaries. Congress should also amend title XIX of the Social Security Act to require Medicare contractors to process Medicaid liability for crossover claims using integrated data processing systems, unless a State can present the Secretary of HEW with evidence that another system is equally efficient and effective.

HEW generally agreed with our recommendations and said they were a major step in the right direction for improved Medicare administration. Although they have not officially notified us of actions taken on our recommendations, HEW has continued to seek legislative authority to implement competitive fixed-price contracting and to eliminate the provider nomination process. Since our report was issued, HEW has announced the consolidations of certain territories

and workloads in Medicare, and is attempting to award an experimental contract for the merging of parts A and B in a section of the country. *(HRD-79-76, 6-29-79)*

Appropriations

Federal Hospital Insurance Trust Fund
Federal Supplemental Medical Insurance Trust Fund

Appropriations Committee Issues

GAO found many opportunities for HEW to improve its administration and reduce administrative costs in Medicare claims processing. GAO believes its recommendations to the Secretary of HEW can be implemented under present law. The result should be substantial savings of administrative costs in the Medicare program.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Ohio's Medicaid Program: Problems Identified Can Have National Importance

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Social Security Act.

A comprehensive review of Ohio's Medicaid program identified two issues that may have national importance: (1) the misleading statistics reported by the Medicaid quality control program which overstate potential savings available from eliminating eligibility determination errors; and (2) the unavailability of skilled nursing services to Medicaid patients which results in unnecessary hospital expenditures.

Findings/Conclusions: Ohio uses a quality control system developed by the Department of Health, Education, and Welfare (HEW) to help insure proper and correct expenditures of public assistance funds by identifying unacceptable performance and ineffective policies and taking corrective action. A review of cases found ineligible by Ohio's quality control review showed that determinations were generally correct, but the procedures HEW requires the States to use do not differentiate between technical and substantive errors. Therefore, true program losses due to ineligibility and potential savings available from eliminating eligibility determination errors are overstated. The availability of skilled nursing facility (SNF) services to Medicaid and Medicare patients in Ohio has been adversely affected because of the State's relatively low limits on SNF reimbursement.

Recommendations: The Administrator of the Health Care Financing Administration should: revise Medicaid quality control study procedures to include, in reporting results of these studies, an estimate of potential savings available from elimination of Medicaid eligibility determination errors; assist Ohio in improving its reimbursement system for skilled nursing services in order to increase their availability; and determine if other States' reimbursement systems for SNFs are resulting in problems like those in Ohio and assist any State with these problems in improving their skilled nursing services program.

HEW agreed with the recommendations related to increasing the availability of skilled nursing facility (SNF) services to Medicaid and Medicare patients. HEW said it would provide technical assistance to Ohio to improve the State's SNF program. HEW also said it would review other States' SNF programs and assist any States with problems. HEW disagreed with the recommendation to revise Medicaid quality control reporting procedures because its procedures produce a technically correct estimate of erroneous Medicaid payments. As stated in the report, while the erroneous payment estimates are technically correct, we believe they can be, and are, misinterpreted by policymakers as an estimate of the amount which could be saved by eliminating eligibility determination errors. We still believe the Medicaid quality control reports should be revised to include specifically an estimate of potential savings from eliminating errors so that the reported figures are not misinterpreted. *(HRD-78-98A, 10-23-78)*

Appropriations

Grants to States for Medicaid

Appropriations Committee Issues

Medicaid quality control report estimates of erroneous payments are used in making estimates of fraud, abuse, and waste in HEW programs. In turn, these estimates have been used as part of the basis for amendments to HEW appropriation acts directing HEW to cut expenditures. Because expenditures based on technical Medicaid eligibility determination errors are often not saved by correcting the error, using the Medicaid quality control reports to reduce HEW appropriations is not realistic. Data on Ohio in this report and subsequent data relating to New York's Medicaid program indicate that many millions of dollars are being expended on inpatient hospital services for Medicaid and Medicare patients who could be adequately served by SNFs. Increasing the availability of SNF services to Medicaid and Medicare patients would result in substantial savings to the programs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Opportunities To Reduce Administrative Costs of Professional Standards Review Organizations

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Social Security Amendments of 1972. P.L. 92-603. Social Security Act. 45 C.F.R. 74. S. Rept. 92-1230. S. Rept. 93-553.

Professional Standards Review Organizations (PSROs) were established in order to assure that health care services provided under medicare and medicaid conform to appropriate professional standards and are delivered in the most effective, efficient, and economical manner possible. On November 14, 1977, the Department of Health, Education, and Welfare (HEW) announced that it was increasing the maximum allowable compensation for PSRO Executive Directors and Medical Directors.

Findings/Conclusions: The salary schedules established for executive directors appeared to be inflated, and criteria and data on which they were based were not consistent with the backgrounds of most executive directors. The salary increases are about 8% to 10% higher than they would be if they were based on rates for similar positions in nonprofit organizations, and the levels are equal to, or higher than, those in similar positions in the medicare/medicaid administration complex. Also, there are similarities in the administrative hierarchy within each organization and opportunities in States with more than one PSRO to consolidate similar administrative functions which could result in cost savings. The 164 PSROs in the 21 States with more than one PSRO area will spend over $40 million for administrative staffs. Consolidation can best be achieved when nonperforming organizations are identified and removed from the program.

Recommendations: The Secretary of HEW should direct the Administrator of the Health Care Financing Administration to: rescind the executive director salary levels published in November 1977 and establish new levels based on salaries paid comparable positions in nonprofit organizations; and identify PSRO areas where administrative staff and functions can be combined, paying particular attention to situations where nonperforming PSROs are replaced, and encourage the sharing of support services.

HEW agreed with our recommendations that savings could be achieved through: (1) consolidation of administrative staff and functions, and (2) sharing of basic technical and support services. HEW stated that they will be able to consolidate some PSROs as the result of the termination of PSROs that fail to perform. In addition, HEW is encouraging PSROs to investigate the possibility of sharing administrative activities in order to reduce costs. Since our report was issued, HEW has reexamined compensation levels for PSRO executive directors and informed us that the salaries will now be based on comparable salaries paid in the nonprofit sector as opposed to salaries in the American business sector. This is in conformance with our recommendation. *(HRD-78-168, 10-12-78)*

Appropriations

Quality care management, research and administration

Appropriations Committee Issues

Operating costs should be reduced to the extent that: (1) HEW reduces PSRO administrative staff and functions through consolidation of individual PSROs and (2) PSROs share administrative activities. In addition, HEW's decision to pay PSRO executive directors salaries comparable to those of the nonprofit sector should reduce the amount of future salary increases for these individuals.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Problems With Evaluating the Cost Effectiveness of Professional Standards Review Organizations

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Social Security Act.

Professional Standards Review Organizations (PSROs) are designed to make sure that health care services provided under Medicaid and Medicare are delivered as effectively, efficiently, and economically as possible. Nine estimates of cost savings attributable to PSROs are overstated by $16.7 million for Medicare and Medicaid. All but one of the nine estimates were either prepared by a PSRO or prepared on information provided by a PSRO.

Findings/Conclusions: It is important that estimates of cost savings be accurate. There were several significant deficiencies in the data used to compute the nine estimates of cost savings. Data for eight of the nine were incomplete and/or included, as savings, days of care that were paid by Medicare or Medicaid. Various methods were used to compute these savings. The deficiencies with all the methods but one, make the remaining savings highly questionable. Several problems were noted with the data obtained to compute changes in Medicare hospital use. Statistics used by HEW in the 1977 evaluation of the program included information on 20 hospitals that should not have been included in the evaluation and omitted information on 3 hospitals that should have been included. PSRO and hospital officials said that increases and decreases in Medicare hospital use were attributable to many factors, such as changes in medical services, medical practices, number and availability of home health care, availability of nursing home beds, and changes in Medicare population.

Recommendations: The Secretary of Health, Education, and Welfare should require an extensive validation of its data. This should include onsite validation of the appropriateness of the hospitals and the reasonableness of the data to assure that the data are complete and accurate before being used to evaluate the effectiveness of PRSOs. The Secretary should direct the Administrator of the Health Care Financing Administration to provide technical assistance in preparing assessments of cost savings and develop standard methods that PSROs can use to measure their effectiveness in reducing hospital utilization.

Initially HEW did not agree with the GAO recommendation that they should require extensive validation of HEW data before using it to evaluate PSRO effectiveness. HEW stated that the Medicare data used in the Health Care Financing Administration's (HCFA's) 1978 PSRO program evaluation had been corrected to include the appropriate hospitals. After receiving HEW's comments, GAO reviewed the data pertaining to the 1978 evaluation and noted that all 23 hospitals (about 10 percent of those included in the review) we reported as being inappropriately included or excluded in the 1977 evaluation were treated in the same manner in the 1978 evaluation. HEW officials have subsequently informed GAO that they are in the process of correcting the Medicare data and will revise their 1978 evaluation to show the effect of these corrections. With respect to estimates of cost savings prepared by individual PSROs, HEW indicated that rather than adopt GAO's recommendations to provide the PSROs technical assistance in preparing estimates of savings and developing a standard method that the PSROs can use, HEW will discourage PSROs from making future estimates of cost savings. Despite this discouragement, PSROs continue to make estimates of cost savings. *(HRD-79-52, 7-19-79)*

Appropriations

Quality care management, research and administration

Appropriations Committee Issues

Estimates of cost savings prepared by individual PSROs and HEW have been used in the past to demonstrate that PSROs are a cost effective means for reducing Federal health care costs. The eight estimates of savings, prepared by individual PSROs and reviewed by GAO, generally overstated savings by significant amounts and were not based on sound methodologies. GAO believes that its recommendations calling for HEW to provide PSROs technical as-

sistance and standard methods need to be implemented before estimates of cost savings, prepared by individual PSROs, can be used to demonstrate their effectiveness.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Savings Available by Contracting for Medicaid Supplies and Services

Budget Function: Health: Health Care Services (551).
Legislative Authority: Social Security Act, as amended, title XIX (42 U.S.C. 1396). Clinical Laboratory Improvement Act of 1977; S. 705 (95th Cong.); H.R. 10909 (95th Cong.); S. Rept. 95-360. Social Security Amendments of 1967 (P.L. 90-248); H.R. 12080 (90th Cong.). Medicare Act 45 C.F.R. 450. H.R. 6221 (95th cong.). S. Rept. 92-1230. H. Rept. 95-1004. B-164031(4) (1972).

Federal funds provided by the Medicaid program are used to purchase Medicaid supplies and services, including eyeglasses, oxygen, durable medical equipment, and clinical laboratory services. Each State has primary responsibility for administering its Medicaid program. Although the Social Security Act requires that State Medicaid programs provide certain basic services to all eligible persons, medicaid coverage for miscellaneous supplies and services is not uniform.
Findings/Conclusions: The Medicaid program could realize considerable savings if the States used competitively bid or negotiated contracts to purchase medical supplies or services for Medicaid recipients. States using direct contract methods obtain supplies at lower prices than those States applying the criteria of usual and customary charges as permitted by regulations. In three Northeastern States, Medicaid was paying higher prices for clinical laboratory services than other purchasers even though the program was a large consumer of such services. Other purchasers take advantage of volume and professional discounts, lower fee schedule, and direct contracting to obtain better prices. The issue of whether direct contracting by States is consistent with freedom-of-choice provisions of the Social Security Act is unclear, but GAO believes that eyeglasses, oxygen, and other items of durable medical equipment can be purchased through competitively awarded contracts without conflicting with provisions of the Act.
Recommendations: The Administrator of the Health Care Financing Administration should: publish regulations which encourage States to purchase eyeglasses, oxygen, wheelchairs, and other durable medical equipment through competitive bids or competitive negotiation; expand Medicare's proposed lowest charge regulations to include laboratory tests most commonly ordered under Medicaid; and require the States to find out what other volume purchasers of laboratory services are paying when developing their fee schedules. To facilitate the competitive procurement of Medicaid supplies, the Congress should amend the Social Security Act to specifically exclude eyeglasses, hearing aids, oxygen, and common items of durable medical equipment. Also Congress should enact pending legislation to authorize the competitive procurement of laboratory services on an experimental basis.

HEW agreed with the need to better assure that States purchase quality Medicaid supplies and services at the lowest possible price. On May 25, 1979, HEW issued proposed regulations to lower the cost of eyeglasses and hearing aids paid under the Medicaid program. One of the options to States would be a volume purchase plan under which payments for eyeglasses and hearing aids would be based on prices negotiated by the State agencies plus a reasonable dispensing fee. During the 95th Congress both Houses of Congress passed legislation which authorized States to purchase laboratory services for their Medicaid population through competitive bidding arrangements; however, the 95th Congress expired before legislative action could be completed. Also the Senate Finance Committee in its report on H.R. 5285 (S. Rept. No. 95-1111) clarified Congressional intent on the "freedom-of-choice" provision by pointing out it was not intended to apply to the types of care or services which the patient ordinarily does not choose. During the 96th Congress, the Senate Finance Committee reported out H.R. 934 which contained a provision allowing a State to purchase laboratory services for its Medicaid population through competitive bidding arrangements for a 3-year experimental period. This bill also contained a provision which would permit States, at their option, to purchase medical devices (such as eyeglasses, hearing aids, and wheelchairs) through competitive bidding, or appropriate negotiated arrangements. *(HRD-78-60, 7-7-78)*

Appropriations

Department of Health, Education, and Welfare—grants to the States for Medicaid

Appropriations Committee Issues

In view of the broad Congressional support for the use of competitive procurement methods for acquiring laboratory services and the savings that can result therefrom; HEW should be encouraged to proceed under its existing authority under section 1115 of the Social Security Act to enter its demonstration projects involving the competitive procurement of laboratory services for Medicaid recipients. Also, HEW regulations aimed at lowering the cost of eyeglasses and hearing aids under Medicaid should be expedited and expanded to include other supplies and medical equipment.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Use of Grant Funds by the Sacramento Foundation

Budget Function: Health: General Health Financing Assistance (555).
Legislative Authority: Social Security Amendments of 1972 (P.L. 92-603). P.L. 94-182, Sec. 107.

The Foundation Community Health Plan of the Medical Care Foundation of Sacramento was reviewed to determine: (1) if the Federal Government had recovered Medicaid funds paid to the Foundation as recommended in previous reports; and (2) if the State of California should refund Federal Government grant funds paid to the Foundation as part of a rate-setting demonstration study. As of December 1977, HEW had not attempted to recoup funds from California based on 1975 recommendations on fiscal years 1973 and 1974 Foundation activities. The State failed to justify paying rates to the Foundation exceeding those that would normally have been paid to a prepaid health plan. The law is not specific on how extensively the Foundation had to participate in the rate-setting study. HEW's grant to the State only required the Foundation to provide data to the State. Because the Foundation provided the data, there are no grounds on which to demand repayment from California for its payment of demonstration grant funds to the Foundation.

Findings/Conclusions: GAO concluded that HEW should implement our 1975 recommendations by recouping from California payments made to the Foundation during fiscal years 1973, 1974, and 1975 which exceed those which would have normally been paid to a prepaid health plan. An HEW disallowance of excess payments to the Foundation, which was based on a State Auditor's report covering a shorter time period, is in the HEW grant appeals process. *(HRD-78-62, 3-6-78)*

Appropriations

Grants to the States for Medicaid

Appropriations Committee Issues

Has HEW recouped from California the Federal share of excess Medicaid payments to the Foundation Community Health Plan for fiscal years 1973, 1974, and 1975?

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH RESOURCES ADMINISTRATION

HEALTH SERVICES ADMINISTRATION

Progress and Problems in Improving the Availability of Primary Care Providers in Underserved Areas

Budget Function: Health: Health Care Services (551).
Legislative Authority: Allied Health Professions Personnel Training Act of 1966 (P.L. 89-751). Emergency Health Personnel Act of 1970 (P.L. 91-623). Comprehensive Health Manpower Training Act of 1971 (P.L. 92-157). Emergency Health Personnel Act Amendments of 1972 (P.L. 92-585). Public Health Service Act. Health Professions Educational Assistance Act of 1976 (P.L. 94-484). Health Professions Educational Assistance Amendments of 1965 (P.L. 89- 210). "Rural Health Clinic Services Act" (P.L. 95-210). Health Professions Education Amendments of 1977 (P.L. 95-215).

The Congress has recognized the importance of making health manpower accessible to the entire population. A disproportionate number of physicians has been concentrated in urban areas, mainly because of professional considerations. During fiscal years 1972-1977, more than $430 million in Federal funds were obligated in an attempt to increase the supply of physicians in shortage areas.
Findings/Conclusions: Federal efforts have had some success, but many problems remain. The National Health Service Corps has increased the availability of physicians in shortage areas but, because it has not adequately assessed needs, its physicians are underused in terms of patients served at some sites. The Federal loan repayment program has attracted only a small percentage of eligible physicians, most of whom would have established practices in shortage areas anyway. The program for area health education centers has long-term potential to improve health manpower distribution by meeting some of the professional considerations. The preceptorship program will probably not substantially affect location choices, but the family medicine training program has potential for increasing the supply of physicians in rural areas and small towns because of the tendency for many family practitioners to locate in such areas. Many States and private organizations have attempted to increase access to primary care medical services in rural areas through programs using nonphysician providers, including nurses and physician extenders. The inability to receive reimbursement from Medicare or other sources for physician extender services restricted more widespread use of such services. Recent authorization for such reimbursement may help areas to use physician extenders to meet health care needs.
Recommendations: The Secretary of Health, Education, and Welfare (HEW) should: develop guidelines for assessing under what circumstances it would be appropriate to assign Corps health care providers and the number and type of provider(s) that would be most appropriate and require studies of potential use by residents, develop projections to assess the number of physicians with scholarship commitments that will be needed to serve in shortage areas, analyze the extent to which family practitioners and other specialists locate in HEW-designated shortage areas and make recommendations for financially supporting programs with the greatest potential for serving these areas, work with States to identify shortage areas and develop a strategy for establishing an integrated program to appropriately serve each area, and examine programs which rely on physician extenders and consider seeking legislation to assist such programs. The Congress should reconsider whether the loan repayment program for physicians needs to be continued.

HEW agreed with most of the recommendations. However, HEW did not comment on the GAO recommendation that the Congress should reconsider whether the loan repayment program for physicians needs to be continued. *(HRD-77-135, 8-22-78)*

Appropriations

Department of Health, Education, and Welfare: Health Resources Administration, Health Services Administration

Appropriations Committee Issues

GAO believes it is doubtful that a separate loan repayment program is still needed to attract physicians to shortage areas in view of the (1) expanded corps scholarship program and number of physicians

expected to be available for shortage area service and (2) discretion available to the Secretary of HEW under the Health Professions Educational Assistance Act of 1976 to repay the newly authorized Federally-insured health professions student loans. Therefore, the Appropriation Committees should reconsider whenever the loan repayment program for physicians needs to be continued since

—it has not induced substantial numbers of physicians to enter shortage-area practice and

—many physician participants apparently received windfall repayment of their education loans by the Federal Government since they would have established their practices in those shortage areas anyway.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH SERVICES ADMINISTRATION

Are Neighborhood Health Centers Providing Services Efficiently to the Most Needy?

Budget Function: Health: Health Care Services (551).
Legislative Authority: Public Health Service Act, as amended (42 U.S.C. 254c; 42 U.S.C. 300e). Social Security Act (42 U.S.C. 1396). National Health Planning and Resources Development Act of 1974 (P.L. 93-641). National Consumer Health Information and Health Promotion Act of 1976 (P.L. 94-317). Planning and Health Services Amendments of 1966. P.L. 94-63. B-164031 (2) (1974).

Federally funded neighborhood health centers provide a wide range of ambulatory health services to residents (primarily the urban poor) of the areas designated as medically underserved. The Department of Health, Education, and Welfare (HEW) funds 112 neighborhood health centers; such centers received most of the $197 million appropriated in fiscal year 1976 for HEW's community health center program.

Findings/Conclusions: There are five basic situations in need of improvement in the neighborhood health center program: (1) centers are overstaffed for the number of patients treated, and the underuse of physicians, dentists, support personnel, and services costs more than $1 million annually; (2) demand for health services from neighborhood health centers is not likely to increase beyond present levels and could decline; (3) HEW has not made sure that centers are serving residents of medically underserved areas and does not know the number of percentages of users who live in these areas; (4) HEW no longer requires centers to become financially self-sufficient; and (5) although the Public Health Service Act requires the centers to provide preventive health care, most patients use the health centers to cure illness instead of for prevention. HEW needs to develop and more strongly enforce productivity standards for all health center employees.

Recommendations: The Secretary of HEW should: reduce the service capacity at inefficient centers to levels consistent with the demand for services, enforce compliance with existing productivity and staff-size criteria, develop criteria for measuring the productivity of dentists, assure closer evaluation of the reasonableness of costs at each center in relation to the level of service provided, compile and maintain records to identify center registrants who live in medically underserved areas and identify centers whose registrant workload is not primarily from those areas, stop funding centers which service only or primarily people who do not live in medically underserved areas, continue to encourage and assist centers to bill and collect money when it is due them, and have health centers promote participation in preventive health care services.

HEW concurred with our recommendations which would result in increased efficiency, allow for resource allocation, and result in increased participation in preventive health care services. It believes that collecting demographic data to identify residences of clinic workload would be contrary to efforts to streamline Federal paperwork requirements and direct funds from health care delivery. Also it did not concur that centers should concentrate on servicing residents of medically underserved areas. *(HRD-77-124, 6-20-78)*

Appropriations

Department of Health, Education, and Welfare, Health Services Administration—Community Health Centers

Appropriations Committee Issues

Congress should be concerned about the extent that project overstaffing is increasing program operating costs, and about the extent that program funds are expended to fund clinics that do not serve the medically underserved.

DEPARTMENT OF HEALTH EDUCATION AND WELFARE

INDIAN HEALTH SERVICE

Review of IHS Plans for Construction of Hospital in Tahlequah, Oklahoma

Budget Function: Health: Health Planning and Construction (554).

The Indian Health Service (IHS) and the Cherokee Tribe jointly proposed to replace the W. W. Hastings Hospital operated by the IHS with a new facility adjacent to the city hospital at Tahlequah, Oklahoma. The IHS program document for the replacement of the W. W. Hastings Hospital was deficient in several respects. It did not contain sufficient planning for the integration of Indian and non-Indian health needs provided at the Tahlequah Community Hospital; calculate the number of acute care hospital beds and amount of square footage in accordance with planning methods approved by the Department of Health, Education, and Welfare; or develop the justification for and facility requirements of the training and educational programs which the tribe had planned. A review of the IHS hospital construction program identified weaknesses in program planning. The IHS method of planning for acute care hospital beds does not recognize the downward trend in IHS hospital usage; if IHS proceeds as planned, its hospitals will contain too many beds. Appropriations for IHS hospital planning and construction should not be made until IHS adjusts its method for planning hospital capacity and size to recognize the downward trend in hospital use and the availability of existing community facilities.

Congress has imposed a moratorium on the use of appropriated funds for planning IHS hospital projects. In addition, the House and Senate Appropriations Committees' fiscal year 1979 and 1980 Conference Reports mandate IHS compliance with directives to correct deficiencies identified as a result of GAO's review of IHS hospital planning. The Congress has approved funding for planning and constructing a replacement hospital in Tahlequah, Oklahoma, and a new hospital in Chinle, Arizona, after revisions were made to reduce the hospitals' bed size and square footage. Funding commitment for other IHS hospitals is being deferred until IHS makes further revisions in its criteria for determining hospital construction priorities, bed size, and square footage. *(HRD-78-124, 6-2-78)*

Appropriations

Department of Health, Education, and Welfare, Indian Health Service

Appropriations Committee Issues

Congress needs to provide guidance in setting program direction and priority for health service delivery in the IHS Oklahoma area.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Better Information Needed for Oversight and Evaluation of Selected Elementary and Secondary Education Programs

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).
Legislative Authority: Congressional Budget Act of 1974, title VIII (P.L. 93-344). Elementary and Secondary Education Act of 1965, as amended (P.L. 89-10; P.L. 93-380; P.L. 90-747; P.L. 85-864; P.L. 90-247; P.L. 81-874; P.L. 91-230; 20 U.S.C. 236).

A review to determine the Senate Committee on Human Resources' needs for oversight information on selected elementary and secondary education programs focused on the information currently provided to the committee, information available from the Federal educational community, information available from State educational agencies, and information available from local educational agencies. Information collected during 1976 and 1977 covered a wide range of descriptive information, financial data, and performance indexes.
Findings/Conclusions: More uniformity is needed in education programs and budgetary presentations. There are several varying lists and structures for programs authorized by the Elementary and Secondary Education Act. Each list or structure serves a purpose that influences its form, but several appear to be justified only because of different information requirements of various users. Information users should attempt to move toward uniformity of list or structure; where this is not possible, easily usable cross-references should be developed and made available. Also, there needs to be more uniformity in the terms and their definitions used in reports to the Congress on education programs. Four alternative approaches to providing the committee with oversight information are: (1) comprehensive data packages supplied to the committee; (2) selected data reported to the committee and the remainder retained to be available upon request; (3) selected data obtained by the Education Division and reported to the committee; or (4) maintain existing reporting systems.
Recommendations: The Secretary of Health, Education, and Welfare should coordinate with the Office of Management and Budget and interested congressional committees to develop: a basic program/activity list and cross-references between other program identification description, fiscal data, student eligibility and participation, assessment of needs, and program evaluation information for future reports to the committee. *(PAD-78-35, 5-30-78)*

Appropriations

Department of Health, Education, and Welfare
Department of Labor and related agencies

Appropriations Committee Issues

Education program information is presented to the Congress under many different or slightly different program names and groupings (program/ activity lists or structures). There needs to be more uniformity in terminology and compatibility in program lists.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Federal Program To Strengthen Developing Institutions of Higher Education Lacks Direction

Budget Function: Education, Training, Employment and Social Services: Higher Education (0502).
Legislative Authority: Higher Education Act of 1965 (20 U.S.C. 1051 et seq.). Higher Education Amendments of 1968 (P.L. 90-575). Education Amendments of 1972 (P.L. 92-318). Education Amendments of 1974 (P.L. 93-380).

GAO reviewed the Strengthening Developing Institutions of Higher Education Program implemented by the Office of Education under title III of the Higher Education Act of 1965. The program was planned to make grants to institutions which are struggling for survival and isolated from the main currents of academic life, so they might contribute to U.S. educational resources if they have the desire and potential. **Findings/Conclusions:** More than 800 institutions participated in the program between 1966 and 1977, exhausting appropriations exceeding $700 million, most of which was allocated to small institutions serving primarily minority or low-income students. There was no evidence of improvement among the institutions in the program; in fact, none of the institutions has graduated from title III status, including 120 which have received funds for at least 8 years. Questions persist regarding the program's intended beneficiaries, the method of assistance, and program objectives. **Recommendations:** Criteria for determining eligibility, selecting participating institutions, and establishing institutional responsibilities should be strengthened so that the most deserving institutions receive funding, funds are accounted for, and institutions approach established goals. The Office of Education should expand its monitoring of grant awards to measure the success of the program. The Commissioner of Education should fix eligibility criteria for institutions to be served and determine what services are needed; apply these criteria in selecting institutions; provide institutions with guidelines for administering grant funds, obtaining technical services, and evaluating program results; and emphasize long-range planning and coordination needs of various title III projects. The Commissioner should also apply grantee selection procedures, refine grant application review procedures, and ensure that reviewing field readers are free of conflicts of interest. Field visits should be employed to monitor institutions more closely, and audit exceptions should be promptly resolved. The relationships between grantee institutions and the "assisting agencies" which service them should be clarified in the interest of increased competition. Congress should consider terminating the title III program. If the program is to be continued, its intent should be clarified to show which institutions should be served and the goals to be achieved.

Agency statements submitted to Congressional committees on actions taken showed revisions to the comments that appeared in the final report. HEW concurred with GAO's major recommendations and had taken or planned to take steps to implement them. HEW believes that new regulations issued in May 1979 will correct certain problems noted by GAO. While GAO agrees that the regulations might result in some improvements in the administration of the title III program, it is not clear that these revised regulations will be more adequate than the regulations in effect when GAO made its review in assuring that those institutions intended to benefit by the law receive title III support. New legislation has been introduced to define further a developing institution. *(HRD-78-170, 2-13-79)*

Appropriations

Department of Labor
Department of Health, Education, and Welfare, and Related Agencies

Appropriations Committee Issues

The operating problems and the more basic problem of adequately defining a developing institution are so fundamental and pervasive that we believe the program as presently structured is largely unworkable. Therefore, the Congress should first determine whether or not the title III program should be continued. If it decides that the program should continue, it needs to clarify the program's intent to show which institutions should be served and the goals these institutions should achieve.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Financial Statements of the Student Loan Insurance Fund

Budget Function: Education, Manpower, and Social Services: Higher Education (502).
Legislative Authority: Higher Education Act of 1965.

Since 1968, GAO has issued seven reports to the Congress on the financial aspects of the Student Loan Insurance Fund. Many deficiencies in the Office of Education's accounting and computer systems were noted, including the following: (1) major accounts were unsupported by subsidiary records; (2) the allowance for loss rates for defaulted loans purchased, accrued interest, and claims-in-process was not based on actual program experience; and (3) the automated computer systems needed to provide accurate information for the Fund's financial statements were not functioning properly. A limited review of the Fund's financial transactions and operations for fiscal years 1976 and 1977 disclosed that these deficiencies remain uncorrected. No opinion was rendered since the poor condition of accounting records and lack of adequate internal control procedures would have necessitated additional time-consuming work. The Department of Health, Education, and Welfare should develop a plan of action that will detail the steps needed to improve the Fund accounting controls and procedures and the computer system that provide data for the Fund and the management of the Guaranteed Student Loan Program.

In April 1979 a new contractor assumed technical responsibility for the Guaranteed Student Loan Program data processing and systems support. Agency officials stated that due to the change in contractors it was not possible to provide a specific timetable of proposed actions, although it was expected that system improvements to correct prior deficiencies would be initiated. *(HRD-78-165, 9-8-78)*

Appropriations

Department of Health, Education, and Welfare, Office of Education
Department of Labor

Appropriations Committee Issues

Approximately $50 million has been spent on automated computer systems which have not provided accurate information needed for financial statements and program operations. The present system is not working and there is uncertainty about the development of future systems. Additional funds for new computer systems should not be provided until the Office of Education is able to develop specific plans on how it will overcome current data problems.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Inconsistencies in Awarding Financial Aid to Students Under Four Federal Programs

Budget Function: Education, Training, Employment and Social Services: Higher Education (0502).
Legislative Authority: Education Amendments of 1972 (P.L. 92-318). Higher Education Act of 1965 (20 U.S.C. 1087; 20 U.S.C. 1071).

Federal financial aid programs have not provided students with similar needs with the same amounts and types of assistance. The Department of Health, Education, and Welfare (HEW) sponsors four programs through the Office of Education which are to help students at postsecondary schools and which are administered by the schools' financial aid offices.
Findings/Conclusions: Aid has been distributed inconsistently under the programs. Funds to States and schools have not been allocated on the basis of students' needs, and schools have overstated requests for funds. Systems that assess students' needs for financial aid have used different measures of expected family contributions toward the cost of education. Methods used by schools to develop financial-aid packages failed to consider all sources of student aid and have resulted in some students getting more than their computed needs, while others did not receive enough. Inadequate or unenforced standards have allowed students to remain in school and receive financial aid without making satisfactory academic progress.
Recommendations: The Secretary of HEW should: complete plans to streamline the Office of Education's system for distributing funds under the campus-based programs; design a simple system to determine a family's ability to meet educational costs; establish more specific criteria for allowing students' living and miscellaneous expenses; require verification of information supplied by students and parents for campus-based aid programs before awards are made; establish guidelines to require total aid packages of students in similar circumstances to have similar mixtures of grants and self-help aid; promptly carry out plans to integrate and coordinate Federal and non-Federal aid and emphasize the need for financial aid officers to check all available sources of aid to determine if recipients are receiving any other financial assistance; and, if authorized by Congress, develop minimum standards for student academic progress.

HEW did not respond in writing to GAO's request for comments on this report in time for inclusion in the report. Office of Education officials said that many of GAO's observations and recommendations point out problems of longstanding concern to HEW. They said steps had been taken to revise the system for allocating campus-based funds among institutions. *(HRD-79-16, 5-11-79)*

Appropriations

Department of Health, Education, and Welfare
Department of Labor and Related Agencies

Appropriations Committee Issues

Congress should revise State allotment formulas to include consistent indicators of relative need of students in the States, make formula factors for each of the programs consistent with the types of students who are eligible, and allow greater interchangeability of funds between the initial and continuing year Supplemental Grant program.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

What Assurance Does Office of Education's Eligibility Process Provide?

Budget Function: Education, Training, Employment and Social Services: Higher Education (0502).
Legislative Authority: Higher Education Act of 1965. 20 U.S.C. 1141(a). 20 U.S.C. 1088(b). 20 U.S.C. 1085(b).

The process for determining which post secondary schools are eligible to apply to participate in the Office of Education's student loan and grant programs has not precluded schools from engaging in potentially abusive practices to attract and retain students receiving such assistance.

Findings/Conclusions: The Office of Education's eligibility process has relied heavily on private accrediting associations and, to a lesser degree, State authorities to guard against potential education consumer abuses. However, neither the States nor the accrediting associations were doing enough to warrant such reliance. Many States lacked the authority and resources to do the job and, like the Office of Education, often relied on accrediting associations. However, accrediting associations, which are private and do not receive direct Federal support, do not consider education consumer protection to be an essential part of the accreditation process. Potential abusive practices at the schools visited by GAO included: (1) questionable admission and grading policies; (2) false or misleading advertising; (3) lack of information for students or prospective students on attrition and graduate placements; (4) little or no refunds of tuition or dormitory charges to students who withdraw before or soon after the school term begins; (5) failure to offer listed courses; and (6) use of inadequately trained teachers.

Recommendations: The Department of Health, Education, and Welfare (HEW) should: (1) resolve the fundamental differences in views on the roles of the Office of Education, States, and accrediting associations in the eligibility process; (2) improve public awareness of the accreditation process and what can and should be expected of it; (3) improve the Office of Education's evaluation of accrediting associations in approving their petitions for recognition; and (4) emphasize the use of the authority in the Education Amendments of 1976 to deal with the potential abuses covered by that authority. HEW should also insure that schools: (1) have admission policies which consider potential student benefit; (2) provide students who enroll in programs preparing them for gainful employment with information on how successful program graduates have been in obtaining jobs or in obtaining licenses or other documents needed to obtain jobs; and (3) have fair and equitable refund policies for withdrawing students. Congress should clarify through legislation what can or should be required of accrediting associations in the school eligibility process before the accrediting associations can be recognized. GAO also recommends that Congress amend several sections of the Higher Education Act of 1965 to require the Commissioner of Education to develop regulations which define more specifically "good standings" and "satisfactory progress" to insure that participating students and schools are not abusing Federal financial aid.

The Department of Health, Education, and Welfare, a national association of accrediting agencies (commenting on behalf of the institutional accrediting agencies covered in this report) and several individual accrediting associations expressed concerns that there were limitations on the conclusions that could be reached from GAO's study because of its scope. However, the Department of Health, Education, and Welfare concurred, in essence, with most of GAO's recommendations, and the national association stated that the association in no way wished to diminish the vigor of the recommendations to the Department of Health, Education, and Welfare. *(HRD-78-120, 1-17-79)*

Appropriations

Departments of Labor, Health, Education, and Welfare and Related Agencies

Appropriations Committee Issues

—Clarify through legislation what can or should be required of accrediting associations in the school eligibility process before the accrediting associations can be recognized.

—Amend several sections of the Higher Education Act of 1965 to require the Commissioner of Eduction to develop regulations which define more specifically "good standing" and "satisfactory progress" to insure that participating students and schools are not abusing Federal financial aid.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HEALTH MAINTENANCE ORGANIZATIONS

Health Maintenance Organizations: Federal Financing Is Adequate But HEW Must Continue Improving Program Management

Budget Function: Health: Health Care Services (0551).
Legislative Authority: Health Maintenance Organization Act of 1973 (P.L. 93-222).

Health maintenance organizations (HMOs) serve as an alternative to the traditional fee-for-service health care delivery system by providing health care to members based on prepaid rates. The Health Maintenance Organization Act of 1973 authorized a program to help develop new HMOs and expand existing ones by providing financial assistance and requiring certain employers to offer HMOs as an option to employees.
Findings/Conclusions: Questionnaire results and an analysis of the financial posture of 42 HMOs showed that the amount of Federal grant and loan funds available to individual HMOs is adequate. However, to minimize the Government's risk, decision points for assessing the financial viability of HMOs with Federal loans should be established. Also, HEW's administration of grants and loans needs improvement. For example, HEW has not completed issuing formal policies and procedures for administering HMO loan programs or for assessing compliance with the HMO Act; the Loan Branch and Compliance Division, while adequately staffed to handle their fiscal year 1979 workload, may be understaffed in fiscal year 1980 because their workload is expected to increase; and HEW has not established adequate guidance on policies and procedures to assure uniform, consistent administration of the HMO grant program by headquarters and regional office staff.
Recommendations: The Secretary of HEW should: design a strategy which would provide a point at which HEW can assess an HMO's ultimate financial viability before Federal loan funds are exhausted; assign sufficient staff to complete work on needed loan policies; project the Loan Branch's fiscal year 1980 workload and assure that adequate staff will be available to handle the workload; assure that compliance reports required from HMOs are submitted on time and are accurate; assess the impact of an increasing number of qualified HMOs on the Compliance Division's ability to monitor their compliance adequately and assign additional staff promptly, if warranted; complete a summary of compliance policies and procedures; render a decision on regional office compliance responsibilities; develop improved grant program guidance for regional offices; and publish guidelines defining the requirements for qualified HMOs as soon as possible.

HEW concurred with our recommendations and has made some progress toward improving the administration of its HMO grant and loan programs. *(HRD-79-72, 5-1-79)*

Appropriations

Department of Health, Education, and Welfare, Public Health Service, Office of the Assistant Secretary for Health
Office of Health Maintenance Organizations

Appropriations Committee Issues

The Congress should continue to monitor HEW's management of the HMO program in light of continued inadequacies in HEW's HMO compliance program and the conflict inherent in HEW's mission to increase the number of Federally qualified HMOs at once, and assure that qualified HMOs are indeed complying with the HMO Act and implementing regulations.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT SERVICES

Comparison of the Cost of Various Services Performed by the Federal Government With the Cost of Comparable Services Provided by Private Companies

Budget Function: Financial Management and Information Systems Income Security: Public Assistance and Other Income Supplements (1100) 0604.
Legislative Authority: Social Security Act.

The Department of Health, Education, and Welfare (HEW) made a study to investigate the benefits and costs of critical day-care features for children age 5 and under. The National Day Care Study was reviewed and analyzed by GAO in order to compare the cost of services performed by the Federal Government with the cost of comparable services provided by private companies.
Findings/Conclusions: The National Day Care Study concluded that the current Federal caregiver (teachers and aides) staff-to-child ratios for day-care centers, as spelled out in the Federal Interagency Day Care Requirements, are too stringent and can be relaxed without harming the growth and development of children. GAO agreed that the developmental needs of most children could be met with less staff than mandated by the interagency requirements. Relaxing the staff-to-child ratios would reduce costs without harming the development of the children. *(FGMSD-79-48, 9-25-79)*

Appropriations

Department of Health, Education, and Welfare, Office of Human Development Services

Appropriations Committee Issues

HEW administration can improve the quality of day care services and substantially increase the number of children served within current day care dollars by implementing the recommendation of the National Day Care Study.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT SERVICES

Conditions of Older People: National Information System Needed

Budget Function: Education, Training, Employment and Social Services: Social Services (0506).
Legislative Authority: Social Security Act. Older Americans Act of 1965.

The older population of this country is increasing both in numbers and in percentages of the total population. This increase in the population of older people will magnify the problems they face. To alleviate many of these problems, Congress has enacted numerous laws to establish programs providing help to the growing numbers of older people. Congress and the executive branch need information to design and plan for the delivery of services to older persons. Currently this information is spread piecemeal throughout Federal, State, local, and private agencies. A national information system is needed to evaluate the combined efforts of current services, and to assess the impact of various laws on the lives of older people.

Findings/Conclusions: To illustrate the information that could be obtained from a national information system, GAO made national estimates for the 21 million noninstitutionalized older people 65 years old or older in 1975 based on experiences of older people in Cleveland, Ohio. These estimates, for illustrative purposes only, demonstrate the role that such a national information system could play in major policy decisions. Certain personal conditions, health, security, loneliness, and outlook on life, of older people are measurable and dynamic. The conditions of older people decline over time because of health, security, and loneliness conditions. GAO did not have sufficient data to identify other problems that could affect personal conditions but believe that more data on other problems could be added when establishing a national information system. GAO also demonstrated that certain unmet needs of older persons can be identified by using its data base. The future costs of expanded help to all older people can also be estimated. GAO used its data base to measure the changes in certan conditions and problems of older people, and it related services to these changes. Congress needs alternatives to choose from. A national information system could estimate what percentages of older people receiving various kinds of help are benefiting.

Recommendations: The Secretary of the Department of Health, Education, and Welfare should direct the Office of Human Development Services to establish a comprehensive national information system that determines the personal conditions of, problems of, and help available to older people. Information collected for this system should be available to Congress for analysis. The system should be expanded over time to include information necessary to study why older people do not receive the help they need and how family and friends can be encouraged to provide such help.

HEW said the research done for this report has made a major contribution to understanding the problems of old people, but HEW preferred not to establish the recommended information system until it had completed studies of its own and considered other alternatives. *(HRD-79-95, 9-20-79)*

Appropriations

Department of Health, Education, and Welfare, Office of Human Development Services

Appropriations Committee Issues

Investment ot a relatively small amount of money in the recommended information system could provide valuable data for making policy and spending decisions involving billions of dollars in aid to Older Americans in future years.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE
National Institutes of Health: National Cancer Institute

Advisory Groups to the National Cancer Institute's Carcinogenesis Program

Budget Function: Health: Prevention and Control of Health Problems (553).
Legislative Authority: National Cancer Act of 1971 (42 U.S.C. 282). Toxic Substances Control Act (P.L. 94-469).

The following aspects of the National Cancer Institute's (NCI's) carcinogenesis program were reviewed in response to a congressional inquiry: the roles and responsibilities of advisory groups to the carcinogenesis program and the relationships between advisory group members and organizations that could be affected by NCI activities, the extent to which advisory groups encourage NCI efforts to conduct and sponsor research in cancer prevention and identification of environmental carcinogens, and the effect of the Clearinghouse on Environmental Carcinogens on the program.

Findings/Conclusions: NCI uses public advisory groups composed of experts to assist in achieving its goal of preventing or curing cancer. The National Cancer Advisory Board has shown greater interest in this research and made certain recommendations which resulted in the creation of the Clearinghouse on Environmental Carcinogens. A review of contract awards indicated that the awards did not appear to be influenced by a principal investigator's committee membership or organizational affiliation. A review of financial disclosure statements showed that, of the 10 advisory group members who served as principal investigators on contracts, five had some form of interest in an organization which could possibly be involved with NCI.

The National Cancer Institute agreed with our recommendations. NCI determined that the clearinghouse needs to be continued, but its responsibilities need to be redefined. NCI is in the process of doing so. In addition, NCI has modified its appointment procedures for advisors to preclude the occurrence of conflict-of-interest situations. The procedure for appointing advisory group members needs to be changed in order to avoid conflict-of-interest situations. The clearinghouse has done little to emphasize carcinogenesis research because its role needs to be clarified. *(HRD-78-143, 7-26-78)*

Appropriations

Department of Labor
Department of Health, Education, and Welfare, National Institutes of Health

Appropriations Committee Issues

The Secretary of HEW should require the Director, NCI to determine if there is a need for the Clearinghouse on Environmental Carcinogens to ensure that conflict-of-interest determinations are made before appointing advisors.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE
National Institutes of Health: Clinical Center, National Cancer Institute, and National Heart, Lung, and Blood Institute

Services for Patients Involved in National Institutes of Health-Supported Research: How Should They Be Classified and Who Should Pay for Them?

Budget Function: Health: Health Research and Education (552).
Legislative Authority: Public Health Service Act, sec. 301(e).

The National Institutes of Health (NIH) incurs costs for the care of patients participating in research that should be paid by patients or insurers. NIH often does not know whether grantees are charging it reasonable rates for patient care services because of inadequate monitoring of financial management aspects of grants involving such services.

Findings/Conclusions: There are no Institute-wide guidelines on what patient care services can be paid with research and contract funds. NIH does not take sufficient action to ensure that grantees submit information required for grant administrators to make sound financial decisions.

Recommendations: The Secretary of Health, Education, and Welfare should take actions to establish an adequate basis for determining which patient care services NIH should pay for and to improve various financial management aspects of grants involving patient care services, including: establishing a uniform Institutes-wide policy on patient care costs, with implementing guidelines on allocation of charges for patient care between the Institutes and the patient or other parties: providing for adequate enforcement of the new guidelines and, until they are implemented, requiring that grantees comply with existing guidelines; more vigorously enforcing the requirement that grantees submit satisfactory rate proposals and reports of operations; requiring that patient care rates be negotiated within a certain time; and establishing criteria for evaluating use of clinical research centers.

The Department of Health, Education, and Welfare agreed with most of GAO's recommendations, although in some instances, the agreement was qualified. Since this report was issued NIH has published a policy on research patient care costs it supports through grants, contracts, or other agreements; the policy does not apply to patient care costs incurred at the NIH Clinical Center. The policy statement includes implementing guidelines on allocation of charges for patient care between the Institutes and the patient or other parties. *(HRD-78-21, 12-22-77)*

Appropriations

Department of Health, Education, and Welfare, National Institutes of Health

Appropriations Committee Issues

The Congress should clarify section 301 (e) of the Public Health Service Act to specifically state whether study patients at the NIH Clinical Center and other Public Health Service institutions, hospitals, and stations can be charged for any services they receive.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

REHABILITATION SERVICES ADMINISTRATION

A Single Federal Authority Is Needed for Establishing or Constructing Rehabilitation Facilities

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504).
Legislative Authority: Rehabilitation Act of 1973.

The vocational rehabilitation program administered by the Department of Health, Education, and Welfare is to prepare the handicapped for employment. Legislation authorizes different Federal funding rates for State construction and establishment of rehabilitation facilities for the handicapped. This report discusses problems with using rehabilitation program funds for such facilities.

Findings/Conclusions: Overlapping criteria have resulted in problems and inconsistencies with project funding. Although the Rehabilitation Services Administration, Department of Health, Education, and Welfare (HEW) has issued policy interpretations for issues raised by State agencies, officials are not always aware of all of them since they are not routinely distributed. GAO found that State agencies stretched or ignored guidelines to approve projects for establishment funding, thus enabling them to obtain increased Federal funding. State rehabilitation agencies reviewed had not developed effective administrative procedures for controlling funds. The lack of adequate fiscal controls by some State agencies often resulted in expenditures not being accurately reported to HEW, and improper or questionable expenditures being made by the rehabilitation facilities.

Recommendations: The Secretary of HEW should direct the Commissioner of the Rehabilitation Services Administration (RSA) to: review the expenditures for establishment and construction and make every reasonable effort to recover from State rehabilitation agencies Federal funding which did not clearly comply with Federal regulations and program requirements; establish a systematic process to assure that all Federal policy interpretations are forwarded and maintained by each RSA regional office and State agency; require the RSA regional staff to provide guidance and leadership to State agencies so that States implement adequate procedures and controls; and require the regional staff to monitor the adequacy of State agencies' procedures and controls, to assure the proper use of basic program funds. Pending consideration of the recommendation made by GAO to Congress that a single authority be developed, the Commissioner of RSA should revise the Federal regulations and program guidelines to: provide detailed instructions to State vocational rehabilitation agencies to help them implement the changes in the construction and establishment authorities made by the 1973 Act, as amended; and identify and clearly differentiate between the types of activities eligible for funding under each authority. Congress should amend the Rehabilitation Act of 1973 to create a single Federal authority for authorizing the States' use of basic program funds to: (1) construct new buildings; (2) acquire, expand, remodel, alter, or renovate buildings; and (3) pay for rehabilitation facility staff. The Congress should also maintain the provision in the 1973 Act that requires the Hill-Burton formula for determining the Federal share for construction activities. The term "Federal share" should be amended to make the Federal funding rate for staffing under Title I consistent with staffing rates under Title III of the 1973 Act. If Congress decides to maintain the separate funding authorities in the 1973 Act, GAO recommends that the Act's present restriction for construction (limiting Federal funding to 10 percent of the State's annual Federal funding for the vocational rehabilitation program) be revised to limit activities under both the construction and establishment authorities to 10 percent of a State's allotment. *(HRD-79-84, 8-23-79)*

Appropriations

Department of Health, Education, and Welfare, Office of Human Development Services

Appropriations Committee Issues

Many improvements in program administration by HEW and State rehabilitation agencies and in services to handicapped individuals can be realized if the Rehabilitation Act of 1973 is amended to create a single authority and uniform matching requirements for State rehabilitation construction and establishment projects.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

REHABILITATION SERVICES ADMINISTRATION
SOCIAL SECURITY ADMINISTRATION

Rehabilitating Blind and Disabled Supplemental Security Income Recipients: Federal Role Needs Assessing

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504).
Legislative Authority:
Social Security Amendments of 1972 (P.L. 92-603). B-164031(4) (1976). The Rehabilitation, Comprehensive Services, and Developmental Disabilities Amendments of 1978 (P.L. 95-602).

The Social Security Amendments of 1972 authorized the use of Federal funds to pay for States' costs for vocational rehabilitation services for blind and disabled Supplemental Security Income recipients. Two agencies of the Department of Health, Education, and Welfare (HEW) manage the program. The Social Security Administration (SSA) is responsible for establishing policies on referring the blind and disabled to the States as well as evaluating program results. The Rehabilitation Services Administration (RSA) is responsible for carrying out the program and providing technical assistance to State rehabilitation agencies. State agencies select persons to be served, decide the type and extent of services to be provided, and report to the two HEW agencies. A sample of 544 cases from 14 State agencies in 8 States, which SSA has recorded as successful rehabilitations, was reviewed.

Findings/Conclusions: The analysis showed that Federal funds spent on the program in 13 of the 14 agencies greatly exceeded reduction in SSI payments. In 55 percent of the cases, no reductions were attributable to a beneficiary's increase in earned income. The program's management, divided between the two agencies, has not been effective. Although the SSA has, or has access to, data which could be used in conjunction with information developed by the RSA to measure savings in benefit payments, the agencies have not developed a system that can effectively use the information.

Recommendations: The Secretary of HEW should designate a single entity to oversee the SSI-VR program management activities of the RSA and the SSA, and require the Commissioners of each agency to finalize an agreement identifying their responsibilities. After a management system has been established, HEW should monitor individual States' program effectiveness to: (1) evaluate the adequacy of Federal technical assistance, and (2) determine whether the program is the most cost-effective way to provide rehabilitation services to blind or disabled SSI recipients when the same services are available from State rehabilitation agencies through their basic vocational rehabilitation programs. The Congress should amend the legislation to establish, as a primary goal of the program, that savings in benefit payments exceed the Federal funds spent. In this regard, after HEW has provided sufficient data to reliably measure the program's effectiveness, if program savings do not meet or exceed Federal costs, the Congress should consider the following options: 1) eliminate the Supplemental Security Income-Vocational Rehabilitation (SSI-VR) program and, instead, earmark funds under the basic rehabilitation program for eligible SSI persons, and 2) continue the SSI-VR program with funding levels for the States based on the demonstrated effectiveness of each State's program as measured by the extent that benefit payment reductions exceed Federal funds spent. *(HRD-79-5, 6-6-79)*

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—Supplemental Security Income

Appropriations Committee Issues

Because of the apparent low success of the Supplemental Security Income-Vocational Rehabilitation Program in realizing savings in Supplemental Security Income payments, a serious question is raised concerning the continued advisability of the Federal Government providing 100 percent of the States' cost of a separate program for rehabilitation services which are available from the State rehabilitation agencies through their Basic Vocational Rehabilitation program.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Erroneous Supplemental Security Income Payments Result From Problems in Processing Changes in Recipients' Circumstances

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Social Security Act (42 U.S.C. 1381). Federal Records Act.

Eligibility for federally administered Supplemental Security Income (SSI) benefits is based on a continuing need for financial assistance. Once eligibility for assistance is established, recipients must report changes in income, resources, or other circumstances that could affect the recipient's benefit payment amount or continued eligibility. If any of this information is not promptly and correctly processed, payment errors will occur. These changes are referred to as posteligibility changes.

Findings/Conclusions: The Social Security Administration (SSA) estimates, based on its quality assurance data, that it erroneously overpaid about $1 billion and underpaid about $262 million in SSI benefits from January 1976 through March 1978. Most of the overpayments which occurred were attributed to problems that SSA has experienced in processing reported changes. Most of the local offices' problems result from lost records and a lack of adequate processing procedures, controls, and time frames. Controls needed to ensure that changes are either posted to Supplemental Security Records or rejected and later corrected by the field offices have not been established.

Recommendations: The Commissioner of SSA should improve the processing of changes to recipient payments by: establishing procedures, goals, and a system for controlling, processing, and monitoring posteligibility changes; developing pending files for controlling posteligibility changes that are not monitored through the District Office Workload Report; establishing procedures to insure that posteligibility information received is processed before it is filed; insuring that offices retain and dispose of documents in compliance with the SSA record retention and disposal schedule; requesting the National Archives and Records Service to help develop an effective records management program; and assessing the records management program to determine compliance with the Federal Records Act. The Commissioner should also establish appropriate controls to minimize problems associated with processing posteligibility changes and provide added assurance that prompt, effective action is taken by: initiating controls in the computer system to assure field offices that all posteligibility changes transmitted by them are either posted to the record or rejected; establishing controls over rejects so that the system can notify field offices when information in reject messages has not been corrected; evaluating the alert system to insure its effectiveness; reemphasizing to field offices the need to process rejects and alerts; and monitoring the field offices to insure that rejects and alerts are promptly and effectively processed.

HEW expressed general agreement with the report and indicated actions planned or underway to implement GAO recommendations. *(HRD-79-4, 2-16-79)*

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—Supplemental Security Income Program

Appropriations Committee Issues

The committee should concern itself with the adequacy of the action taken by SSA in implementing GAO's recommendations to significantly reduce overpayments caused by SSI recipients not reporting changes which affect their benefit payment amount or continued eligibility.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Improvements Needed in AFDC's Program for Recovering Overpayments

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).
Legislative Authority: Social Security Act (42 U.S.C. 601). 45 C.F.R. 223.

The Social Security Administration estimates that over $850 million, about one-half of which was Federal funds, was erroneously paid to recipients of the Aid to Families with Dependent Children (AFDC) program during 1976. The AFDC program is a cooperative Federal-State program which provides aid in the form of cash assistance and social services to needy, dependent children and their caretaker relatives.

Findings/Conclusions: States are not required to establish an AFDC program, but if they do, it must be approved by the Department of Health, Education, and Welfare (HEW). Federal regulations allow States to reduce a recipient's AFDC benefits to recover overpayments caused by willful withholding or misstating of information which could affect eligibility or benefit amount. States are allowed considerable latitude in recovering overpayments caused by recipients willfully withholding information. Some States require recipients to repay overpayments fully while others either waive the amount overpaid, seek voluntary repayment, or attempt recovery only if fraud is involved. States are not required to maintain either complete records of the amounts overpaid or the disposition of those accounts.

Recommendations: The Secretary of HEW should revise HEW's regulations to establish uniform and comprehensive overpayment recovery policies in the AFDC program, including requirements for States to: (1) maintain information on the total number and amount of overpayments involved and their disposition; and (2) establish a mechanism for assessing the effectiveness of their overpayment recovery efforts. The Commissioner of the Social Security Administration should assist the States in establishing an appropriate mechanism for monitoring and evaluating the adequacy of recovery efforts. *(HRD-78-117, 5-25-78)*

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—public assistance
Department of Health, Education, and Welfare, Social Security Administration—maintenance assistance (State aid)

Appropriations Committee Issues

Although HEW issued regulations in March 1979 to encourage States to reduce AFDC overpayments, it has not dealt with the recovery of those already made. In view of the substantial funds which have been and continued to be overpaid AFDC recipients, as evidenced by recent payment error rate statistics, appropriate Federal mechanism for effectively controlling and monitoring the resolution of these overpayments is currently needed. The Committee should review the adequacy and timeliness of SSA plans for this area.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Improvements Needed To Insure the Accuracy of Supplemental Security Income Retroactive Payments

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Social Security Amendments of 1972 (42 U.S.C. 1381). Social Security Act.

During fiscal year (FY) 1977, the Social Security Administration (SSA) issued about 1.8 million retroactive Supplemental Security Income (SSI) payments totaling about $505 million. An estimated 462,195 recipients of these retroactive benefits were overpaid about $75 million, and an estimated 206,825 were underpaid about $6 million. About 37 percent of FY retroactive checks were in error, twice the error rate for regular monthly checks. Most of the errors occurred because SSA did not obtain accurate information affecting the claimants' eligibility or the amount of their payments, generally because it was unaware of changes in the claimants' circumstances. Since August 1977, SSA has implemented two measures with potential for reducing errors; one is a modification of a priority redetermination procedure and the other involves a special prepayment review of retroactive payments of $5,000 or more. These actions should be expanded to cover a greater number of payments because of the high error rates for retroactive payments of $1,000 or more and the low percentage of overpayments recovered by SSA. The Commissioner of SSA should be directed to evaluate the cost-effectiveness of expanding the special review group effort to include more retroactive payment cases, include analyses of errors attributed to retroactive payments in the ongoing Quality Assurance Office review, establish goals for reducing the errors, and evaluate the cost/effectiveness of expanding the number of priority redeterminations being made before large retroactive checks are issued. (HTW)

Findings/Conclusions: SSA has not been successful in significantly improving the accuracy of SSI retroactive payments. In fiscal year, 1977 SSA made about $75 million in overpayments to retroactive check recipients and failed to pay recipients an estimated $6 million to which they were entitled.

Recommendations: HEW should direct the Commissioner of SSA to evaluate the cost-effectiveness of expanding the special review group effort to include more retroactive payment cases and include analyses of errors attributed to retroactive payments in the ongoing Quality Assurance Office review.

Beginning in February 1979, all retroactive payments of $3000 or more have been subject to a prepayment review directed by the special review group at the SSA central office. Beginning in July 1979, (1) payments in the $2,000-to-$3,000 range will receive prepayment reviews directed and initiated by the regional offices, and (2) payments in the $1,000-to-$2,000 range will be controlled more tightly. Revised instructions will be issued to the district offices. SSA will explore ways in which analyses of retroactive payment errors can be made part of the Quality Assurance Office reviews. SSA will additionally establish goals for reducing retroactive payment errors. SSA stated they would immediately begin an experiment to test the cost-effectiveness of requiring redeterminations before all payments of $2,000 or more are issued. *(HRD-79-26, 12-11-78)*

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—supplemental security income programs

Appropriations Committee Issues

The Committee should concern itself with the adequacy of the action taken by SSA to insure the accuracy of SSI retroactive payments.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Social Security Should Improve Its Collection of Overpayments to Supplemental Security Income Recipients

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Social Security Amendments of 1972 (42 U.S.C. 1381). Social Security Act.

Recovery or waiver by the Social Security Administration (SSA) of overpayments to Supplemental Security Income (SSI) recipients continues to be a problem. Additional improvements are needed if SSA is to achieve uniformity and objectivity in resolving overpayments and reduce an unresolved backlog of over 1.2 million overpayments.

Findings/Conclusions: From January 1974 to September 1978, $27.9 billion was paid in SSI benefits. The SSA identified 3.2 million instances of overpayments totaling about $1.5 billion. Of the $1.5 billion, about $443 million was waived; $295.8 million was collected; $148.8 million of collections were in process; recovery efforts on $147.7 million were suspended; incorrectly computed overpayments for about $5.9 million were adjusted; and the remaining $462.4 million (over 1.2 million cases) had not been resolved. Efficient resolution of overpayments requires that they be quickly and uniformly processed to assure that the debts are promptly collected. Social Security has not acted quickly or uniformly. SSA needs an automated overpayment notice at district offices to assure that an overpaid recipient is notified in a timely manner. A solution to collecting overpayments from former SSI recipients receiving other Federal benefits would be to offset or adjust the other Federal benefits at given rates until the debt is paid; however, Social Security maintains that it has no legal authority to collect from benefits being paid to these recipients under other Federal programs.

Recommendations: GAO believes that SSA should get its SSI overpayment collection process functioning efficiently and uniformly before legislation is enacted authorizing SSA to collect SSI overpayments from funds due to recipients from other Federal benefit-paying programs. The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to adopt a stronger and more active management role in recovering SSI overpayments by: establishing standards for timely processing of SSI overpayments; developing a quality control mechanism designed to identify needed corrective actions and needed changes in policy and procedures, and to develop solutions to inequities; developing improved instructions and additional training in overpayment resolution for claims representatives; and developing an automated notice to inform overpaid recipients when they have been overpaid, the cause of the overpayment, proposed agency action, and the recipient's appeal rights. The Secretary should also direct the Commissioner to develop more useful and less subjective criteria for claims representatives to use in determining whether an overpaid recipient was with or without fault in causing the overpayment.

SSA is developing a quality control mechanism—an Overpayment Review System—for evaluating overpayment policy and determining how well it is being applied. This system will enable SSA operational policy staff to assess district office compliance with overpayment policies and to evaluate the effectiveness of those policies including ways for changing the criteria for determining with or without fault to make them more useful and less subjective. A legislative proposal (H.R. 4321) was submitted to Congress on June 5, 1979, under which social security benefits would be reduced by the amount of SSI payments that would not have been made had the social security benefits been paid on the regular monthly payment dates. The DHEW will also evaluate the GAO recommendation to recover SSI overpayments from other SSA and Federal benefit paying programs as part of the process of preparing the 1980 legislative program. *(HRD-79-21, 1-16-79)*

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—Supplemental Security Income Program

Appropriations Committee Issues

The committee should concern itself with the adequacy of the efforts undertaken by SSA to improve its collection of overpayments as well as to prevent overpayments.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Need for HEW To Recover Federal Funds in Uncashed AFDC Checks

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Social Security Act (42 U.S.C. 601).

A review was completed of the requirements and practices for refunding or crediting the Federal Government's portion of checks that were issued to Aid to Families with Dependent Children (AFDC) recipients but never cashed. Federal AFDC expenditures in fiscal year 1977 amounted to over $5 billion.

Findings/Conclusions: The return of Federal AFDC funds for checks that were never cashed was generally left to the States' discretion. Although GAO did not determine why the checks were not cashed, information obtained on 11 of the 50 States showed that these States allowed AFDC checks to be negotiated 30 days to 2 years after they were issued, at which time they were canceled. In addition, once States acted to void the checks, there was no mechanism to insure that the Federal Government received credit for its portion of these funds. The President's 1980 budget proposes a change in the procedure for transferring Federal funds to the States for public assistance programs, including AFDC. Presently, States are authorized to draw Federal funds on or before the day they pay their bills. For the AFDC program, this is generally when the States issue checks to recipients. Between the time the checks are issued and cashed by the recipients, many States invest the Federal funds and earn interest. Under the proposal, States would be authorized to draw Federal funds only when a recipient actually cashes the check and it is presented to the State's commercial bank for payment. When adopted and implemented, the procedure would also eliminate the problem of the Federal Government not receiving credit for its share of funds in uncashed AFDC checks.

Recommendations: The Secretary of Health, Education and Welfare should direct the Commissioner of the Social Security Administration to: establish uniform requirements for States to credit the Federal Government for its portion of uncashed AFDC checks; establish a mechanism for insuring that these credits are timely and accurate; and take action to identify and recover the total amount of Federal funds in uncashed AFDC checks that have not been refunded to the Federal Government.

In line with our recommendations, HEW has (1) prepared a Federal regulation establishing uniform requirements for States to credit the Federal government for its portion of uncashed checks, (2) prepared an instruction to the SSA regional offices directing them to pay attention to this issue, and (3) instructed the HEW Audit Agency to include the return of these Federal funds in their work plans for the review of States' activities. *(HRD-79-68, 4-5-79)*

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—Aid to Families with Dependent Children Program

Appropriations Committee Issues

The Committee should concern itself with the adequacy of SSA's activities in establishing policy requiring States to remit to the Federal Government the Federal share of uncashed AFDC checks, and SSA's efforts in identifying and recovering the total amount of Federal funds in uncashed AFDC checks that have not been refunded to the Federal Government.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Should Emergency Assistance for Needy Families Be Continued? If So, Program Improvements Are Needed

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).
Legislative Authority: Social Security Act, as amended (P.L. 90-248; 81 Stat. 893; 42 U.S.C. 603(a); 42 U.S.C. 606(e)). 45 C.F.R. 233. Mandley v. Trainor, 545 F.2d 1062 (7th Cir. 1976).

The Emergency Assistance Program, administered by the Social Security Administration of the Department of Health, Education, and Welfare (HEW), was established to provide financial assistance and social services to meet emergency needs of needy families with children under 21. The legislative history indicates that the Congress intended that the program would assist families without available resources and that the assistance would be necessary to meet an immediate emergency need that would not otherwise be met. Assistance may be in the form of cash or such items as food, clothing, rent, utilities, or medical care provided or paid for by the agency administering the program.
Findings/Conclusions: Operation of the Emergency Assistance Program has been hindered because of conflicting interpretations of enabling legislation. The troublesome provisions pertain to recipients' eligibility and the type and extent of emergencies covered. As a result, participating States cannot rely on HEW instructions and interpretations, and because of this, at least four States have discontinued the program. Conflicts between HEW regional offices and the States often drag on for months because of a lack of HEW guidelines, uncertainties caused by litigation over the program, and insufficient HEW regional personnel to administer and monitor the program. Ten years after the program was enacted into law, HEW, the States, and the courts are still contesting the provisions of the law.
Recommendations: The Secretary of HEW should: pursue efforts, through the Congress if necessary, to resolve the definitional and interpretational problems hindering the operation of the program, develop uniform guidelines for administering and monitoring the program, and monitor States' programs to insure compliance once definitive criteria and uniform guidelines are developed. The Congress should consider whether the Emergency Assistance program should continue, and if it determines that the program should continue, it should review the positions of HEW and the courts concerning eligibility and the type and extent of emergencies covered. It should then, if necessary, amend the legislation to clearly indicate congressional intent.

The U.S. Supreme Court ruled in June 1978 that under existing law and regulations, a State electing to participate in the Emergency Assistance program may define the type and extent of emergencies to be covered and establish eligibility standards for those to whom emergency assistance will be provided. HEW plans to follow this ruling in developing uniform guidelines for administering and monitoring the program. The impact of this decision will be to make virtually unlimited the kinds of situations for which emergency assistance funds can be spent and could result in significant growth of the amount of Federal funds needed. Inequitable treatment of people in the same economic circumstances could also result, depending upon where they live, because of wide variations between States' emergency assistance programs in the types and extent of emergencies covered and eligibility. *(HRD-78-65, 4-5-78)*

Appropriations

Department of Health, Education, and Welfare,Social Security Administration—Public Assistance
Department of Health, Education, and Welfare, Social Security Administration—maintenance assistance (State aid)

Appropriations Committee Issues

In light of the potential for growth in the need for Federal emergency assistance funds and inequitable treatment of emergency assistance recipients, the Congress should review the positions of HEW and the courts, including the U.S. Supreme Court, concerning eligibility and the type and extent of emergencies covered. It should then, if necessary, amend the legislation to indicate clearly congressional intent.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION
OFFICE OF EDUCATION

Social Security Student Benefits for Postsecondary Students Should Be Discontinued

Budget Function: Income Security: General Retirement and Disability Insurance (0601).
Legislative Authority: Social Security Act.

A review was made of the student benefit program to see if it is an unnecessary burden upon the overall Social Security system, and thus upon taxpayers supporting the system. GAO also reviewed various Office of Education programs to see if they might provide student aid more equitably than the student benefit program does.

Findings/Conclusions: Payments to student beneficiaries are an unnecessary burden on Social Security's trust funds. Students are expected to cost the funds $2.2 billion during fiscal 1980, with estimates of greater costs in the future. The benefits paid have no relationship to cost of education and academic progress. The student benefit program contributes to other Federal education aid programs paying unneeded benefits. It gives many students more money than their school costs warrant, inequitably curtails benefits to other students, and deprives nonstudents.

Recommendations: The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to pay student benefits to the parents of high school students rather than to the students themselves. The Secretary should direct the Commissioners of Education and Social Security to revise the Social Security/Basic Grant computer matching procedure to verify Social Security benefits for all Basic Grant applications. Congress should enact an amendment to the Social Security Act which will discontinue student benefits for postsecondary students and take the necessary steps to assure that the Office of Education will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of these benefits. *(HRD-79-108, 8-30-79)*

Appropriations

Federal/old age/survivors/disability insurance trust funds

Appropriations Committee Issues

The Committee should take the necessary steps to assure that the Office of Education will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of Social Security student benefits for postsecondary students.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Department of Housing and Urban Development Reorganization Plan: Some Accomplishments but More Needed

Budget Function: General Government: Central Personnel Management (805).
Legislative Authority: Housing and Community Development Act of 1977.

In June 1977, a report recommended that the Department of Housing and Urban Development (HUD) could streamline its organization through consolidating its 77 field offices and realigning regional and field office functions. A proposed reorganization, which is expected to affect less than 10 percent of HUD's field employees, is intended to modify the field structure and improve management. The proposed reorganization does not change the three-tier organizational structure. Under the proposed reorganization, regional offices are to supervise and evaluate area office management, mesh program and social goals, and provide regional representation. The central office will provide field offices with guidance on technical and program matters. In a cost-effective change, the regional and area offices in 8 of the 10 regional cities are to be colocated.

Findings/Conclusions: The reorganization is still in the implementation phase, but the implementation schedule has slipped; the movement of functions, responsibilities, and people has not begun; and specifics on who will move and where they will move are not firm. It is too soon to judge whether certain deficiencies have been corrected, but some observations can be made. The Department: did not downgrade all offices warranting such action, is maintaining a field presence in nearly every location where it existed before, made a limited review of central office organization and staffing, did not include reorganization costs in its fiscal 1978 budget, will consolidate the multi-family insurance function, will reduce the regional offices' involvement in day-to-day program operations, is expecting to provide better coordination between housing and community planning and development programs, set program goals and objectives for 1978 that may be difficult to achieve due to the reorganization's implementation, and is retaining the 10 existing regional offices.

Recommendations: The Secretary of HUD should downgrade all field offices where workload does not justify its staffing and further reduce field office overhead through office consolidations.

The Department believes that their reorganization will achieve the Department's objectives and correct the deficiencies noted in our study without additional consolidations and downgrading of field offices. *(FPCD-78-33, 4-10-78)*

Appropriations

Department of Housing and Urban Development—salaries and expenses

Appropriations Committee Issues

The Department can improve its efficiency by further consolidation of its field office structure.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Weaknesses in Servicing and Accounting for Home Mortgages Held by HUD

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

The number and value of mortgages held by the Department of Housing and Urban Development (HUD) increased from 8,103, valued at about $117 million in 1977, to 10,022 valued at over $151 million in 1979. HUD did not have adequate plans for such a sizable workload increase, and consequently, the program has been hampered by accounting and mortgage servicing problems.

Findings/Conclusions: As a result of the HUD accounting problems, over $17 million in delinquent mortgage payments have not been collected, interest-free escrow advances amounting to almost $2.7 million are outstanding, and delinquent mortgagors have been over or undercharged as much as $3 million for such items as interest and tax penalties. Part of the undercharge resulted from problems with the design of the HUD computerized mortgage notes accounting system. Homeowner's were overcharged because HUD did not promptly post payments, often charged tax penalties to the mortgagors, and did not reduce interest charges for prepayments. The HUD mortgage servicing efforts have been hampered by outdated procedures and ineffective collection practices, such as untimely foreclosure actions. These conditions contribute to the high volume of delinquent mortgage payments. Due to the accounting and servicing weaknesses, delinquent mortgagors have little incentive to pay off their mortgages. While HUD has made a number of changes to improve its activities, additional changes are needed to reduce the mortgage payment delinquency rate and to promptly collect funds due to the Government.

Recommendations: The Secretary of HUD should direct the Assistant Secretary for Administration to incorporate the following procedures in the accounting system: (1) accrue interest on delinquent principal balances and assess penalties for late payments; (2) calculate realistic escrow requirements, charge interest on escrow advances, and collect escrow advances from payments before reducing the mortgage balance; (3) promptly and accurately post all collections and disbursements to the individual mortgagors' accounts; (4) provide adequate accounting data for field offices to properly monitor mortgages and thereby eliminate the need for duplicate collection records; and (5) promptly reconcile differences disclosed by the semi-annual inventories of Secretary-held mortgages. It is also recommended that the Secretary: (1) issue new guidelines and procedures for the servicing of Secretary-held mortgages which emphasize the need to take effective action to collect mortgage payments when due or, when appropriate, to promptly recommend foreclosure; (2) develop a monitoring system that will ensure that HUD field offices comply with the servicing guidelines to assure prompt payments; (3) assume the servicing and collection activity currently performed by the Office of General Counsel so that the General Counsel can promptly initiate foreclosure on cases recommended by the field offices; and (4) have the Inspector General review changes to improve the accounting and mortgage servicing systems to ensure that they are adequate, promptly completed, and closely followed.

HUD agreed to implement all of the GAO recommendations and has started or completed action on all of them. It will take HUD some time to complete action on some recommendations because major system changes are required, such as disbursing appropriate mechanized methods to compute interest on delinquent principal. HUD has a history of not promptly completing efforts to redesign accounting systems. It is uncertain when actions on the recommendations will be completed. *(FGMSD-79-41, 8-16-79)*

Appropriations

Federal Housing Administration—Federal Housing Administration Fund

Appropriations Committee Issues

The Committees should require HUD to submit status reports on their efforts to revise the accounting system for Secretary-held home mortgages, explaining certain instances where milestones are not met.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Work Measurement System of the Department of Housing and Urban Development Has Potential but Needs Further Work to Increase Its Reliability

Budget Function: General Government: Central Personnel Management (805).

Findings/Conclusions: HUD's original claims of extensive standards were not justified, as revised statements showed that standards were used to develop estimates for only about 42% of staff requirements. The reliability of standards varied because of weaknesses such as: (1) lack of studies on methods for achieving work efficiency, (2) variation in data produced by the questionnaire/interview procedures, (3) insufficient definition of tasks, (4) use of subjective judgements, (5) lack of documentation, and (6) lack of procedures to review and update standards. Discrepencies were noted in workload forecasts with some appearing excessive and some being understated when compared with prior years' accomplishments. The budgeting process seemed to inhibit reliable staffing estimates and let to use of contract personnel.
Recommendations: HUD should improve practices for developing work measurement standards by (1) performing methods studies on task efficiency, (2) improving data collection and analysis, (3) defining tasks in greater detail, (4) assuring independence of individuals setting standards, (5) improving documentation, (6) formalizing a process for reviewing and updating standards, and (7) reevaluating staff resources to develop and maintain the system. The Subcommittee on HUD-Independent Agencies should ecourage HUD to develop a more objective and reliable work measurement system, and require that the budget submission include a comprehensive plan and statement on the progress made in the system's development. The Department has implemented some of GAO's recommendations and plans to initiate others to improve the reliability of its work measurement system. *(FPCD-77-53, 6-15-77)*

Appropriations

Civil Service Commission—salaries and expenses
Department of Housing and Urban Development—operations and maintenance

Appropriations Committee Issues

In future authorization and appropriation requests, the Committee should assess HUD's progress toward improving the coverage and reliability of its work measurement system.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL EMERGENCY MANAGEMENT AGENCY
Federal Insurance Administration

Improvements Are Still Needed in the Administration of the Flood Insurance Program

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453).
Legislative Authority: National Flood Insurance Act of 1968 (P.L. 90-448). Flood Disaster Protection Act of 1973 (P.L. 93-234).

Although 16,000 communities participated in the national flood insurance program in 1978, the Federal Insurance Administration (FIA) estimated that 20,000 communities are in danger of floods and should be participating in the program.

Findings/Conclusions: Most of the resources of the FIA were directed toward the mapping program. Rate maps are used to determine the actuarial insurance rates for properties in the flood hazard area, but there were frequent complaints at the community level concerning map quality. FIA policies allowed the replacement of structures in the floodway. New construction that raises the height of the 100-year flood level by as much as one foot can cause damage to the existing structures. Using the 100-year flood plain as the single national standard, regardless of regional flooding conditions, continues to cause controversy. There is a need for more technical help, training, and communications with communities. FIA made relatively few monitoring visits to communities. There were weaknesses in the annual reporting system; for example, restricting the reporting data to the flood plain does not give an adequate picture of construction activity which could affect flooding conditions.

Recommendations: The Secretary of Housing and Urban Development should have FIA: provide communities with detailed map data; establish a cost-sharing arrangement with localities for remapping work; and prepare its rate maps to reflect community flood plain standards. The Secretary should also have FIA increase emphasis on features of flood plain management that will lead to minimizing flood damages to the community, and reevaluate its policy on equal density replacement. The State agencies should have a role in the program; a training program should be initiated to address the needs of local officials; and a newsletter should inform communities of program changes and developments. The appropriateness of the 100-year flood plain as a national standard should be evaluated. The Secretary should have FIA make more visits to communities, and the reporting format for evaluation visits should be improved. Data should be collected on construction outside the flood plain which could lead to increased storm water runoff.

The Agency agreed to take corrective action on several of our recommendations. Also, based on an internal task force study, the agency decided to make several changes to improve the flood insurance program. NOTE: On April 1, 1979, the functions of the Federal Insurance Administration were transferred from the Department of Housing and Urban Development to the Federal Emergency Management Agency by Executive Order 12127. *(CED-79-58, 3-22-79)*

Appropriations

Federal Emergency Management Agency—National Flood Insurance Fund

Appropriations Committee Issues

The Committee should examine the Federal Emergency Management Agency's actions to improve its operations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL EMERGENCY MANAGEMENT AGENCY

Actions Needed To Improve the Review of Insurance Coverage of Disaster Victims Receiving Federal Assistance

Office of Disaster Response and Recovery

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453).
Legislative Authority: Disaster Relief Act of 1974 (P.L. 93-288). 42 U.S.C. 5155.

GAO agreed to review procedures used by Federal agencies to insure the proper collection of funds due the Government under Federal flood insurance policies or private insurance policies of victims whom these agencies assist. After the President has declared an area a total disaster, the Administrator of the Federal Disaster Assistance Administration (FDAA) appoints a coordinator for all Federal assistance programs in the area, to provide temporary housing, funds for State grants to disaster victims, and loans for the repair and replacement of homes and personal property. Allegations have been made that Federal agencies providing disaster relief have failed to deduct moneys paid under victims' insurance policies. FDAA is responsible for verifying that Federal insurance does not duplicate the proceeds from private insurance. The allegations charged that while Federal law is designed to provide disaster assistance to victims when their losses surpass their entitlements from private insurance, Federal agencies have relied on information furnished by adjusters employed to protect the economic interests of insurance companies. There is a logical inference of a conflict of interest in such a situation.

Findings/Conclusions: Federal law prohibits Government assistance for losses suffered in a major disaster which are compensated by insurance or from other sources. FDAA has issued regulations to carry out this policy regarding temporary housing relief, and the Small Business Administration has done the same for the reestablishment of enterprises under its jurisdiction. This is the primary emphasis of all Federal disaster relief programs. However, information gathered by GAO indicated that many homeowners' policies offer less than comprehensive coverage, that companies are often reluctant to verify claims at face value, and that legal action is frequently necessary for policyholders to secure payment of their claims. These facts suggest that insurance companies are inclined to abdicate their responsibilities to the Government. GAO believed it was time to evaluate the reasonableness of private insurance payments and those of the National Flood Insurance Program to minimize Federal assistance. Although the Government is not empowered to audit insurance settlements to protect the rights of the insured, it does have a direct financial interest in their receiving maximum insurance payments, because these directly affect Federal disaster relief benefits. Also, there is insufficient incentive for disaster victims to make formal claims and overcome various obstacles to obtain full payment from private insurers so long as they can expect full Federal aid.

Recommendations: The Secretary of Housing and Urban Development should direct the FDAA Administrator to establish procedures for evaluating disaster victims' insurance policies, require loss verifiers to identify the causes of loss when victims are privately covered, and demand that victims make and pursue formal claims under policies which include benefits also provided through Federal disaster relief programs.

FDAA said it lacks the authority to deal directly with insurance companies or to require applicants to file claims under their insurance policies. According to an agency official, however, FDAA will evaluate policy coverage and insurance settlements to ensure that applicants receive full and proper settlements for losses or costs for which Federal assistance has been requested. If settlements by insurance companies are inadequate, FDAA will request the assistance of the State insurance commissioners who have authority over insurance companies. FDAA will deny Federal assistance to applicants that refuse to file insurance claims for losses or costs for which they request Federal assistance. FDAA is requiring loss verifiers to identify the causes of losses when applicants have insurance coverage. On July 15, 1979, the functions of FDAA were transferred from the Department of Housing and Urban Development to the Federal E-

mergency Management Agency by Executive Order 12148. *(CED-79-90, 6-18-79)*

Appropriations

Federal Emergency Management Agency—Office of Disaster Response and Recovery
Small Business Administration—Disaster Loan Fund

Appropriations Committee Issues

The Appropriation Committee should evaluate the adequacy of insurance review procedures implemented by FDAA.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

Millions of Dollars in Delinquent Mortgage Insurance Premiums Should Be Collected by the Department of Housing and Urban Development

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).
Legislative Authority: National Housing Act of 1934 (12 U.S.C. 1709).

In a 14-month period ended March 1977, an average of $38 million per month in mortgage insurance premiums was past due to the Department of Housing and Urban Development (HUD) because many lending institutions did not pay their bills on time. By changing its premium collection cycle from a yearly to a monthly basis, the agency could save the government $16.5 million in interest costs.

Findings/Conclusions: HUD does not: promptly identify delinquent premiums due and notify lending institutions of the delinquencies; use effective collection procedures; charge interest for late payments; or use its authority to suspend persistently delinquent lending institutions from the program. HUD's Assistant Secretary for Administration has outlined specific actions taken and planned to collect delinquent premiums, improve accounting and supporting computer systems, and get prompt payments of future premiums. However, Hud does not agree that insurance premiums should be collected monthly.

Recommendations: The Secretary of Housing and Urban Development should: collect all delinquent mortgage insurance premiums; identify all mortgage insurance premiums that have not been received at the agency within 15 days after the due date; suspend from agency programs institutions that consistently pay premiums late; establish effective internal controls to help make sure that all mortgage transaction documents submitted by mortgagees are properly entered in the master billing file; and consider collecting mortgage insurance premiums from institutions in the same month the premium installments are paid by homeowners and annually reconciling differences between institutions' insurance records and the agency's billing data base.

HUD agreed to implement all our recommendations except the one related to collection of mortgage insurance premiums from institutions in the same month the premium installments are paid by homeowners. It took the position that monthly collections of mortgage insurance premiums would present a cumbersome, if not impossible, reconciliation effort with mortgagees each month and would require major accounting and automatic data procedure changes. GAO disagrees with HUD's position, believing minor changes would be required to collect the premiums that are principally paid by about 200 mortgage companies. HUD agreed to consider the monthly collections after its new accounting and automatic data processing system becomes operational in 1979 and said it did not have the resources to act on the systems change before then. GAO has reservations about HUD waiting this long to make the change because it could reduce interest on the public debt by $16 million annually if the monthly collections were made. GAO recognizes that mortgage companies will probably object to the change from annual to monthly collections but believes that the potential for such a large reduction in the public debt's interest cost justifies the change. *(FGMSD-77-33, 9-8-77)*

Appropriations

Department of Housing and Urban Development—salaries and expenses

Appropriations Committee Issues

The Committees should direct the Secretary of Housing and Urban Development to collect premiums monthly from mortgage companies rather than annually. The Secretary should be required to report periodically on the economic benefits from the change to provide controls for insuring that the agency complied with the committees' directions.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

Section 236 Rental Housing: An Evaluation with Lessons for the Future

Budget Function: Commerce and Transportation: Morgage Credit and Thrift Insurance (401).
Legislative Authority: National Housing Act, sec. 236 (12 U.S.C.1715 z-1). Housing and Urban Development Act of 1968.

The Section 236 rental assistance program provided new and rehabilitated rental housing to low and moderate income tenants. This program, along with other housing initiatives, was created in 1968 to boost the Nation's existing housing supply. It joined Federal Housing Administration mortgage insurance with a direct mortgage interest subsidy, the usual tax incentives for low and moderate income housing. This combination of subsidies and a 40-year mortgage term resulted in lower rents than would have been possible in conventionally financed projects.
Findings/Conclusions: Section 236 has been effective in providing housing for moderate income families during a period when the supply of moderately-priced rentals has been shrinking. However, section 236 construction is complete, and the Department of Housing and Urban Development (HUD) has refused to make new commitments under the program. At the same time, current public policy provides housing assistance to low income households, and middle and upper income households benefit from tax expenditures for mortgage interest deductions and tax incentives for rental housing. Housing subsidy costs have been analyzed unsatisfactorily because little consideration has been given to indirect subsidies or long-term costs. Alternatives to construction continue to be stressed primarily because of short-term cost savings.
Recommendations: The Secretary of HUD should design positive measures to assure that moderate income households receive some equitable share of future housing assistance. HUD should revive section 236 to provide moderate income housing until workable alternatives are developed. Congress should provide additional funding for section 236 to allow HUD to enter into new commitments under the program and amend present housing assistance funds to be used to subsidize moderate income households.

The Department shared GAO's view that the program was an effective means of assisting a segment of the housing poor. However, they felt the inflexibility of the Section 236 subsidy which tied payments to the mortgage debt and therefore could not accommodate operating cost increases, in combination with more general multifamily insurance problems, undermined the long term economic viability of Section 236. HUD also said that it was exploring other methods to aid moderate income households. They agreed with us that they had "a responsibility to respond to the housing needs of the entire range of housing deprived." The Department stated that it had been making cost comparisons for many years and that they would continue to seek improvement in their methodology and data. HUD agreed that it needed to better understand the factors which make projects risky and said they would conduct a thorough study of multifamily default risk and would use this to analyze past performance and future initiatives. But they did not agree with the recommendation to suspend commitments for nonprofits, cooperatives and rehabilitated projects. *(PAD-78-13, 1-10-79)*

Appropriations

Department of Housing and Urban Development, Federal Housing Administration—Housing, Special Risk Insurance Fund annual contributions for assisted housing

Appropriations Committee Issues

1. The absence of a HUD policy to effectively deal with the problems of moderate income households may require some action by Congress. The moderate rental stock continues to shrink rapidly.
2. In view of HUD's inability to adequately compare the costs of existing leasing to new production, some serious consideration should be given to the mix between existing subsidies and new construction subsidies to avoid long term damage to the cost and supply of housing units.

3. Although activity for nonprofit and rehabilitated projects seemed to have fallen off under section 8, HUD continues to stress these options and has not made any significant improvement in its ability to screen out the unacceptably high risk projects.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Action Being Taken To Correct Weaknesses in the Rehabilitation Loan Program

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).
Legislative Authority: Housing Act of 1964. Housing and Community Development Act of 1977. 4 C.F.R. 102.10. 24 C.F.R. 445.1.

The Department of Housing and Urban Development (HUD) has outstanding loans of almost $334 million under its Rehabilitation Loan Program. Of the $334 million, over $53 million has already been returned to HUD as defaulted delinquent accounts and approximately $49 million may ultimately be returned as defaulted delinquent. The rehabilitation Loan Program provides direct low-cost loans to property owners for the rehabilitation of basically sound structures. Loans are initially serviced by the Federal National Mortgage Association (FNMA). When a borrower becomes 6 months delinquent or is at least 3 months delinquent and misses 3 consecutive payments, the loan is returned to HUD for servicing.

Findings/Conclusions: HUD did not maintain proper control over defaulted loans returned by FNMA. Some loans were delinquent for years, yet loan servicers had not recommended foreclosure or contacted the defaulted borrowers to arrange for loan payment. The manual recordkeeping system used by HUD cannot adequately handle the volume of defaulted loans on hand. The loan servicing activity has been hampered by a general lack of management attention. HUD has established a special task force under the supervision of the Under Secretary of HUD to study all aspects of the program and recommend needed changes. HUD has never developed and submitted the design of the accounting system for rehabilitation loans to the Comptroller General for approval.

Recommendations: The Secretary of HUD should direct the HUD Office of Financing and Accounting to develop and submit the design of the revised accounting system for rehabilitation loans to the Comptroller General for approval; and direct the HUD Inspector General to review actions taken to comply with suggestions of GAO and the task force and ensure that adequate system changes are implemented.

HUD is in the process of revising its accounting system to include a number of improvements suggested by GAO and a special HUD task force. Its Inspector General offices will review the redesigned system when it is completed and ensure that it includes all suggested improvements. However, HUD has set no specific target for completing the project and historically it has taken a long time to complete projects to redesign accounting systems. *(FGMSD-79-14, 3-14-79)*

Appropriations

Department of Housing and Urban Development, Rehabilitation Loan Fund—community planning and development

Appropriations Committee Issues

The Committees should ask the Secretary of Housing and Urban Development to provide a deadline for submitting its revised system for approval by GAO and to submit status reports explaining the reasons for any lengthy delays.

DEPARTMENT OF JUSTICE

COORDINATING COUNCIL ON JUVENILE JUSTICE AND DELINQUENCY PREVENTION
LAW ENFORCEMENT ASSISTANCE ADMINISTRATION

Federal Juvenile Delinquency-Related Activities: Coordination and Information Dissemination Are Lacking

Budget Function: Administration of Justice: Criminal Justice Activities (0754).
Legislative Authority: Juvenile Justice and Delinquency Prevention Act of 1974 (P.L. 93-415).

In developing the Juvenile Justice and Delinquency Prevention Act of 1974, Congress cited a lack of effective program coordination as one of the major weaknesses of Federal juvenile delinquency prevention efforts. Accordingly, the Act established a new office within the Law Enforcement Assistance Administration (LEAA) to serve as the focal point for all Federal juvenile delinquency activities and to improve overall coordination of related programs.

Findings/Conclusions: A review of what LEAA has done to implement the coordination and information dissemination provisions of the legislation showed that not much progress has been made. Annual reports of LEAA have been of little value in providing a comprehensive picture of the Federal juvenile delinquency effort. LEAA funded few interagency projects. The National Advisory Committee for Juvenile Justice and Delinquency Prevention has had little impact on Federal juvenile delinquency program policies or priorities. The Coordinating Council, the primary Federal coordinating body established under the Act, has not met regularly as required and has not received adequate staff support.

Recommendations: The Attorney General should direct LEAA to assume the leadership role that was expected and take action to: catalog overall Federal efforts to provide a meaningful basis for coordination; encourage additional interagency projects dealing with key youth issues; and provide the National Advisory Committee and the Coordinating Council with the direction and resources necessary to carry out their mandated responsibilities. The Director of OMB should closely monitor LEAA efforts to coordinate Federal juvenile delinquency programs and establish a working committee to further examine the coordinating issue. This committee should be chaired by OMB and consist of representatives of that office and involved Federal agencies.

The Department of Justice and OMB gave recognition to the coordination problems noted in our report. In its response to the House Committee on Government Operations, and the House and Senate Committees on Appropriations, the Department discussed actions it was taking to implement our recommendations. *(GGD-79-63, 8-3-79)*

Appropriations

Department of Justice, Law Enforcement Assistance Administration

Appropriations Committee Issues

Is the coordination of Federal juvenile delinquency prevention efforts being improved?

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

The FBI Operates Two Computerized Criminal History Information Systems

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751).

The Federal Bureau of Investigation (FBI) operates two programs for accumulating and disseminating criminal history information. The National Crime Information Center's Computerized Criminal History (CCH) program was developed for rapid dissemination of criminal information. The Automated Identification Division System (AIDS) program was developed to reduce operating costs and shorten the time required to disseminate criminal history information. Both programs are being developed so that either could be the comprehensive system for the criminal justice community. Development plans provide for AIDS to phase out its maintenance and dissemination of criminal history information as the States assume these responsibilities.

Findings/Conclusions: The AIDS program is being implemented in phases and is scheduled for full operation in 1983. Much of AIDS success depends on state-of-the-art technology involving the invention of new special purpose computers to read and match finger prints. The two programs, AIDS and CCH, record the same type of crimes and disseminate the same kind of information. Consequently, duplication of arrest information exists between AIDS, CCH, and the States' systems. The FBI has been unsuccessful in its attempts to decrease duplication and increase support to the CCH program. Each of the programs has separate advantages which have been determined necessary in a criminal history information system. AIDS provides for positive identification, and CCH provides for rapid dissemination and offers the ability to operate as a decentralized records system. When the FBI initially awarded the present contract for its computer system, the method of acquisition did not offer the greatest advantage to the Government. The FBI has renewed the equipment contract each fiscal year since 1972. It has not yet conducted annual reviews as required by Federal regulation to determine if the Federal Government could save money by negotiating a new contract. The FBI did not develop a long-range plan identifying its automatic data processing requirements and, as a result, its current computer equipment is overloaded. *(GGD-79-81, 9-7-79)*

Appropriations

Department of Justice

Appropriations Committee Issues

Congress needs to ascertain if two systems should be operated concurrently and whether all privacy issues are covered if one major centralized system is adopted. Additionally, consideration must be given to providing the funds necessary to purchase the ADP equipment needed to effectively carry out this program.

DEPARTMENT OF JUSTICE

Reducing Federal Judicial Sentencing and Prosecuting Disparities: A Systemwide Approach Needed

Budget Function: Administration of Justice: Federal Litigative and Judicial Activites (0752).
Legislative Authority: S. 1437 (95th Cong.). H.R. 6869 (95th Cong.). 21 U.S.C. 841. 18 U.S 4206. 28 U.S.C. 334. 18 U.S.C. 4205. 18 U.S.C. 4254.

Despite considerable attention, differences in the treatment of offenders continue to be a problem throughout the Federal criminal justice system. Although some differences in treatment are necessary, other disparitites create doubt about the fairness of the system. The most obvious occur at the time of prosecution and sentencing of defendants who have similar backgrounds and are accused of similar offenses.

Findings/ Conclusions: The major reason differences occur is the limited information available to officials exercising discretion and to the lack of guidance and criteria for those officials to use when exercising discretion. All areas of the criminal justice system lack such guidance. Due to the lack of data reporting procedures and an effective reporting mechanism, only limited information is available for determining whether the types and length of sentences are adequate or whether statutes used in sentencing are appropriate.

Recommendations: As the policymaking body for the Federal judicial system, the Judicial Conference should: establish appropriate policy guidance for judges to use at their discretion in sentencing decisions; establish a reporting and review mechanism to collect sentencing data and to study the adequacy of sentencing decisions; and request from Congress any legislative, statutory, or rule changes needed to improve the sentencing process. The Attorney General should use the results of the ongoing assessments of the prosecutive disparities as a basis for: (1) establishing uniform guidelines and procedures for all U.S. attorneys to use in deciding what violations of the criminal statutes to prosecute; (2) providing U.S. attorneys with policies and procedures to govern their use of plea bargaining so that consistency in plea bargaining can be achieved throughout all districts; and (3) establishing a reporting and review mechanism to collect data on prosecutive decisions and to study the adequacy of these decisions.

The Administrative Office of the U.S. Courts and the U.S. Parole Commission generally agreed with the report's findings, conclusions, and recommendations. The Department of Justice shared the goals sought by the recommendations but expressed concern over the method of developing certain issues. The Department recognizes the existance of disparity in criminal prosecutions and sentences, and is conducting three empirical studies relating to sentencing and prosecutive decisions. One study will lead to the development of proposals for insuring that prosecutive policies and practices are in accord with Federal law enforcement prioritites and that unwarranted disparities in prosecutive decisions are minimized. Another study is expected to develop data that could be used to develop sentencing guidelines. Finally, a case weight study will provide data on the processing of cases which will determine the extent of disparity in litigative decisions. The Department has also proposed establishing the Bureau of Justice Statistics. *(GGD-78-112, 3-19-79)*

Appropriations:

Department of Justice—judiciary

Appropriation Committee Issues:

Congress should determine if Justice has developed: (1) sentencing guidelines; (2) proposals for insuring that prosecutive policies and practices are in accord with Federal law enforcement priorities and that unwarranted disparities in prosecutive decisions are minimized; and (3) an information system for collecting data on prosecutive decisions.

DEPARTMENT OF LABOR

Compensation for Federal Employee Injuries: It's Time To Rethink the Rules

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).
Legislative Authority: Federal Employees' Compensation Act.

Over the years the Department of Labor decisions have provided an expansive interpretation of what constitutes a compensable injury under the Federal Employees' Compensation Act. When an employee of the Federal Government is injured or killed on the job, the worker or survivors are entitled to benefits. The criteria for determining compensable injuries are not always clear. Uncertainties are developing over how far the Government's liability should extend.

Findings/Conclusions: Increased costs are caused by increased employee salaries, increasing costs of medical care, and inflation. Another basic cause is the expanding concept of a compensable injury. Broad definitions, inadequate guidelines on the work relatedness of diseases, and uncertainty about the causes of many diseases have expanded program coverage.

Recommendations: To aid the determinations of causal relationships, the Secretary of Labor should establish guidelines that have at least minimal factual and medical standards for developing and evaluating evidence and for deciding whether an injury is compensable; determine whether specific guidelines can be established for cases of aggravation or whether an alternative system for occupational diseases might be possible; and codify specific instructions on approved policies, procedures, and practices for determining causal relationships. To better understand the occupational disease problem and its effect, the Secretary should evaluate the Federal workers' compensation system for the number of claims, types of diseases, related cost, and other pertinent information; and the potential effects of the occupational health problem on the system. Congress should review the Department of Labor's determinations of what constitutes a compensable injury and provide any needed guidance on the Govenment's liability, and review guidelines for causal relation. To better understand the guidelines' meaning and effect, Congress should enact legislation directing the Secretary of Labor to report the results of the guidelines' application and to document his report by specific references to cases.

In responding to this report in October 1979, Labor stated the actions it has taken in response to GAO's recommendations. These actions included review of the need for guidelines for the development of occupational disease cases, plans to convene a panel to develop guidelines for aggravation, and improvements being made in the ADP system to aid in retrieval of information necessary for the recommended studies. *(HRD-79-78, 8-22-79)*

Appropriations

Department of Labor, Employment Standards Administration—special benefits

Appropriations Committee Issues

Broad definitions of compensable injury, inadequate guidelines on the work relatedness of diseases, and uncertainty about the causes of many diseases have expanded program coverage and increased its costs.

DEPARTMENT OF LABOR

The Davis-Bacon Act Should Be Repealed

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Davis-Bacon Act (Wage Rates) (40 U.S.C. 276a). 40 U.S.C. 276(c) . Walsh-Healey Act (Government Contracts) (41 U.S.C. 35 et seq.). Miller Act (Public Building Contracts) (40 U.S.C. 270). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Contract Work Hours Standard Act (40 U.S.C. 327). Service Contract Act of 1965 (41 U.S.C. 351). Administrative Procedure Act (5 U.S.C. 55 et seq.). (P.L. 91-129; 83 Stat. 269). P.L. 95-585. OMB Circular A-102.

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings in excess of $2,000 to which the United States is a party or shares the financing must state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages are those determined by the Secretary of Labor to be prevailing for laborers employed on projects of a similar character in the area in which the work is to be performed. The Act was intended to discourage nonlocal contractors from successfully bidding on Government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure. In 1977 about $172.5 billion was spent on new public and private construction projects, but only $37.8 billion was for direct Federal or Federally assisted construction spent by State and local agencies and involved about 22 percent of the Nation's 3.8 million construction workers. The remaining $134.7 billion was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act.

Findings/Conclusions: The significant changes in the Nation's economic conditions and the economic character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor (DOL) has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. A review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in the attempt by DOL to develop and issue wage rates based on prevailing rates. The review of 30 Federal or Federally assisted projects, costing an estimated $25.9 million, showed that the majority of the rates issued by DOL were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where the DOL rates were lower than those prevailing locally, local contractors were generally awarded the contracts and paid workers the prevailing rates in the community. When the DOL rates were higher than those prevailing locally, it was found that nonlocal contractors worked on most of the projects, indicating that the higher rates may have discouraged local contractors from bidding. In addition, the weekly payroll reporting requirement resulted in unnecessary contractor costs estimated at $189.1 million for 1977.

Recommendations: Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act for the following reasons: (1) significantly increased costs have resulted to the Federal Government; (2) excessive wage determination rates have inflated construction costs and disturbed local wage scales; and (3) the fact that contractors tend to pay prevailing rates when DOL determinations are too low, thus negating the intent of the Act. Congress should also repeal the provisions in the 77 statutes related to the Davis-Bacon Act. *(HRD-79-18, 4-27-79)*

Appropriations

Department of Labor, Employment Standards Administration
Department of Housing and Urban Development
Department of Defense
Military construction and all other appropriations that authorize direct Federal and Federally assisted construction activities subject to the Davis-Bacon Act.

Appropriations Committee Issues

The Davis-Bacon Act results in unnecessary construction and administrative costs of several hundred million dollars annually on Federal and Federally assisted construction projects; therefore, the Davis-Bacon Act should be repealed.

DEPARTMENT OF LABOR

Labor Department Is Strengthening Procedures To Recover Costs for Federal Employees' Injuries Caused by Third Parties

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101).

Millions of dollars in compensation costs for Federal civilian employees are not being recovered for work-related injuries caused by third parties.

Findings/Conclusions: The Department of Labor has given identification and recovery of third-party actions a low priority. An additional $4.7 million might have been recovered in three Labor district offices during the 3-year period reviewed if more aggressive collection action had been taken. Several general procedural changes implemented by Labor during the review were inadequate due to deficiencies in management controls, training, staffing considerations at the regional solicitors' offices, and to the fact that identification of potentially recoverable claims was left largely to the discretion of the claims examiners. In many cases, employees initiated recovery actions by retaining their own attorneys, who then informed Labor that cases were being pursued. Only minimal time would be required during the initial review for claims examiners to identify potentially recoverable claims and for the regional solicitor's staff to notify the injured employees of their third-party responsibilities and benefits.

Recommendations: The Secretary of Labor should require that the Assistant Secretary for Employment Standards and the Solicitor of Labor: revise the claims processing procedures and establish effective management controls to assure that potentially recoverable claims are identified and recovery pursued when warranted; train personnel as required; and determine and request the resources needed to effectively carry out the DOL responsibilities.

In responding to this report in July 1979, Labor outlined actions it had taken on GAO's recommendations including changes in procedures, increased training, review and utilization of automation for monitoring. *(HRD-79-36, 5-9-79)*

Appropriations

Department of Labor, Employment Standards Administration—special benefits

Appropriations Committee Issues

Millions of dollars in compensation costs for Federal civilian employees were not being recovered for work-related injuries caused by third parties.

DEPARTMENT OF LABOR

BUREAU OF INTERNATIONAL LABOR AFFAIRS
EMPLOYMENT AND TRAINING ADMINISTRATION

Worker Adjustment Assistance Under the Trade Act of 1974: Problems in Assisting Auto Workers

Budget Function: Education, Manpower, and Social Services: Training and Emploment (504).
Legislative Authority: Trade Act of 1974 (P.L. 93-618). Trade Expansion Act of 1962 (P.L. 87-974).

Congress has recognized that increased imports resulting from expanded international trade could adversely affect certain workers and firms within the United States and has directed that segments of the economy affected by increased import competition receive various forms of monetary and nonmonetary adjustment assistance. The Worker Adjustment Assistance Program is administered by the Department of Labor through State employment agencies and provides eligible unemployed workers with weekly allowances; training, counseling, and job referral; and job search and relocation allowances. As of June 30, 1976, 149,800 workers from the auto industry were certified as eligible to apply for adjustment assistance.
Findings/Conclusions: Few automotive industry workers took advantage of the training, job search, and relocation benefits through the adjustment assistance program because most layoffs in the industry were considered temporary, and most workers were either back at work or willing to wait for recall rather than accept another job. Most of the workers had returned to work long before their adjustment assistance payments were received. When the payments were received, a large part of the money was used to repay the company/union supplemental unemployment benefit fund. Program benefits were not always distributed equitably because of problems in identifying specific workers separated from jobs because of import competition. Some auto workers received program benefits for layoff periods unrelated to import competition.
Recommendations: The Secretary of Labor, before issuing certifications, should determine the extent to which affected workers can be identified from employer records, and, when issuing certifications, should provide guidelines for determining which workers are eligible. Congress should amend the Trade Act of 1974 so that supplemental unemployment and similar benefits can be treated in the same manner as other earned income in computing weekly benefit entitlements.

Labor took no exception to the report recommendations but it has not pursued the recommendation regarding the treatment of company/union supplemental unemployment benefits. Labor has provided more specific guidelines to State employment security agencies to facilitate their interpretation of the specific coverage of certifications. Labor further recognized in its comments on our report that the current treatment of supplemental unemployment benefits in computing weekly benefit entitlements is an area of concern. However, Labor indicated that it would not want to see a change enacted without further study. In its response to congressional committees as required by the Legislative Reorganization Act of 1970, Labor simply restated its position and had not undertaken any study of the problem. No action had been taken on this issue as of September 30, 1979. However, our mandated comprehensive report on the worker adjustment assistance program (to be issued by December 30, 1979) will recommend legislative changes which, if enacted, would negate the need for congressional action on this matter. *(HRD-77-152, 1-11-78)*

Appropriations

Grants to States for Unemployment Insurance and Employment Services

Appropriations Committee Issues

Congressional action is needed to amend the Trade Act of 1974 so that supplemental unemployment and similar benefits can be treated the same as other earned income in computing weekly benefit entitlements. This action would lessen the possibility of unemployed workers receiving a net income greater than they had received while working and prevent workers from being in the position of having to repay retroactive trade adjustment assistance payments to supplemental unemployment benefit funds.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Job Corps Should Strengthen Eligibility Requirements and Fully Disclose Performance

Budget Function: Education, Training, Employment and Social Services (0504)
Legislative Authority: Comprehensive Employment and Training Act of 1973.

To determine whether the Job Corps effectively enhances the employability of its target population, GAO reviewed data and visited some 12 Job Corps centers, selected recruitment and placement agencies, and other training programs serving the disadvantaged.

Findings/Conclusions: The Job Corps program has serious problems including the following: (1) little assurance exists that the Job Corps is serving only youths who need to be removed from their environment as the Congress intended; (2) inadequate criteria for determining a placement rate and questionable placement data allow the Corps to depict the program in a very favorable light, but the rate does not provide adequate information to properly assess effectiveness; and (3) based on initial steps taken to determine the Corps' long-term impact on earnings, graduates, while earning more than nongraduates, do not earn enough to break the poverty cycle.

Recommendations: The Secretary of Labor should establish specific guidelines in accordance with Congressional intent to enable recruiters to identify youths who need a residential program to successfully participate in training; monitor to see that reruiters properly determine eligibility and give applicants a full understanding of the program and information on what will be expected of them; if monitoring is ineffective, determine the feasibility of a uniform intake process to serve all Labor employment and training programs for youths; and explore the use of vocational skills aptitude testing as part of the recruiting process. Regarding placements, the Secretary should compute and report to the Congress additional placement information, including a placement rate based on the total number of terminees. The rate should be accompained by analysis to distinguish between full- and part-time employment. He should revise the placement definintion to include requirements that a placement (1) be counted only for those who spend a minimum amount of time in Job Corps, (2) be made within a prescribed maximum amount of time following termination, and (3) be effective for a prescribed minimum amount of time. He should also require that Job Corps randomly validate reported placements. Furthermore, the Secretary should evaluate Job Corps' impact on terminees' long-term earnings.

Although Labor advised congressional committees that it agrees with most of our recommendations, it does not appear that Labor plans to establish specific eligibility guidelines. Unless such guidelines are established, eligibility determinations are not very meaningful, and Labor cannot demonstrate that Job Corps is serving only those needing this costly last resort program. Labor generally disagreed with our three-part recommendation to revise the placement definition. Until Labor changes the definition, however, the placement rate—a principal measure of program effectiveness—will continue to be overstated and misleading. *(HRD-79-60, 07-09-79)*

Appropriations

Employment and training assistance

Appropriations Committee Issues

To assure that program funds are spent in accordance with congressional intent, the Committee should require Labor to demonstrate, through tightened eligibility requirements, that Job Corps serves only youths who need to be removed from their environment. Also, when determining the proper funding level for Job Corps, the Committee should require Labor to portray its impact realistically through a revised placement definition.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Job Training Programs Need More Effective Management

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).
Legislative Authority: Comprehensive Employment and Training Act of 1973 (29 U.S.C. 801).

Title I of the Comprehensive Employment and Training Act authorized the Department of Labor to fund and monitor locally administered programs to provide unemployed people with skills needed to find jobs. The Act gave State and local authorities (prime sponsors) a large role in planning and managing employment and training programs. About $1.8 billion of title I funds was spent for classroom and on-the-job training programs during fiscal years 1975-1977.

Findings/Conclusions: Of a sample of over 2,000 classroom training participants who left training during fiscal year 1976, 49% obtained jobs after completing training. About 32% of the sample retained their jobs for at least 6 months. Of a sample of 800 on-the-job training participants who left training during the same year, 58% were retained by their employers, and about 38% were with their training employer after 6 months. Classroom training costs ranged from about $2,000 to $15,100, and on-the-job training ranged from about $1,500 to $14,600 per placement. The success of training programs may be affected by factors beyond the sponsor's control, such as the motivation and capabilities of individuals served and the economic conditions of the sponsor's area. The primary reasons, however, for wide variations in sponsors' performances were inadequacies in the training programs and related services. Participants left training or their jobs for such reasons as lack of motivation and transportation problems.

Recommendations: The Secretary of Labor should insure that prime sponsors offer training courses justified by labor market surveys, reexamine classroom training courses to assure that skill levels taught match requirements of job openings, design prevocational training programs leading to vocational skill training, identify more accurately participants' employment needs and capabilities, document counseling sessions more precisely, and restructure job development services so that job searches begin well before training is completed. The Secretary should also: develop more specific and appropriate performance standards for each training activity, assure that prime sponsors have management information systems which provide adequate data and make adequate evaluations of program activities, and revise quarterly Federal reports to provide adequate information to evaluate training activities operated under title I.

In commenting on the report Labor generally agreed with our recommendations to improve CETA's employment and training programs. But Labor's response to some recommendations did not state what action would be taken with any specificity. Labor agreed to explore further or review many of the issues involved. Recognizing that there are many difficult issues involved in managing training programs we believe that the time has come for definitive actions to be taken. Our recommendations dealt with two basic areas (1) the managerial shortcomings in the operations of these programs, and (2) the need for effective monitoring and evaluation of CETA's training activities. In regard to the first area, Labor said that the problems cited in the report varied widely among the sponsors and that there is no pattern of consistent managerial shortcomings which can be focused on. We believe that the pattern of shortcomings demonstrates the need for Labor to assist the sponsors in improving their programs because the Department has many years of experience in managing training programs. In regard to the second area, we recommended that Labor establish performance standards and revise its Federal reports to provide adequate information to monitor and evaluate CETA's training activities. Labor agreed with our recommendation to revise its Federal reports and said that the Department was studying how best to do this. Also, Labor agreed that performance standards are needed but pointed out that one difficulty in establishing standards is the gauging of whether the training programs result in appreciable improvements over their preprogram experience. We agree. Our recommendation dealing with the need to establish more specific standards lists some of the basic ingredients which we believe are necessary for managers to effectively gauge the per-

formance of training programs. Establishing specific standards on how many should get and retain jobs, we believe, is a necessary first step in evaluating training programs. Measuring accomplishment against standards would serve as a "flag" for program managers to further examine and assess the individual training activities. With the amount of money being spent on training activities, these activities should not continue to operate, year after year, without specific performance standards. CETA's 1978 amendments gives Labor the authority to develop performance standards. The Department is presently in the process of developing those standards. Also, the 1978 amendments require Labor to report the types of participant outcomes experienced after they leave training. Labor has redesigned its Federal reports to obtain information which should enable the Department to better evaluate those programs. *(HRD-78-96, 7-7-78)*

Appropriations

Employment and Training Assistance

Appropriations Committee Issues

Without performance standards and adequate management information on participant outcomes, neither Labor nor the sponsors can demonstrate that the large amounts of Federal dollars for these programs are being spent effectively. The committee should inquire as to what steps Labor has taken to assure itself that CETA's training funds are being effectively spent.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

More Effective Management Is Needed To Improve the Quality of the Summer Youth Employment Program

Budget Function: Education, Training, Employment and Social Services (0500).
Legislative Authority: Comprehensive Employment and Training Act of 1973, as amended; (29 U.S.C. 801).

The Comprehensive Employment and Training Act (CETA) and implementing Federal regulations authorize the Department of Labor (DOL) to make grants to prime sponsors—generally State and local governments—to provide work experience to economically disadvantaged youths during the summer to enhance their future employability. These part-time summer jobs which generally pay the minimum wage are with schools, hospitals, libraries, community service agencies, and other public and private nonprofit agencies and groups. The program is directed at economically disadvantaged youths, both in and out of school, between 14 and 21 years of age. It is aimed at all segments of the disadvantaged population, but especially at school drop outs, and in-school youths likely to encounter employment barriers because of their work attitude, aptitude, and social adjustment.
Findings/Conclusions: The Department of Labor's efforts to assure that State and local governments were operating quality programs were not very successful at the sites we visited. As a result, the future employability of many of the most needy youths was not improved. Poor administration by the Department and by local program operators prevented many youths, mostly at urban locations, from being exposed to environments that resembled the real world of work, where there is enough useful work to be done and good work habits are fostered. The program's purpose is defeated when youths are paid for little or no work or for games or when they are paid even though they were late or absent. Poor work habits that are learned or reinforced will offset any benefits received. There were also problems in targeting program funds to areas and groups. Allocations were based on the desire to maintain prior year enrollment levels rather than on the eligible population's needs and the quality of past programs.
Recommendations: Before considering any expansion of the program, Congress should assure itself that the Department of Labor has taken effective corrective actions to improve the quality of the program. The Secretary of Labor should:

—provide sponsors with specific guidance on how to assess the quality of worksite experiences, including developing models of work settings that provide the opportunity to develop good work habits and identifying and prohibiting activities that bear no relationship to real work;
—take effective action (1) to improve Labor regional office monitoring of the program to assure that sponsors develop and operate programs that provide meaningful work and (2) to withhold funds from sponsors that have not developed programs meeting requirements;
—develop and propose to the Congress funding procedures that more equitably distribute program funds to the eligible population while considering sponsors' demonstrated success in summer youth programs;
—take effective action to assure that sponsors recruit and increase the participation of out-of-school and other youths most in need of program employment and training services;
—require sponsors to obtain from applicants adequate evidence of eligibility and to verify eligibility.

Labor's written statement on action taken on our recommendations to the appropriate Congressional Committees, as required by the Legislative Reorganization Act of 1970, indicates that efforts were made to strengthen supervision and monitoring and to eliminate inadequate work sites. As a result of our report and directions by the Senate Appropriations Committee, Labor provided sponsors with guidance and conducted on-site reviews of the 1979 summer program to see that work and supervision actually occurred. However, Labor has not taken any corrective actions to address our recommendations related to problems in targeting program funds to areas and groups. *(HRD-79-45, 2-20-79)*

Appropriations

Department of Labor—employment and training assistance

Appropriations Committee Issues

The Committee should limit the program to the fiscal year 1978 funding level until Labor demonstrates an ability to assure that youths are being prepared for real job situations and: (1) develops and proposes to the Congress funding procedures that more equitably distribute program funds to the eligible population while considering sponsors' demonstrated success in summer youth programs, and (2) takes effective action to assure that sponsors recruit and increase the participation of out-of-school and other eligible youths most in need of program employment and training services.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Poor Administration of the 1977 Summer Program for Economically Disadvantaged Youth in New York City

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).
Legislative Authority: Comprehensive Employment and Training Act of 1973, title III (29 U.S.C. 874).

The operation of New York City's 1977 Summer Program for Economically Disadvantaged Youth (SPEDY), funded by the Department of Labor, was reviewed. The program was established to enhance the future employability of economically disadvantaged youths by providing them with useful work experience. In 1977, the Department of Labor granted the city $35 million to operate this program, which provided 7 weeks of employment for about 70,000 city youths.

Findings/Conclusions: The program was poorly planned and poorly administered by both the Department of Labor and New York City. Some of the worksites were providing useful work experience to the enrolled youths, but over half of the worksites had serious problems, such as insufficient work or absent enrollees shown as being present. In these instances, program objectives may have been defeated by fostering bad work habits and paying salaries for little or no work. The following factors contributed to the problems: inadequate planning resulted in an insufficient number of productive jobs; project sponsors from previous years were generally funded with little consideration of their past performance; the methods used to register youths raised questions about income eligibility; and monitors were inadequately trained, many worksites were not visited, and problems noted were frequently not followed up with corrective actions.

Recommendations: For future summer youth employment programs in New York City, the Secretary of Labor should: set firm planning deadlines with specific labor involvement, require that all sponsors' selections are based on merits of proposals and effectiveness of past performance, work with the city to develop a better method of conducting registration, require the city to strengthen its monitoring procedures, require effective coordination with the Federal summer feeding program, require the city to revise the income eligibility form to provide a penalty for falsification of data, and require that the city devise a time card which specifies a penalty for falsification and ensure that project sponsors are informed that enrollees are not to be paid for work when they are absent. The Secretary should increase the number of monitors for the summer youth program in New York City and make certain that these monitors can devote adequate resources to oversight of the program.

Although comments were requested from the Department of Labor on May 18, 1978, they were not received at the time this report was printed. Labor's written statement on action taken on our recommendations to the appropriate Congressional committees, as required by the Legislative Reorganization Act of 1970, was due on September 26, 1978. The statement had not been submitted as of October 13, 1978. The Department submitted for the record answers to the above issues at Senate hearings before the Committee on Appropriations for the Labor-HEW fiscal year 1980 appropriation. Also, our comprehensive report on the nationwide program, "More Effective Management Is Needed To Improve the Quality of the Summer Youth Employment Program", (HRD-79-45, February 20, 1979) raised the same issues. The Department is required to report to the Senate Appropriations Committee by January 15, 1980, on actions taken to improve the program. *(HRD-78-123, 7-26-78)*

Appropriations

Employment and training assistance

Appropriations Committee Issues

The Committee should require Labor to demonstrate that it has made the following types of determinations prior to funding SPEDY programs at individual prime sponsors locations: (1) subgrantees have meritorious written plans which have been reviewed and evaluated by the prime sponsor, (2) subgrantees are selected on

the basis of merit and have the administrative capability to perform effectively under the program, (3) subgrantees do not have a history of poor performance under Federal grant programs, and (4) the prime sponsor has a comprehensive and independent monitoring program in place designed to insure compliance with the plan and SPEDY regulations.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Questionable Need for Some Department of Labor Training Programs

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).
Legislative Authority: Comprehensive Employment and Training Act of 1973 (29 U.S.C. 801).

Under the Employment and Training Act (CETA) of 1973, the Department of Labor funds programs to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons. The Apprenticeship Outreach Program (AOP) was designed to recruit, counsel, tutor, and refer primarily minority youths to apprenticeship positions in construction trades. The National On-The-Job Training Program's (OJT's) primary objective is to provide training to unemployed, underemployed, and economically disadvantaged persons for jobs in skilled occupational shortage areas, many of which are construction related.

Findings/Conclusions: Conditions which existed when the Department of Labor began the apprenticeship program have substantially changed. Employment opportunities in the construction industry have declined, causing a change in placement emphasis to general jobs. This policy shift underlined the question of the continued need for AOP. The results of several construction-related on-the-job training projects during 1975 and 1976 demonstrated placement and operational problems. In many cases, program participants were not receiving adequate training, nor were they aware of any on-the-job training to be obtained. Subcontractors have been using program funds instead of their own funds to support their regular apprenticeship systems. Some national contractors have used about one-third of the funds to pay for headquarters and regional administrative operations. Insufficient oversight and evaluation by the Department of Labor contributed to the problems of these programs.

Recommendations: The Secretary of Labor should eliminate the AOP in favor of less costly alternatives. If the program is continued, performance criteria should be established that: include minimum requirements on the service level necessary to merit a placement claim, include minimum requirements for job suitability and job length necessary to warrant placement credit, and eliminate placement credit for referral to other programs and jobs with a large minority representation. The Secretary should reevaluate the need for the OJT Program and terminate contracts that are not achieving program objectives. He should: concentrate funding in trades having skilled worker shortages and low minority representatives, require that adequate job training be provided, implement guidelines which prohibit OJT funds from subsidizing apprenticeship programs, and reduce program administration costs.

Labor disagreed with our recommendations that the programs be eliminated or redirected, but agreed with most of our recommendations for improving program management. We still believe that the Secretary of Labor should (1) eliminate the AOP concept in favor of less costly alternatives, and (2) terminate national on-the-job training contracts which are not achieving program objectives. The House and Senate Committee of Conference agreed that the Apprenticeship Outreach program is to be continued at the fiscal year 1979 funding level. However, the conferees directed the Secretary to conduct a thorough and complete evaluation of the goals and accomplishments of the program, as well as the manner in which it is being administered. The conferees expect a report from the Secretary concerning this evaluation by January 15, 1980. *(HRD-78-4, 4-10-78)*

Appropriations

Department of Labor—employment and training assistance

Appropriations Committee Issues

The Committee should require Labor to justify fully the need for continued funding of the Apprenticeship Outreach and construction-related National On-the-Job training programs in view of high unemployment in the construction industry, limited apprenticeship opportunities, and the numerous program problems identified in our report.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance—Inequities and Work Disincentives in the Current System

Budget Function: Education, Training, Employment and Social Services: Training and Employment Education, Training, Employment and Social Services (0504).
Legislative Authority: Social Security Act (42 U.S.C. 501). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49). Federal-State Extended Unemployment Act of 1970 (P.L. 91-373; 26 U.S.C. 3304n).

Enacted as a Federal-State program under the Social Security Act, unemployment insurance was established to provide a temporary income to unemployed workers and to help stabilize the economy by maintaining the purchasing power of laid-off workers. About 8 million people received $9.7 billion in compensation during 1978. Normally, States pay 26 weeks of compensation, but during periods of high unemployment they pay additional weeks. Weekly compensation in most States is half of a recipient's average weekly gross wage before becoming unemployed, up to a maximum limit.

Findings/Conclusions: In interviews with 3,000 persons receiving unemployment compensation, GAO found that compensation, either alone or combined with other income, replaced an average 64 percent of the recipient's net income before unemployment; about 7 percent replaced over 100 percent. Persons who replaced over 75 percent of their net before unemployment collected compensation over 2 weeks longer than those who replaced 75 percent or less; were more apt to exhaust compensation; were most likely to have quit their most recent jobs; and generally held jobs similar to ones listed by the Employment Service. About 30 percent of these persons stated they had only a limited financial need to work. Factors limiting the financial incentive to work are: (1) increased taxes on workers' income; (2) supplementation of unemployment compensation by retirement income; (3) reduced expenses during unemployment; and (4) unequal computation of unemployment benefits.

Recommendations: It is recommended that Congress consider the following as possible solutions to the inequities and disincentives in the program: including unemployment compensation in taxable income; reducing unemployment compensation by retirement income; and establishing a uniform methodology for determining compensation.

The Department of Labor (DOL) differed with the views of GAO on the possible ways suggested for the Congress to modify the unemployment compensation program so that recipients will be treated more equitably and have a better financial incentive to work. DOL stated that the report contained major methodological weaknesses which lead directly to unwarranted policy recommendations. DOL did agree, in principle, that taxing unemployment compensation would be more equitable. However, DOL does not agree that unemployment compensation should be reduced by retirement income nor should the Congress establish a uniform methodology for determining compensation amounts. *(HRD-79-79, 8-28-79)*

Appropriations

Employment and training assistance

Appropriations Committee Issues

Congressional action is needed to reduce the inequities and work disincentives in the current unemployment compensation system. Implementation of uniform eligibility standards and methods for determining unemployment compensation benefit amounts would aid in achieving this goal.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance: Need to Reduce Unequal Treatment of Claimants and Improve Benefit Payment Controls and Tax Collections

Budget Function: Income Security: Unemployment Insurance (0603).
Legislative Authority: Social Security Act (42 U.S.C. 501). Wagner-Peyser Act (29 U.S.C. 49). Federal-State Extended Unemployment Compensation Act of 1970 (P.L. 91-373, title II; 26 U.S.C. 3304). Emergency Unemployment Compensation Act of 1974 (P.L. 93-572; 26 U.S.C. 3304). Tax Reduction Act of 1975. Emergency Unemployment Compensation Extension Act of 1977. Emergency Jobs and Unemployment Assistance Act of 1974. Federal Unemployment Tax Act. P.L. 94-12, title VII. P.L. 95-19. P.L. 93-567. 26 U.S.C. 3301. 29 U.S.C. 961.

Unemployment insurance primarily provides temporary protection for qualified workers who lose jobs, until they can either be rehired or find new employment. Although Federal involvement has increased, program administration varies among jurisdictions, resulting in unequal treatment of claimants and in substantial costs to the unemployment insurance program.

Findings/Conclusions: There are no uniform standards to determine who is eligible for unemployment insurance benefits and what amounts can be received. Greater effort is needed to assure that claimants look for work. Control of overpayments is weak, and improvements are needed to recover overpayments. Improvements are also needed in measuring payment timeliness and in tax collection efforts.

Recommendations: The Congress should establish uniform eligibility standards and methods for determining benefit amounts so that all claimants are treated equally. The Secretary of Labor should: disseminate results of new work test procedures which have been successful; encourage jurisdictions to establish special work test units; encourage jurisdictions to implement wage reporting to assure that data are available in all jurisdictions to identify overpayments through crossmatching; take appropriate steps to encourage jurisdictions to adopt the model crossmatch system; encourage jurisdictions to establish programs to detect overpayments to various groups of individuals, such as full-time students; encourage jurisdictions to develop and implement more aggressive techniques for recovering overpayments; revise regulations so that all jurisdictions measure timeliness and are evaluated in the same way; develop timeliness standards for payments made to ex-service personnel and Federal employees; encourage jurisdictions to adopt laws that provide agency officials with adequate authority to collect taxes; and require jurisdictions to develop and use more aggressive tax collection techniques.

Labor generally agreed with our recommendations and said that it would implement them. Labor disagreed, however, with our recommendation to Congress that it establish uniform eligibility standards and methods for determining benefit amounts so that all unemployment insurance claimants are treated equally. Labor said that although it believed some State law provisions produce inequitable results, it did not agree that the solution is uniform eligibility standards and methods of determining benefits amounts. No Congressional or Agency action had been taken as of September 30, 1979. *(HRD-78-1, 4-5-78)*

Appropriations

Grants to States for Unemployment Insurance and Employment Services

Appropriations Committee Issues

Congressional action is needed to establish uniform eligibility standards and methods for determining unemployment insurance benefit amounts. Implementation of this recommendation would assure uniform eligibility of claimants. However, differences in benefit amounts payable among the States will continue. We believe that implementation of this recommendation would achieve a desirable goal.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION
Office of Workers' Compensation Programs

How To Improve Administration of the Federal Employees' Compensation Benefits Program

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).
Legislative Authority: Federal Employees' Compensation Act, as amended (5 U.S.C. 8101).

The Department of Labor uses an Employees' Compensation Fund to pay benefits on behalf of Federal employees of various Government agencies, instrumentalities, and other organizations (referred to here as agencies) for disability or death due to injury or disease sustained in performing their duties. Each agency, however, must reimburse the Fund through Labor for benefit payments made. Certain agencies not wholly dependent on annual appropriations from the Congress are required by law to pay an additional amount for their share of the cost of administration.
Findings/Conclusions: GAO reported to the Congress that administrative costs could be reduced if agencies receiving appropriated funds were not required by the Federal Employees' Compensation Act to reimburse the Fund. In addition, because they are not specifically enumerated in the law, certain agencies not wholly dependent upon annual appropriations were not billed their fair share of the Fund's administrative costs.
Recommendations: GAO recommended that Labor propose legislation to the Congress to have those agencies which should be required by law to pay but which cannot now be legally billed specifically enumerated in the act. GAO suggested that the Congress consider amending the Federal Employees' Compensation Act to (1) make the fair share surcharge applicable to agencies identified by Labor and (2) either eliminate or strengthen the chargeback process for agencies dependent on appropriated funds.

The Department of Labor advised congressional committees that it was attempting to identify all agencies which should be required to pay their fair share, and if such an ultimate determination can be made, would submit to the Congress proposed legislative amendments to accomplish such. The Department has taken no action on eliminating the chargeback provision. Further study of the issue is in process. *(MWD-75-23, 3-13-75)*

Appropriations

Department of Labor, Employment Standards Administration—special benefits

Appropriations Committee Issues

1. The Department of Labor is unable to obtain a fair share of Compensation Fund administrative costs from certain agencies.
2. Administrative costs could be reduced if agencies receiving appropriated funds were not required by the act to reimburse the Fund.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION
Office of Workers' Compensation Programs

Improvements Still Needed in Administering the Department Of Labor's Compensation Benefits for Injured Federal Employees.

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).
Legislative Authority: Federal Employees' Compensation Act, as amended (5 U.S.C. 8101).

The Federal Employees' Compensation Act, as amended, provides for paying compensation benefits for the disability or death of Federal civilian employees injured or killed while performing their duties. These benefits include compensation for loss of wages, dollar awards for bodily impairment, medical care for an injury or disease, rehabilitation services, and compensation for survivors.

Findings/Conclusions: Although the number of civilian employees in the Government has remained fairly constant, from fiscal year 1970 through fiscal year 1977, injuries reported by employees increased by 72.1 percent; claims increased by 70.3 percent; persons drawing compensation for extended periods increased by 90 percent; and benefits paid increased by 315.1 percent. In about 41 percent of the 233 cases reviewed, the Office of Worker Compensation Programs (OWCP) awarded benefits without adequately establishing a causal relationship between the employee's disability or death and his or her employment. Many benefits were awarded without adequate supporting medical evidence, supporting medical rationale, or resolution of conflicting medical evidence. Other factors contributing to OWCP's improper determination of benefits involved a lack of onsite investigations and personal contact and a lack of agency appeal rights. District offices visited did not systematically review the condition and status of injured employees who received benefits for extended periods.

Recommendations: The Secretary of Labor should instruct all officials and employees of OWCP that they are responsible for making claims determinations that are equitable to the employee, the Federal Government, and the taxpayers; and their responsibilities require that benefits be denied in all cases in which adequate medical and other evidence are not provided establishing that the employee's injury was work related. The OWCP should: make onsite investigations of all claims in which causal relationship is not conclusively shown, place as much emphasis on decisions to approve as those to deny benefits, and install a management information system. The Director of the Office of Management and Budget should consider placing specific monitoring and vocational rehabilitation responsibilities in the employing agencies. The Congress should amend the act to place in the employing agencies the authority to appeal any finding of causal relation which is not consistent with or supported by available evidence.

In responding to this report in May 1979, the Department of Labor stated that for the past 6 years the Federal Employees' Compensation Act program has had serious problems in administration and management. However, for more than 3 years the present administration has been taking significant steps to eliminate these problems. These steps closely parallel the actions recommended in this report. The Department did not comment on the recommendation to the Congress. *(HRD-78-119, 6-28-78)*

Appropriations

Department of Labor, Employment Standards Administration—special benefits

Appropriations Committee Issue

1. Claims for benefits are being approved without adequate evidence that the disability or death was work related.
2. Quality of Labor's claims determinations would be improved if employing agencies were given the right to appeal Labor's decisions.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION
Office of Workers' Compensation Programs

To Provide Proper Compensation for Hearing Impairments, the Labor Department Should Change Its Criteria

Budget Function: Income Security: Federal Employee Retirement and Disability (602).
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101). Administrative Procedure Act (5 U.S.C. 551; 5 U.S.C. 554).

Millions of American workers have been exposed to occupational noise levels which may result in hearing impairment. Federal civilian employees are covered by the Federal Employees' Compensation Act which is administered by the Office of Workers' Compensation Programs (OWCP) in the Department of Labor. Between 1969 and 1976, about 36,000 claims for hearing impairment compensation were filed by Federal civilian employees for a potential liability exceeding $185 million.

Findings/Conclusions: Most of this liability was due to Department of Labor modifications in 1969 and 1973 of a generally accepted hearing impairment formula developed by the American Academy of Ophthalmology and Otolaryngology (AAOO) and endorsed by the American Medical Association. The Act itself does not specify the criteria to be used in determining the extent of an employee's permanent impairment. It specifies that only the permanent portion of an impairment which must have been proximately caused by employment qualified for a scheduled award. These factors are often inadequately established and result in considerable overcompensation. While OWCP regulations require that compensation be provided for the full degree of impairment if the condition was aggravated by the occupational environment, agency officials have expressed concern as to whether the employer should be liable for the portion of impairment that existed before employment.

Recommendations: The Secretary of Labor should have the OWCP immediately adopt the AAOO's formula for determining hearing impairment. Any future changes in the hearing impairment formula should be based on appropriate scientific research and advice from other Government agencies and scientific and medical organizations. The OWCP should employ noise-exposure level standards recommended by the National Institute for Occupational Safety and Health as the basis for determining occupational relationship to noise-induced hearing impairment; and it should require the use of testing procedures which exclude temporary hearing loss and exaggerated responses in establishing degrees of hearing impairment.

Responding to this report in January 1979, the Department of Labor stated it has taken a number of important measures related to the fundamental issues addressed in this report. Labor stated that the AAOO was in the process of revising its formula, and Labor was in the process of contracting for an extensive hearing impairment research project. Labor believed that the wise course of action would be to await the results of Labor's planned research project and the AAOO's actions before considering changes to the formula. The AAOO has since revised its formula and just during the week of September 1979, Labor awarded a contract to scientifically study the hearing impairment formula. GAO believes that Labor should give a higher priority to its research and studies of occupational diseases and establish goals for the timely implementation of procedures resulting from its research and studies. *(HRD-78-67, 6-1-78)*

Appropriations

Department of Labor, Employment Standards Administration—special benefits

Appropriations Committee Issues

A more justifiable basis should be used in awarding compensation for hearing impairment.

DEPARTMENT OF LABOR

FEDERAL LABOR RELATIONS AUTHORITY

Survey of Reserved Management Rights

Budget Function: General Government: Central Personnel Management (0805).
Legislative Authority: Civil Service Reform Act of 1978. Executive Order 11491.

The Federal Labor Relations Authority (FLRA) is responsible for interpreting and administering the Civil Service Reform Act (CSRA) of 1978 as it relates to the labor-management relations program in the Federal service. The Office of Personnel Management (OPM) is responsible for providing guidance, technical assistance, training, and information to agencies on labor-management relations. With these responsibilities, the FLRA and OPM play important roles in the application and effectiveness of reserved management rights and collective bargaining in the Federal Government.
Findings/Conclusions: The Federal Labor Relations Council (FLRC) negotiability decisions were not always clear about which conditions of employment are negotiable and which are not. What impact CSRA will have on management rights and scope of bargaining is still unknown. Unions tend to want to broaden the scope of bargaining and therefore they define management rights narrowly. Agency management, on the other hand, tends to try to reduce bargaining scope by broadly defining management rights. These views and positions have not generally changed, nor does CSRA resolve the problem. An agency's determinations of nonnegotiability previously could be appealed by the union to the FLRC and now the appeal can be taken to FLRA. The CSRA continues the old structure of reserved management rights with only a few modifications. The impact, range, and significance of reserved management rights as they relate to the scope of bargaining will be primarily determined and established by FLRA and OPM and/or application of the new law's intent.
Recommendations: The FLRA and OPM should take action to: encourage collective bargaining in the Federal service and at the same time promote better relations and a more cooperative attitude between employees and management; and establish clear criteria or guidelines for determining negotiability over conditions of employment which are subject to reserved management rights.

Both FLRA and OPM agreed with GAO's recommendations and stated that they would incorporate our suggestions as they perform their work. *(FPCD-79-35, 4-18-79)*

Appropriations

Office of Personnel Management—salaries and expense
Federal Labor Relations Authority—salaries and expenses

Appropriations Committee Issues

In order to achieve a major objective of the Civil Service Reform Act of 1978, OPM and FLRA will need to encourage Federal collective bargaining and better labor-management relations. These actions will lead to more productive employees and lower costs to the Federal Government.

DEPARTMENT OF LABOR

OFFICE OF WORKERS' COMPENSATION PROGRAMS

Multiple Problems With the 1974 Amendments to the Federal Employees' Compensation Act

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101).

The number of lost-time injury claims filed by Federal workers increased sharply following legislative changes in 1974, which allowed employees' pay to continue uninterrupted for 45 days after a traumatic injury and gave them free choice of a physician.

Findings/Conclusions: Removal of a previously required waiting period has encouraged employees to file claims for minor and frivolous injuries and for injuries of short duration. A random selection of 410 continuation-of-pay (COP) claims showed that, based on the duration of the injuries and on other available factors, as many as 46 percent of all claims might have been eliminated by a 3-day waiting period. Lacking agency controls, the free-choice-of-physician provision has contributed to COP abuse. The Department of Labor (DOL) has not provided employing agencies with sufficient authority to carry out their responsibility for managing injury claims; and the degree of management varies widely among agencies. A large backlog of claims in DOL district offices has hindered the COP program; while short-cuts taken to try to control the volume of claims has allowed erroneous and unsupported claims to get through the system.

Recommendations: The Secretary of Labor should actively encourage employing agencies to develop programs for working with employees and their physicians to determine the best resolution of a claim and the length and extent of the disability. The Secretary of Labor should require the Assistant Secretary for Employment Standards to instruct the Office of Workers' Compensation Programs to: require district office claims examiners to obtain sufficient evidence for all COP claims before rendering final decisions, and to assist agencies in establishing uniform policies for dealing with COP. In controversial claims, which should be given priority adjudication, agencies must be given the authority to controvert and withhold COP until employees have provided sufficient medical evidence to substantiate their claims; or, when the employee refuses to return to work on a suitable light-duty assignment in accordance with the attending physician's diagnosis. Congress should require that the 3-day waiting period for traumatic injuries be applied before the payment of COP, rather than 45 days later; and provide employing agencies with the authority to require an employee to submit to a second medical examination by a Federal medical officer or a physician designated by the Secretary of Labor when there is a question about the initial diagnosis or the resulting length of disability.

In responding to this report in August 1979, the Department of Labor stated that the Administration is considering legislative proposals to amend the Act, which will address many of the problems to which the report is directed. *(HRD-79-80, 6-11-79)*

Appropriations

Department of Labor, Employment Standards Administration—special benefits

Appropriations Committee Issues

The 1974 amendments to the act have caused a sharp increase in lost-time injury claims and compensation costs to the taxpayer.

DEPARTMENT OF STATE

State Department Should Improve Foreign National Pay Setting

Budget Function: International Affairs: Conduct of Foreign Affairs (0152).
Legislative Authority: Foreign Service Act of 1946 (P.L. 86-723). P.L. 93-273. P.L. 77-411. B-179700 (1974). 56 Stat. 13.

Federal agencies overseas employ about 178,000 foreign citizens at a cost of about $1.5 billion annually. Legislation provides that compensation for foreign national employees will be based on locally prevailing wage rates that are consistent with the public interest. In adopting foreign national labor provisions, Congress expected U.S. agencies in a particular locale to establish uniform wage rates and employment practices. GAO visited Germany, Italy, Japan, Korea, and the Philippines to determine if employees were paid local rates and to what extent U.S. Government agencies coordinate compensation plans.

Findings/Conclusions: The Departments of State and Defense vary in the compensation they establish for their foreign employees, and in general, the Department of State pays more than the Department of Defense. State Department officials contended the differences were justified because of different duties and responsibilities. GAO found little to support that job demands were consistently or appreciably greater in one agency or the other. State Department wage survey techniques generally provided a valid base for applying total comparability principles to periodically adjust wages. Nonetheless, wage setting would be improved if: (1) embassy salary schedules reflected average private sector rates, (2) the true costs of retirement and separation pay benefits were included in comparability adjustments, (3) surveyed jobs were representative of the embassy's work force, and (4) State Department wage survey guidance was followed more closely. Despite State Department urgings to adopt local retirement plans, most of the Department's overseas posts still enroll foreign national employees in the U.S. civil service retirement system. GAO believes the disadvantages of enrolling foreign employees in civil service far outweigh the advantages. Some of the disadvantages are: (1) annuities stated in dollars but paid in local currency and thus subject to windfall gains or losses from currency fluctuations, (2) annuities adjusted according to domestic cost-of-living indexes, and (3) minimum annuities clearly excessive in low-wage countries such as the Philippines.

Recommendations: GAO recommends that the Secretary of State improve coordination of foreign national pay systems and wage schedules with the Department of Defense and other overseas agencies to the extent that: (1) joint wage surveys and uniform pay schedules are adopted in countries where both agencies directly employ foreign nationals, and (2) Defense wage rates are included in State Department wage surveys where Defense operates under indirect hire arrangements. The Secretary should also monitor overseas wage setting more closely to insure that missions: (1) have salary schedules that reflect private sector average pay or average pay ranges, (2) include the cost of severance in pay adjustments, (3) survey private sector jobs that represent the mission's work force as closely as possible, and (4) correct other wage setting errors such as those which occurred in Korea and Italy. Finally, the Secretary of State should replace civil service retirement with prevailing local plans.

The Department of State disagreed or partially disagreed with certain of the recommendations and agreed to implement others. The Department's authorizing bill for fiscal years 1980 and 1981 express the sense of Congress that the Secretary of State should implement the GAO recommendations, with slight modification, to the extent possible. *(FPCD-78-81, 01-08-79)*

Appropriations

Department of State—salaries and expenses

Appropriations Committee Issues

Cost of foreign national employees will continue to be a problem for the forseeable future.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Agency for International Development Needs To Strengthen Its Management of Study, Research, and Evaluation Activities

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151).
Legislative Authority: Foreign Assistance Act of 1961.

GAO examined the management of contracts and grants issued by the Agency for International Development (AID) for study, research, and evaluation activities. During fiscal years 1977 and 1978, AID obligated $109 million and $90 million for services from contractors. The amount projected for fiscal 1979 was $105 million.

Findings/Conclusions: Some categories of AID-funded studies and research were not included in fiscal year 1977, such as host-country technical services (about $600 million), support of the international agriculture research centers (about $19 million), and research components of development projects. AID cannot readily determine the full amount it spends for studies, research, and evaluations because its management reporting systems are not designed to provide this information. AID does not: give adequate consideration to the information already available to the U.S. Government before contracting for more studies and research; assure itself that it has received products contracted for; systematically disseminate its information to others within AID and the Government. These conditions may lead to buying information already available to the Federal Government and to a reduction in the impact on AID programs.

Recommendations: The AID Administrator should: require that AID's management information system identify research and study efforts and their costs; require responsible officers to certify that available information has been obtained, analyzed, and considered before contracts or grants for studies and research are authorized; expand coordination and information exchange within AID and with other Federal agencies and donors; act to assure that AID managers exercise appropriate surveillance over contractor activities, and complete and use properly contractor performance evaluation reports; and require that appropriate information on AID-funded studies and research be sent to the National Technical Information Service and the Smithsonian Science Information Exchange.

AID has agreed with our recommendations and is taking steps to rectify the deficiencies noted in the report. *(ID-79-13, 2-12-79)*

Appropriations

Foreign assistance and related programs

Appropriations Committee Issues

Actual project costs, regardless of funding source, must be known to evaluate the worth of the project.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Legislative Changes Urged in Loan Program of the Agency for International Development

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151).
Legislative Authority: Foreign Assistance Act of 1961, as amended.

The Loan Program of the Agency for International Development (AID) consists of foreign economic assistance lending activities: AID has been making and administering loans to foreign countries since 1961. The loans are repayable over periods of up to 40 years, including 10-year grace periods before repayment, and have variable interest rates which are generally low—some less than 1 percent.

Findings/Conclusions: Since 1971, AID has experienced increased problems in collecting both the principal and interest due on its loans. These problems have occurred primarily because borrower countries lack the ability to pay in accordance with their loan agreements. Collection problems have generally been resolved by adding uncollected interest to the loan balance and rescheduling principal due dates to defer payments. By June 30, 1975, borrowers in countries owing $9.3 billion in dollar-repayable loans had missed payments on loans having unpaid balances totalling $5.4 billion. Four countries—India, Pakistan, Chile, and Egypt—required debt relief on all their dollar-repayable loans. Since 1971, with the exception of India, AID has changed its lending pattern but has continued to lend to most countries having problem loans. Questions about the continued need for and age of some loans prompted AID to initiate loan reviews and establish new loan implementation criteria.

Recommendations: To provide for more realistic administration of foreign assistance lending as well as for more consultation with the Congress, GAO recommended that the Congress consider amending the Foreign Assistance Act of 1961 in the following manner.

1. Provide specific authorization for the use of any available loan funds—funds appropriated for loans but not yet obligated—to make debt relief loans, the proceeds of which shall be used by the borrowers to make payments on their existing loans.
2. Require AID to prescribe a systematic method of determining annual maximum levels for additional AID lending to borrowers receiving debt relief loans. The maximum level would automatically decrease and eventually reach zero as outstanding debt relief loans increased, and as outstanding debt relief loans decreased, the maximum level would increase.
3. Provide that any further lending to a borrower whose loans in any year have reached the prescribed maximum level be permitted only upon congressional review and approval of a written presidential justification of the proposed lending.
4. Provide an alternative way to alleviate debt repayment problems and preserve a country's ability to obtain additional AID assistance by amending section 620 (q) of the Foreign Assistance Act of 1961 to provide the following. Whenever a loan agreement has been revised to defer loan principal of interest payments, the prior payment provisions apply in determining default unless the borrower has agreed to pay a rate of interest on the deferred payment of no less than the average cost of money to the Treasury. *(ID-76-80, 1-5-78)*

Appropriations

Foreign Assistance and related programs

Appropriations Committee Issues

The Committee should consider current trends in providing debt relief and levels of new lending to borrowers unable to make scheduled payments on prior loans.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Meeting U.S. Political Objectives Through Economic Aid in the Middle East and Southern Africa

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151).
Legislative Authority: Foreign Assistance Act of 1961. International Security Assistance Act of 1978 (P.L. 95-384).

The Economic Support Fund (ESF) is intended to advance U.S. political interest and demonstrate the U.S. commitment to and concern for countries receiving such economic assistance. Notwithstanding the political focus of the fund, Congress has stressed in recent years that the assistance should, to the extent possible, be responsive to the New Directions policy set forth in the Foreign Assistance Act of 1961.

Findings/Conclusions: Most economic achievements of the fund have resulted from program assistance, specifically, large disbursements made against cash transfers, budget support, and commodity import forms of assistance. Substantial sums have been provided to ESF countries through various forms of program assistance to promote economic stability as well as advance political objectives and absorb high aid levels. The assistance has been instrumental in promoting a stable economic environment in Egypt and in Israel immediately after the 1973 October war. For Syria and Zambia, program assistance has helped increase the productive capacity of selective sectors. The continued need for high levels of program assistance will have to be based on an assessment of whether it is the appropriate tool for furthering particular economic and political objectives. Although progress has been made, program orientation can be expanded to meet basic human needs. Expanded efforts need to be made to facilitate participation of the urban poor in the development process and assist the poor in increasing their incomes through expanded training opportunities.

Recommendations: The Administrator of the Agency for International Development (AID) should, with respect to the Syrian program, report to Congress in the fiscal year 1981 authorizing request, on progress made in funding some local costs incurred for fiscal year 1979 capital development projects and decide whether it would be appropriate to increase the commodity import portion of assistance if capital projects cannot be developed or implemented within a reasonable period. With respect to the Egypt aid program, AID should continue efforts to encourage the submission of annual estimates of local currency expenditures by other Egyptian assistance donors. The Administrator of AID also should carry out plans to support training in the skills which improve the access of Egypt's urban poor to employment opportunities; initiate community-development activities which facilitate participation of Egypt's urban poor in the development process, utilizing U.S. voluntary agencies where possible; and report to Congress in the fiscal year 1981 authorization request, on the efforts to focus the Syria program on rural-development needs.

The Department of State and the Agency for International Development concurred in our analysis of the problems associated with the administration of the Economic Support Fund to the Middle East and Southern Africa. While not fully agreeing with our recommendations on South Africa, they did concur in our recommendations on the programs in Egypt and Syria. The actions initiated or promised should result in improved program performance. *(ID-79-23, 5-31-79)*

Appropriations

Foreign assistance and related programs

Appropriations Committee Issues

Because of the problems associated with the effective use of the funds appropriated for the programs discussed in this report, the appropriations committees may wish to review the Agency for International Development's progress in developing more effective uses of economic support fund monies.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S. Development Assistance to the Sahel--Progress and Problems

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151).

The Agency for International Development (AID) is participating in a long-term effort to help the peoples of eight Central and West African countries (called the Sahel) protect themselves from the vagaries of nature by providing assistance in the achievement of some measure of economic and social development. Since 1974, AID has provided $374 million, of which $135 million was for food assistance.

Findings/Conclusions: AID lacks a current regional development strategy identifying what it wants to accomplish in the Sahel and outlining clearly how to achieve its objectives. A better working arrangement between the Sahel development planning team, responsible for overall regional issues, and those field missions responsible for country activities is necessary. The AID delivery rate is slow and improvements in project management are needed. The AID design system also requires substantial improvement. AID needs to make a greater effort to link food assistance to the long-term development of the Sahel to achieve dual humanitarian and development objectives.

Recommendations: The Administrator of AID should: emphasize the implementation phase of development assistance; establish procedures to shorten the design and approval process and provide for more timely initiation of development projects; give special consideration to the methods for managing regional development projects and defining the relationships between regional management systems and bilateral country missions; and use food assistance allocated to the Sahel countries more effectively.

The Agency for International Development and the Peace Corps generally agreed on the need to correct the problems identified and advised us of the remedial actions they are taking. Effective implementation of the actions underway or proposed should result in improved program performance. *(ID-79-9, 3-29-79)*

Appropriations

Foreign assistance and related programs

Appropriations Committee Issues

The Sahel Development Program appropriations have been of continuing concern to the Committee. The Committee should consider the findings in this report during future appropriation hearings.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Alternatives for the Bureau of Indian Affairs Public School Financial Assistance Program

Budget Function: Natural Resources and Environment: Other Natural Resources (0306).
Legislative Authority: 25 C.F.R. 273. Education Amendments of 1978 (P.L. 95-561). Indian Self-Determination and Education Assistance Act (P.L. 93-638). Johnson-O'Malley Act (Indian Welfare) (P.L. 73-167). P.L. 81-874.

The Bureau of Indian Affairs (BIA), Department of the Interior, began a 3-year phaseout in 1976 of its Johnson O'Malley basic support program, which provides funds for public schools to assist in educating Indian children. A review was made of the management of the basic support and tuition portions of the Johnson O'Malley program in order to: identify alternatives for the Congress to consider in deciding the Johnson O'Malley basic support program's future; evaluate management of the basic support program; and determine the legality of Johnson O'Malley tuition payments to school districts educating BIA dormitory students whose legal residence is in the same State but outside of the school district.

Findings/Conclusions: All of the schools and school districts visited by GAO during the review received impact aid and basic support funds. It was found that basic support program funds have been provided to public schools and school districts without ensuring that the educational needs of Indian students were met. The funds were provided even though some of the schools did not, as required by program regulations, have at least 70 percent Indian enrollment or demonstrate that they needed basic support program funds to meet minimum State educational requirements and standards.

Recommendations: If the Congress decides that BIA should continue administering the basic support program, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to: (1) develop adequate criteria for determining whether basic support program funds are meeting the educational needs of Indian students attending public schools; (2) seek legislative clarification from the Congress on whether basic support program funds should be used to meet the minimum or higher educational standards and requirements of States; and (3) strengthen the procedures and practices of BIA to ensure that schools and school districts meet established criteria to qualify for funding. *(CED-79-112, 9-6-79)*

Appropriations
Bureau of Indian Affairs, Johnson-O'Malley Educational Assistance

Appropriations Committee Issues
None.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Bureau of Indian Affairs' Progress in Providing Special Education Services to Indian Children

Budget Function: Natural Resources and Environment: Other Natural Resources (0306).
Legislative Authority: Education for All Handicapped Children Act of 1975 (P.L. 94-142). Elementary and Secondary Education Act of 1965.

The Education for All Handicapped Children Act of 1975 provided for the identification and assessment of handicapping conditions in children. The identification of the number of handicapped students, their location, and their handicapping conditions are vital first steps in providing special education services. A review was made to determine the progress made by the Bureau of Indian Affairs in its elementary and secondary schools to:(1) provide free and appropriate public education to all handicapped children between the ages of 3 and 18 not later than September 1, 1978, and (2) hire 202 special education teachers and specialists provided for by appropriations of an additional $5 million in fiscal year 1979.

Findings/Conclusions: Review at the Navajo and Phoenix area schools showed that some progress had been made under the requirements of the Act, but not all handicapped children were being served. Nineteen schools were visited with a total of 883 handicapped children, and it was found that 38 percent of the children were receiving full special education services, 13 percent were receiving partial services, and 49 percent were receiving no services. The Bureau was slow to comply with the mandate of the Act because of poor leadership and a lack of emphasis placed on the program. The following problems were noted: a late start on student assessments, limited efforts to hire special education personnel, and the expenditure of funds for purposes other than hiring teachers.

Recommendations: The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to: (1) determine the number of special education personnel needed by each location and develop a plan to hire those personnel at the earliest possible date; and (2) develop policies, guidelines, and realistic goals to meet the mandate of the Education for All Handicapped Children Act of 1975, for the delivery of special education services to all handicapped children in Bureau-operated schools. It is recommended that the Senate and House Committees on Appropriations should restrict the Bureau's fiscal year 1980 special education funds to hiring special education teachers and specialists. The committees should not allow the Bureau to use these funds for other purposes without congressional approval. *(CED-79-121, 9-4-79)*

Appropriations

Bureau of Indian Affairs—school operations

Appropriations Committee Issues

The Appropriations Committees should restrict the Bureau's use of FY 1980 special funds to hiring special education teachers and specialists and not allow the Bureau to use these funds for other purposes without congressional approval.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

More Effective Controls Over Bureau of Indian Affairs Administrative Costs Are Needed

Budget Function: General Government: Central Fiscal Operations (803).
Legislative Authority: Budget and Accounting Procedures Act of 1950.

The Bureau of Indian Affairs (BIA) was asked by congressional committees to reduce costs of administering Indian programs for fiscal years 1977 and 1978 by about $8.5 million because evidence suggested that costs were excessive.

Findings/Conclusions: BIA reduced costs by about $900,000 and then, rather than reduce the remaining administrative costs as directed, it reduced funds for Indian programs. It also avoided reductions in administrative costs by such actions as: netting the reduction against other program costs and allocating them to the many BIA offices without identifying the amount of reduction; reducing funds for computer operations and recovering funds by receiving reimbursement from Indian programs for services; and failing to reduce personnel, claiming that reductions would have prevented it from providing essential services. BIA's arguments for maintaining its administrative costs level were inconsistent with audit report disclosures that shortcomings in personnel organizations' operating budgets to management and other adverse conditions had resulted in unnecessarily high costs. Weaknesses in the Bureau's financial management system prevented it from controlling costs effectively and contributed to its high administrative costs.

Recommendations: Congress should exercise better controls over BIA's administrative costs by changing its method of appropriating funds for this purpose, using either separate appropriations or a dollar limitation, and should also specify amounts for personnel costs. If either of these recommendations is adopted, the Secretary of the Interior should require BIA to change its budgets and related justifications to show total administrative costs and personnel by specific offices and program category. He should also direct BIA to: revise its accounting system to use its organizations' operating budgets to control costs and prevent unauthorized deviations from operating budgets; establish fund controls that will keep area offices within amounts budgeted and require prior approval for significant deviations; act immediately to reduce its administrative costs for FY 1978 by the $4 million requested by the committes; discontinue plans to show reimbursement for computer operations as reductions in administrative costs; and identify and eliminate overlapping positions and unqualified personnel.

The Department of the Interior agrees that the Bureau's Financial Management system has serious weaknesses and said that action would be taken on GAO's recommendations to improve the system. However, Interior disagrees with the need to implement other recommendations in the GAO report and issued comments to several congressional committees, including the House and Senate Appropriations Committees, that contained its rationale for objecting to the recommendations. GAO has evaluated Interior's rationale and is preparing a separate report that explains why the recommendations should be implemented. *(FGMSD-78-17, 2-15-78)*

Appropriations

Department of the Interior, Bureau of Indian Affairs—operation of Indian programs

Appropriations Committee Issues

The Committees should adopt one of the alternatives suggested in GAO's report for appropriating money to the Bureau for its administrative expenses. They should also direct Interior to act positively on all GAO recommendations to provide greater control over the Bureau's administrative costs and require periodic reports on the status of actions until there are reasonable assurances that controls have been improved to the Committees' satisfactions.

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Alternatives for Achieving Greater Equities in Federal Land Payment Programs

Budget Function: General Purpose Fiscal Assistance: General Revenue Sharing (0851).
Legislative Authority: P.L. 94-565.

A variety of land payment programs have evolved over the years to compensate States and counties for tax exemptions on Federal land within their jurisdiction. GAO reviewed programs in eight Western States where 80 percent of the Federal land payments are made and found many inequities and inconsistencies. **Findings/Conclusions:** The basic aim of Congress in enacting these programs was to compensate States and counties for lost tax revenues and the economic burdens of tax-exempt Federal land. As laws were designed and implemented, most programs paid States and counties a percentage of the annual receipts generated from the public lands, rather than on the basis of equivalent taxes that would have been paid if the land were privately owned. Because the payment bears no relationship to tax equivalency, States and counties do not receive equitable payments. Many States and counties are overpaid compared to tax equivalency, while others receive little or no payment. The Public Land Law Commission recommended in 1970 that counties receive one payment rather than a number of payments under the various receipt-sharing programs. Congress decided not to repeal the Federal land payment programs. Nevertheless, some counties that already received more in land payments than they would have in taxes for the same land received an additional bonus. In revising Federal land payments laws, Congress may find it useful to consider alternatives to the type of receipt-sharing approach now used, such as fee-per-acre, other types of revenue sharing, fee for service, and tax equivalency.

Recommendations: To make corrections in past payments, the Bureau of Land Management should take steps to validate receipt-sharing deductions for fiscal year 1977 and 1978 payment computations to all States except for the eight States GAO reviewed. GAO has already given the Bureau correct data on those States. Congress should change the laws to require payments on a tax equivalency basis. If Congress decides to continue receipt-sharing payments and acreage payments under Public Law 94-565, it should take action to correct several weaknesses and amend the law so that: payments under the law are disassociated from receipt-sharing payments; or deductions for receipt-sharing payments are allocated to counties where receipts were earned; or deductions for receipt-sharing payments are allocated to counties based on population or some other allocation method. *(PAD-79-64, 9-25-79)*

Appropriations

Bureau of Land Management—payment in lieu of taxes.

Appropriations Committee Issues

Committee issues include: the loss of congressional control over budget totals (the States can change the amounts received); and improper payments of Federal funds (the Bureau of Land Management makes payments on State-provided data that is known to be unreliable).

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Oil and Gas Royalty Collections—Serious Financial Management Problems Need Congressional Attention

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).
Legislative Authority: Accounting and Auditing Act of 1950 (31 U.S.C. 66a). Department of Energy Organization Act (91 Stat. 578). Mineral Leasing Act of 1920. 10 C.F.R. 212. 25 C.F.R. 171. 25 C.F.R. 172. 30 C.F.R. 225. 43 C.F.R. 3106. 30 U.S.C. 181. 30 U.S.C. 187. 30 U.S.C. 192. 30 U.S.C. 275. 43 U.S.C. 29.

A significant portion of domestically produced oil and natural gas comes from Federal and Indian lands leased to the private sector. During 1977, the Geological Survey collected about $1.2 billion in royalties on these lands from the oil and gas industry. Extensive congressional interest in Government debt collection procedures prompted a review of the system and related controls used by the agency in collecting these royalties.

Findings/Conclusions: Serious deficiencies in the way the Geological Survey maintained records of amounts due the Government under the leases resulted in losses of millions of dollars. Statements of lease accounts contained numerous errors and omissions. Failure to perform an adequate number of lease account reconciliations and audits meant that the agency had to rely on unverified data from the oil and gas industry to compute and collect royalties due. Lack of interest charge provisions resulted in delayed receipt of payments. Understaffing was a chronic condition. Many factors beyond the control of the agency contributed to the breakdown in the collection system.

Recommendations: For the short range, the Secretary of the Interior should require the Director of the Geological Survey to: inform field personnel of the need to determine the reasonableness of inventory and sales data shown on production reports, making accounting personnel aware of any discrepancies; include on lease account records codes identifying reasons for account adjustments on a lease; provide for and charge appropriate administrative fees and interest on delinquent accounts; and encourage companies with computer capabilities to provide direct tape input of report data. For the long range, the Director should: modify or redesign the collection system to reduce the volume of reports submitted by the industry for processing; consider lessee dependability and prior reporting and paying record in selecting accounts for reconciliation and audit; provide for cross-service audit agreements with the Department of Energy; and designate one office as responsible for establishing agencywide collection policies.

The Department of the Interior agreed with the report and is developing a completely new royalty collection system. This system is being reviewed and evaluated by agency officials. However, this system has not been fully developed and will not be implemented for some time. Until this system is effectively implemented, the Department of the Interior does not have adequate assurance that it is collecting all that is owed by the oil and gas industry. *(FGMSD-79-24, 4-13-79)*

Appropriations

Department of the Interior—personnel

Appropriations Committee Issues

The Appropriations Committee should review the status of actions taken to modify or redesign the collection system.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Appraisal Procedures and Solutions to Problems Involving the 160-Acre Limitation Provision of Reclamation Law

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: The Reclamation Act of 1902.

GAO reported to the Chairman, Senate Select Committee on Small Business, and the Acting Chairman for the Westlands Hearings, Senate Committee of Interior and Insular Affairs, that improvements were needed in the Bureau's appraisal techniques to ensure that large landowners in the Westlands Water District do not sell their excess lands at values which include enhancement resulting from the project.

Findings/Conclusions: The Bureau did not:

—adequately support its basis, or give consideration to all appropriate factors, in establishing land values without project benefits;

—consider the usefulness to the purchaser of farm facilities and equipment in estimating their value; and

—adequately document the basis for its independent valuations.

GAO concluded that establishing a governmental purchasing system of excess land for resale to family farmers probably had the potential for being more effective than two other solutions suggested to GAO by the Chairmen for solving problems in administering the 160-acre limitation provision. This would be particularly true if the owner were also required to be the farm operator. Because of the lack of basic data and the subjective considerations involved, the Federal cost of such a solution is unknown. Reclamation law limits to 160 acres the land on which any one owner is entitled to receive water from a Federal water resources project. Owners of more than 160 acres in the Westlands Water District in California may receive water on such excess land from the Bureau of Reclamation's Central Valley Project if they sign recordable contracts agreeing to sell such excess lands within 10 years to eligible buyers at prices based on the actual bona fide value of such lands without reference to the construction of the Federal project. In a previous report to the Chairmen, (FED-76-98, 4-9-76) GAO estimated that the Federal subsidy applicable to the Westlands Water District would be about $658 million on a simple-interest present-value basis.

Recommendations: GAO recommended that the Secretary require the Bureau to:

—undertake a formal study in the Westlands Water District to ascertain the value of excess lands—by class and location, without project enhancement—giving consideration to the decreasing ground water supply that would have resulted if the Federal project had not been constructed; and

—obtain from the seller supporting data for values assigned by the seller and to document in the sales files the basis for valuations assigned by the Bureau's appraiser.

—issue detailed guidelines setting forth the criteria and procedures for evaluating excess land sales.

GAO also recommended that the Secretary require that his internal audit staff schedule reviews of the appraisal activity in the various Bureau regional offices.

The Bureau generally agreed with GAO's recommendations on documentation, detailed guidelines, and internal reviews of the appraisal activity; and revised procedures were submitted for publication in the Federal Register on August 22, 1977. Although the Bureau believed that the formal study to ascertain the value of project lands without project enhancement would be beneficial, it believed that such a study would be difficult to justify, given what it believed to be speculative assumptions required to consider the declining groundwater table. Despite the Bureau's position, the San Luis Task Force, established by Public Law 95-46 (June 15, 1977) pursued this matter further and adopted the GAO recommendation. Final implementation has been delayed pending completion of an EIS concerning this matter and others involving the 160-acre provision of reclamation law. *(RED-76-119, 6-3-76)*

Appropriations

Department of the Interior, Bureau of Reclamation—operation and maintenance

Appropriations Committees Issues

Because of the substantial amount of Federal subsidy provided to the recipients of irrigation water from Bureau of Reclamation projects and to ensure that large landowners do not sell their land at values which include enhancement resulting from these Federal irrigation projects, the Committees should see that the GAO recommendations are included in the final regulations.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Managing Recreation Facilities at Bureau of Reclamation Reservoirs

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: Federal Water Project Recreation Act (16 U.S.C. 4601).

GAO reported to the Chairman of the Conservation, Energy, and Natural Resources Subcommittee, House Committee on Government Operations, on (1) the Bureau's policy of assigning management of recreation areas at its reservoirs to non-Federal agencies and (2) its supervision of such management. At several reservoirs, the Bureau had been unable to interest either Federal or non-Federal agencies in assuming responsibility for developing and operating recreation facilities. As a result, these reservoirs had limited recreation facilities. Also, at a few reservoirs, public access to the lakes was restricted because concessioners had developed mobile home parks. GAO recommended that the Secretary:

—obtain statutory authority to develop, operate, and maintain recreation facilities at Bureau reservoirs when (1) other Federal or non-Federal agencies are either unwilling or unable to assume such responsibility or (2) management by a non-Federal agency would be unsatisfactory; and

—establish a policy on developing mobile home parks at Bureau reservoirs to ensure that such development does not restrict public use of the reservoirs.

The Bureau generally agreed with the recommendations. In September 1974, Interior advised the Subcommittee that a legislative proposal was being developed to provide the needed statutory authority and that its regulations were being revised to cover mobile homes in its cabin site policy. In November 1979, a Bureau official informed GAO that Interior is still considering the legislative proposal and that the Bureau is revising its instructions to deal with the problem of mobile homes. *(RED-74-235, 7-29-74)*

Appropriations

Department of the Interior, Bureau of Reclamation—construction and rehabilitation and operation and maintenance

Appropriations Committee Issues

The Bureau of Reclamation may need additional funds if it obtains the statutory authority to develop, operate, and maintain recreation facilities at Bureau reservoirs when other Federal or non-Federal agencies are either unwilling or unable to assume such responsibility or when management by a non-Federal agency would be unsatisfactory.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

More Effective Procedures Are Needed for Establishing Payment Terms and Development Periods for Irrigation Projects

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: Reclamation Act of 1902, Reclamation Project Act of 1939.

GAO reported to the Secretary on the Bureau's procedures and practices for determining the payment terms and development periods used to recover that portion of multipurpose water resource project costs allocated to irrigation.

Findings/Conclusions: Water users are required to repay, over a period of about 50 years, only that part of irrigation costs which they have the ability to pay. A development period, not to exceed 10 years, is allowed for the irrigators to develop their land and achieve the financial position necessary to meet added costs before the start of the repayment period. The irrigators' ability to pay is determined by estimating the difference between their incomes with and without an irrigation project. Such determinations involve projections of farm sizes, type and quantity of crops, and crop prices. Thus, the determinations are based on subjective evaluations—each of which can substantially affect the amounts determined to be available for repayment. GAO concluded that financial data applicable to all farm sizes and types of crops had not been used in computing irrigators' ability to pay, and that inconsistent criteria had been used for establishing development periods. Also, the Bureau's long-term contracts with irrigation districts in the Pacific Northwest, Upper Colorado, and mid-Pacific regions generally did not contain provisions for adjusting the construction cost obligation and water rates during the 40-year life of the water contracts. Finally, the subjective nature of the Bureau's determinations of the irrigation districts' ability to pay and the changing economic conditions that occur over a long period indicate that the determinations should be periodically updated.

Recommendations: GAO recommended that the Bureau be required to:

—prepare and issue to its regional offices uniform guidelines for establishing irrigation payment terms and development periods, and

—make provisions in future irrigation contracts for periodically adjusting the total construction cost obligation, the related water rates, and other payments on the basis of changes in irrigators' ability to pay.

GAO's recommendations have been adopted by the San Luis Task Force (established in accordance with P.L. 95-46, June 15, 1977) and by the President's Water Policy Statement issued June, 1978. *(RED-75-372, 5-23-75)*

Appropriations

Department of the Interior, Bureau of Reclamation—construction and rehabilitation, and operation and maintenance

Appropriations Committee Issues

To ensure more equitable treatment of all multipurpose water resource project customers and to avoid interest costs to the Government which result from unnecessarily long development periods, the Committees should inquire into the status of the Presidential water policy implementation task force's efforts.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

The Status and Problems in Constructing the National Visitor Center

Budget Function: Natural Resources, Environment, and Energy—Recreational Resources (0303).

In a report to the Congress, GAO pointed out that the cost to renovate and construct the National Visitor Center and parking facility had increased from $16 million to over $44 million. The scope of the parking facility had been reduced from 4,000 cars to 920 cars before the construction was terminated due to insufficient funds. The Departments of the Interior and Transportation are both interested in continuing construction but with different end uses of the facilities. GAO believes that before the Congress authorizes any additional construction, there should be an agreement among the Congress and these two departments on the final project designs, cost limits, and which agency should be responsible to finish the project.

GAO recommended that the Congress require the agency responsible for construction to:

—Submit to the Congress periodic status reports on this project similar to the Selected Acquisitions Reports (SAR) submitted by the Department of Defense on major weapon systems.

—Use fixed price contracts to avoid further cost overruns and to establish better control of construction.

The Congress has not authorized resumption of construction at this time, pending settlement of claims from the terminated construction. *(PSAD-77-93, 4-4-77)*

Appropriations

Department of the Interior—construction

Appropriations Committee Issues

If construction resumes, the responsible agency should submit Selected Acquisition Reports to the Congress, and the construction should be performed under fixed-price contracts.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE
HERITAGE CONSERVATION AND RECREATION SERVICE

NPS and HCRS Recreation Technical Assistance Programs

Budget Function: Natural Resources and Environment: Recreational Resources (0303).
Legislative Authority: DOI Secretarial Order 3017. S. Rept. 95-1063.

The National Park Service (NPS) and the Heritage Conservation and Recreation Service (HCRS) both are authorized to provide recreation technical assistance to State and local governments, the private sector, and Indians. NPS is primarily responsible for the National Park System, with the technical assistance program under the Office of Cooperative Activities responsible for publications, international programs, and Federal/State activities. HCRS comprises primarily the programs of the former Bureau of Outdoor Recreation and was conceived as the focal point for Federal recreation planning, evaluation, and coordination of protection and preservation efforts. HCRS' technical assistance program activities are performed by the Division of Implementation Assistance at about $2.6 million annually. Since NPS and HCRS perform similar functions, there is potential for duplication, with a natural loss of efficiency.

Findings/Conclusions: The technical assistance roles of both agencies have not been clearly defined, nor has either agency developed relevant criteria or guidelines for its field offices to follow. Only a small amount of assistance is either requested or provided by NPS. Although most NPS regions receive no specific funding for this purpose, they provide limited aid through other programs. Assistance to Indians by NPS is not always recreational, nor are planned projects always constructed. Some funds earmarked for recreation technical assistance use go to support in-house activities. Duplication between NPS and HCRS extends to management training and the publication of certain recreation periodicals. NPS also conducts inspections of 46 former Federal recreation demonstration areas which have been transferred to State and local governments; these are similar in form and purpose to HCRS inspections on several hundred properties nationwide. For 24 of these locations, the agencies have overlapping responsibilities.

Recommendations: The Secretary of the Interior should transfer responsibilities for providing recreation technical assistance from NPS to HCRS, including training, publications, and inspections. The Secretary should also direct HCRS to prepare clear criteria and guidelines for planning, developing, implementing, and evaluating its recreation technical assistance activities.

The Department of the Interior agreed with the substance of the audit report. They agreed that National Park Service responsibilities for providing recreation technical assistance should be transferred to HCRS. They also agreed there should not be a separate program for Indians. However, they stated that differences between Indian tribal governments and local governments must be recognized, and some continued special attention for Indians will be necessary. Subsequent to the issuance of the report, the House Appropriations Committee recommended the transfer of $808,000 and 14 positions from the Park Service fiscal year 1980 appropriation to the Heritage Conservation and Recreation Service. Senate action on this matter is still pending. *(CED-79-68, 4-12-79)*

Appropriations

National Park Service—operation of the national park system—cooperative programs
Heritage Conservation and Recreation Service—salaries and expenses, technical assistance

Appropriations Committee Issues

It is recommended that NPS responsibilities for providing recreation technical assistance to States and local governments, the private sector, and Indians be transferred to HCRS. If this recommendation is to be carried out, there may be a need to transfer funds and positions from NPS to HCRS.

DEPARTMENT OF THE INTERIOR

OFFICE OF WATER RESEARCH AND TECHNOLOGY

Desalting Water Probably Will Not Solve the Nation's Water Problems, But Can Help

Budget Function: Natural Resources and Environment: Water Resources (0301).
Legislative Authority: Water Research and Development Act of 1978 (P.L. 95-467).

As the availability of freshwater for municipal and industrial purposes becomes more of a problem, many countries are beginning to consider various desalination processes. Congress established the Saline Water Conversion Program to research and develop ways to convert sea and other saline water into useful water. Although the program is responsible for much of the desalting technology in use in the world today, a practical, low-cost desalting method has not been achieved.

Findings/Conclusions: While continuing to try to reduce desalination costs, the United States is working with other countries to improve desalination technology. The Saline Water Conversion Program has suffered from a lack of consistent management focus.

Recommendations: The Secretary of the Interior should: present to the Congress a comprehensive, well-defined, goal-oriented Saline Water Conversion Program plan which clearly identifies program goals, plans for achieving the goals, and an assessment of the resources required; and assure, to the extent that funds are made available, that the plan is effectively implemented and evaluated so that program objectives will be achieved.

Department of the Interior officials agreed with GAO's recommendations and have developed a saline water management plan which is now being implemented. *(CED-79-60, 5-1-79)*

Appropriations

Department of the Interior, Office of Water Research and Technology

Appropriations Committee Issues

The Committee should require the Secretary of the Interior to provide it with the plan outlining the advantages and disadvantages of the plan so that the Committee can independently evaluate it.

DEPARTMENT OF THE INTERIOR

UNITED STATES FISH AND WILDLIFE SERVICE

Endangered Species—A Controversial Issue Needing Resolution

Budget Function: Natural Resources and Environment (0300).
Legislative Authority: Endangered Species Act of 1973 (16 U.S.C. 1531). Land and Water Conservation Fund Act of 1965. Endangered Species Conservation Act of 1969. National Environmental Policy Act of 1969. P.L. 91-135. P.L. 89-669.

The endangered species program is administered by the United States Fish and Wildlife Service (FWS). Its goals are to prevent endangerment and extinction of plant and animal species caused by man's influence on existing ecosystems and to return threatened and endangered species to the point where they are no longer threatened or endangered. The Department of the Interior must improve the management of the endangered species program to provide greater protection while minimizing their impact on Federal, State and private projects and programs.

Findings/Conclusions: The listing process is the cornerstone of the endangered species program because it sets in motion all the other provisions of the art, including the protective regulations, consultation requirements, and recovery funding. However, deficiencies in FWS's listing process threaten effective implementation of the entire endangered species program. The consultation process still has conflicts involving ongoing and planned Federal projects and programs. Further improvements could avoid unnecessary project delays and adverse impacts on endangered and threatened species and their critical habitats. Improvements are needed in the FWS recovery program, land acquisitions, State participation, and Federal enforcement and prosecution as well.

Recommendations: The Secretary of the Interior should direct the Director of FWS to: apply the same listing policies and criteria to all biologically eligible species; decide the types of information needed to list species as endangered or threatened and reclassify or delist species when their futures are reasonably secure; develop adequate procedures to identify, review, and act on petitions to change the status of species; establish a system to exchange information on listed, proposed, and candidate species among Federal agencies and States; identify and include in regulations the minimum biological data required to render biological opinions; approve and implement the draft recovery priority system to be used as a guide for recovery planning and resource allocations; reassess the process of developing, approving, implementing, and evaluating recovery plans and take the actions necessary to make the process more timely; see that land purchases are consistent with FWS policies and program criteria; reassess what actions can be taken to increase State participation in the endangered species program; and strengthen enforcement and prosecution. Congress should not increase funding for consultation with other Federal agencies to resolve potential conflicts between endangered/threatened species and Federal projects and programs until FWS demonstrates that it needs the resources. In addition, Congress should no longer fund endangered species land acquisitions inconsistent with FWS policies and program criteria. Congress should further amend the Endangered Species Act to limit the act's protection to species endangered or threatened throughout all or a significant portion of their ranges; state clearly that the Endangered Species Committee is authorized to grant permanent exemptions from the act's protective provisions to Federal projects committed to or under construction before November 1, 1978, and to all Federal programs not involving construction; and require Federal agencies to consider a project's or program's impact on species suspected of being endangered or threatened, but not yet listed officially.

During testimony before the Subcommittee on Fisheries, Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries, on July 20, 1979, the Director of the Fish and Wildlife Service stated that the Service had already taken corrective action on ten of our specific recommendations to amend the Endangered Species Act. Interior's response to our recommendations submitted to the congressional committees was based on the Director's July 20, 1979, testimony. *(CED-79-65, 7-2-79)*

Appropriations

The Endangered Species Act of 1973, as amended

Appropriations Committee Issues

The Congress should not increase funding for consultations with other Federal agencies to resolve potential conflicts between endangered/threatened species and Federal projects and programs until the Fish and Wildlife Service demonstrates that it needs the resources. GAO also is recommending that the Congress no longer fund endangered species land acquisitions inconsistent with Service policies and program criteria.

DEPARTMENT OF THE INTERIOR

Interior Programs for Assessing Mineral Resources on Federal Lands Need Improvements and Acceleration

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).
Legislative Authority: Federal Land Policy and Management Act of 1976. National Forest Management Act of 1976. 43 U.S.C. 31. 30 U.S.C. 1.

Information about reserves of mineral deposits is essential for developing Government policies on resources and land use. The Department of the Interior's Geological Survey is the main Government information source on domestic mineral resources. The Bureau of Land Management (BLM) and the Forest Service, the two largest Federal land managing agencies, expect to spend about $200 million preparing their land use plans through fiscal year 1968.
Findings/Conclusions: Unless Survey programs are accelerated, many of these plans will not be able to incorporate Survey information on possible mineral resources on Federal lands, and additional costs could be incurred if revisions to the plans are necessary. Survey programs could: help the Congress decide which Federal lands should be established as wilderness areas, supply information important in carrying out a potential leasing program for mining nonfuel minerals on Federal lands, and benefit the domestic mining industry. The following shortcomings should be corrected: Survey lacks a structured, formal plan for completing its mineral resource assessment; it has not consulted Federal and State land managing agencies or the mining industry to determine their imformation needs; it could benefit from establishing a committee of leading experts who have a direct interest in the mineral industry; and more coordination is needed in land use planning schedules and mineral assessment schedules. The Survey did not always have adequate scientific expertise to work on the programs.
Recommendations: The Secretary of the Interior should establish an advisory committee or other suitable mechanism to help Survey prepare a long-range plan for completing the mineral resource assessment and submit to the appropriate congressional committees a detailed plan and funding proposal for completing the assessment in the minimum feasible time. The Secretaries of Agriculture and the Interior should direct the Forest Service and BLM to coordinate their land management planning schedules to the extent feasible to meet timely objectives to use Survey mineral data and provide in their budget justification or completed land management planning those actions taken of progress achieved in their use of Survey mineral data.

The Department of the Interior cited certain actions it was taking to improve the planning and coordination of the programs. It also said that the programs could be gradually accelerated, and that it was requesting an additional $1 million for fiscal year 1979. It indicated that under maximum acceleration, the appraisals would still take 20 years to complete (versus the 50 years under present funding levels). *(EMD 78-83, 7-27-78)*

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

The Appropriation Committees should inquire closely into the levels of funding given these programs to assure that they are completed in an expeditious time period.

DEPARTMENT OF TRANSPORTATION

Need for Uniform Security Measures in Transporting Arms, Ammunition, and Explosives

Budget Function: National Defense: Department of Defense - Military (except procurement contracts) (0051).
Legislative Authority: 18 U.S.C. 842(j). Army Regulation 190-49. DOD Directive 5100.76-M. Naval Sea Operations Manual 2165, Vol. 1, ch. 7. Air Force Manual 75-1, ch. 12.

Arms, ammunition, and explosives receive various degrees of protection while in transit. Because these items continue to be sought by terrorist, dissident, and criminal groups, they are sensitive items, vulnerable to theft or loss. Mandatory regulations exist for storage but not for security on shipment of certain sensitive items. GAO compared the intransit security policies, procedures, and practices used by the military services for sensitive arms, ammunition and explosives. Shipments by commercial manufacturers, distributors, or other vendors, other than Department of Defense (DOD), were not governed by mandatory intransit security regulations.

Findings/Conclusions: Although the highest level of security protection is provided by the Army, the greatest number of losses is also experienced by the Army. Uniform intransit security procedures are needed, since shipments to non-DOD customers should be considered as vulnerable to theft or loss as DOD shipments. A study is needed to develop uniform standards and regulations, with input from representatives of affected public and private sectors. DOD has developed a manual of uniform standards and criteria for minimum intransit security, but until the Department of Transportation (DOT) issues mandatory regulations, the individual services must implement DOD's minimum requirements to ensure reasonable uniformity. An assessment of the costs of implementing the minimum standards is needed to ensure that funding will be available.

Recommendations: The Secretary of Transportation should work with Congress in preparing legislation needed to obtain the authority to issue mandatory, uniform regulations for uniform intransit security. The Secretary should also establish a study group made up of members from DOD, DOT and Treasury, and industry as well, to determine the levels of security required to protect sensitive arms, ammunition, and explosives during transit. On the basis of the study results, the Secretary should issue mandatory intransit security regulations. In the interim, the Secretary of Defense should monitor the implementation of the new DOD security manual provisions among DOD activities to insure that uniform minimum standards are followed. In addition, the Secretary should revise or supplement existing systems to accumulate data on intransit security costs for developing cost-benefit analyses to be used for determining and evaluating the desirability of continuing or modifying security procedures. Congress should enact legislation giving the Secretary of Transportation specific authority to issue mandatory regulations which will provide for uniform intransit security on shipments of sensitive arms, ammunition, and explosives.

The Secretary of Transportation did not agree with our recommendation that legislation be enacted giving the Secretary authority to issue mandatory regulations on intransit security. Also, the Congress has not initiated action to prepare and pass this legislation. We continue to believe that mandatory regulations on transit security are required. The Department of Defense has implemented a project to accumulate the costs of intransit security for the 6-month period from April 1 through September 30, 1979. The results will be available during November 1979. GAO will follow up on DOD actions at that time. *(LCD-78-237, 12-21-78)*

Appropriations

Department of Transportation—Office of the Secretary
Department of Defense—operations and maintenance

Appropriations Committee Issues

The Department of Transportation does not plan to introduce legislation which will give the Secretary the authority to issue mandatory regulations which will provide for uniform intransit security.

DEPARTMENT OF TRANSPORTATION

CIVIL AERONAUTICS BOARD
FEDERAL AVIATION ADMINISTRATION

Aircraft Delays at Major U.S. Airports Can Be Reduced

Budget Function: Transportation: Air Transportation (0405).
Legislative Authority: Airline Deregulation Act of 1978 (P.L. 95-504; 92 Stat. 1705). National Environmental Policy Act of 1969. Federal Aviation Act of 1958 (49 U.S.C. 1301). Airport and Airway Development Act of 1970 (49 U.S.C. 1701). 14 C.F.R. 93.121. Aircraft Owners and Pilots Ass'n v. Port Authority of New York, 305 F. Supp. 93 (E.D. N.Y. 1969). Aircraft Owners and Pilots Ass'n v. Volpe (D. D.C. 1969). H. R. 3745 (96th Cong.) 49 U.S.C. 1348.

In 1977, aircraft delays caused U.S. airlines to use an additional 700 million gallons of fuel which is over 8 percent of their total consumption, detained travelers 60 million hours, and cost the airlines over $800 million.

Findings/Conclusions: The delays can be reduced if runway capacity at major airports is used more efficiently by shifting air traffic from peak to off-peak periods or to other airports. Peak hour pricing, charging aircraft a premium to land and take off during peak periods, should reduce delays considerably. Quotas have succeeded in reducing delays by limitng the number of aircraft operations during congested periods. Reliever airports would be established to relieve congestion at major airports by accommodating general aviation traffic now using congested major airports.

Recommendations: The Secretary of Transportation should use peak surcharges and/or quotas to implement the new subsection of the Federal Aviation Act of 1958. To better evaluate the effectiveness of the Airport Development Aid Program (ADAP) funding and to help set priorities, the Secretary should also develop a method which will enable reliever airport operators to determine to what extent their proposed improvements will help reduce congestion and delay at major airports. To reduce aircraft delays, it is recommended that the Congress direct the Secretary of Transportation to decrease air traffic during congested periods at major U.S. airports. This could be accomplished by adding a new subsection to section 307 of the Federal Aviation Act of 1958 as follows: In the exercise of authority under subsections (a), (b), and (c) of this section, the Secretary of Transportation is authorized and directed to implement procedures, including the imposition of reasonable charges, which will decrease air traffic in the airspace or at or in the vicinity of any airport at which the Secretary determines that such procedures are necessary to reduce congestion. To help in the continued operation of privately owned reliever airports, the Congress should make them eligible for ADAP. This could be done by amending section 14(a) of title 1 of the Airport and Airway Development Act of 1970 to read "public-use" in lieu of "public" in the first sentence, and by amending the last sentence of section 15(a) to read: $18,750,000 of the amount made available for fiscal year 1976, including such period, and $15,000,000 of the amount made available for each of the other fiscal years shall be distributed at the discretion of the Secretary to reliever airports including privately-owned reliever airports.

Federal Aviation Administration officials generally concurred with GAO's conclusions and recommendations. The Civil Aeronautics Board stressed the advantages of peak hour pricing over quotas. The Board supported GAO's conclusion that reliever airports are important and suggested that some portion of the revenues derived from peak hour pricing could be used to help develop relievers. *(CED-79-102, 9-4-79)*

Appropriations

Department of Transportation, Federal Aviation Administration—operations
Civil Aeronautics Board—operations and airport development (trust fund)

Appropriations Committee Issues

The committees should be concerned that additional funding may be needed for the Federal agencies to institute a system of peak surcharges and quotas. Committee interest and concern is needed to assure that FAA develops a method which will enable them to better determine (1) how effective the reliever airport ADAP program is and (2) which proposed projects should be given priority for ADAP funding.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Commercial Safety Regulations Are Avoided by Some Large-Aircraft Operators

Budget Function: Transportation: Air Transportation (0405).

A review of the Federal Aviation Administration's (FAA) enforcement of commercial aviation safety regulations revealed several problems involving some large aircraft operators.

Findings/Conclusions: Large-aircraft operators who avoid compliance with commercial safety regulations not only have an unfair competitive advantage over commercial operators who comply with the costly commercial safety regulations, but, in some cases, are operating unsafely. Under existing regulations, foreign air carriers can lease U.S.-registered aircraft and operate in this country under the less stringent private regulations. This action also has competitive and safety implications. Stiffer safety regulations for private large aircraft may lead some operators to transfer their aircraft registrations to foreign countries, where there is little regulation, and then to continue operations in the United States under a foreign operating permit. FAA officials plan to upgrade private large-aircraft regulations which will make them more comparable to commercial regulations.

Recommendations: Any new regulations should provide FAA field inspectors with the necessary tools to enforce compliance with the regulations. To lessen the possibility that private operators will avoid safety regulation by moving their operations and aircraft registry to a foreign country, the FAA should work with the Civil Aeronautics Board and the State Department to develop and enforce a requirement stipulating that all foreign air carriers flying in the United States at least meet the International Civil Aviation Organization's (ICAO) safety standards.

FAA agreed that the operating and airworthiness standards for operating large private aircraft operated under Part 91 of the FAA's regulations need to be made more stringent. A Notice of Proposed Rulemaking being prepared by FAA upgrades the operating and airworthiness standards for many of the large aircraft being operated under F.A.R. Part 91, and includes authority for free and uninterrupted access to aircraft by FAA inspectors. As a result of discussions between FAA and CAB, the CAB now requires compliance with ICAO commercial standards as a condition for all future foreign air-carrier operating permits issued by the CAB. *(CED-79-10, 11-21-78)*

Appropriations

Department of Transportation, Federal Aviation Administration—operations

Appropriations Committee Issues

Continuing Committee oversight is needed to assure that F.A.R. changes are made, and that FAA is actively enforcing the new rules. The Committees should also assure that CAB is issuing operating permits to only those foreign carriers in compliance with ICAO commercial standards, and that CAB has a workable system to determine compliance.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Developing a National Airport System: Additional Congressional Guidance Needed

Budget Function: Transportation: Air Transportation (0405).
Legislative Authority: Airport and Airway Development Act of 1970 (P.L. 91-258; 49 U.S.C. 1701). Airport and Airway Revenue Act of 1970 (P.L. 91-258; 49 U.S.C. 1742).

The Federal Aviation Administration (FAA) issued a national airport system plan which showed that over $10 billion will be needed in the next decade to improve 3,100 of the Nation's airports and to build almost 500 new ones. The national plan includes about $2.9 billion to improve some 2,600 general aviation airports. FAA defined general aviation airports having significant national interest as those with 10 based aircraft and situated 30 minutes from another airport in the national plan. This definition was to provide as many citizens as possible with reasonable access to a safe and adequate airport.

Findings/Conclusions: Using this definition, FAA reduced by about 400 the number of general aviation airports included in the 1978 national plan as compared to the old national plan. However, this reduction may not have been as large as Congress intended. An additional 500 general aviation airports could have been eliminated had FAA used 20 based aircraft in its definition of significant national interest. FAA recognizes the importance of airport planning and has developed basic planning guidelines. However, airport master plans are not required as a condition for Federal airport development grants. Improvements in FAA planning and guidelines are needed to focus greater attention on the merits of regional airports, and to assure that airport noise problems are adequately considered and plans are fully coordinated with State and local interests. Airport development grants are adequate to cover only half of the needs. Under current legislation, FAA was not been able to carry out the national plan or assure that important airport needs, such as safety, were met.

Recommendations: Congress should review the FAA definition to determine its acceptability. If unacceptable, Congress should incorporate an acceptable definition in the authorizing legislation. Congress should: require airports to have an approved master plan and be included in an acceptable State or regional system plan as a condition for eligibility to receive Federal airport development grants; determine whether funding will be sufficient to pay for a higher level of planning; and require future provisions in the national plan to be based on FAA approved or acceptable State/local airport plans. In addition, Congress should establish priorities to distribute airport development grants.

FAA disagreed with the recommendations or contended that the spirit and objective of the recommendations were being met by existing programs and activities. FAA supports the concept of regional general aviation airports, but has had small success in convincing individual communities to accept suggestions. FAA believes the best course of action is to continue to emphasize to local communities the benefits of regional airports. FAA believes that more planning is needed by sponsors, but compliance with agency planning guidelines should not be a prerequisite for obtaining a development grant. FAA stated that continued reliance on an approved airport plan and additional policy guidance will improve system planning. *(CED-79-17, 4-17-79)*

Appropriations

Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

Committee efforts should be directed to defining the requirements of a National Airport System Plan for approving FAA's plan—including priorities—to meet these needs; and providing funding, monitoring, and guidance for needed revisions to the plan.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Second-Career Training for Air Traffic Controllers Should Be Discontinued

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).
Legislative Authority: (P.L. 92-297; 5 U.S.C. 3381). 5 U.S.C. 5337.

The Federal Aviation Administration (FAA) employs over 18,000 air traffic controllers. In the interest of aviation safety, controllers must meet specific health and performance standards or be removed from duty. Since limited opportunities exist outside the Government for the specialized knowledge and experience of controllers, the Congress established the Second Career Program in 1972 to provide air traffic controllers with up to 2 years of training for a new career.
Findings/Conclusions: About 50% of controllers eligible for the Second Career Program have declined training. An analysis in three FAA regions showed that only 7% of the controllers had completed training and obtained employment in new careers for which they trained under the program. Program costs averaged $370,000 for each successful program participant. About 98% of the controllers removed from duty had mental and physical impairments; many were the victims of advancing age. Most of the controllers removed from duty chose to use income security and training benefits available under other Federal programs rather than begin a second career. In addition, controllers were not adequately counseled by the Agency, and no effort was made to find employment within the Federal Government.
Recommendations: The Congress should discontinue the Second Career Training Program for air traffic controllers. Concurrent with the discontinuance of the program, the Administrator of the FAA should: adopt and implement a policy to reassign, to the fullest extent possible, controllers removed from air traffic control duty within the FAA; and assist controllers to choose a course of action, considering the potential for reassignment within the FAA or reemployment in another Federal agency and eligibility for benefits from other Federal programs.

In August 1978 the Department stated that it generally agreed with our findings and actions on our recommendations to the Secretary were awaiting a decision by the Congress on whether to discontinue the Second Career Program. It also stated that FAA had undertaken a reevaluation of the program as directed by the Senate Committee on Appropriations, and that the reevaluation results would be submitted to the appropriations and authorizing committees of the House and Senate. The FAA reevaluation study report findings agreed with the GAO report that the program was ineffective and should be discontinued. For fiscal year 1979, the Congress limited Second Career Program funding to controllers in the program as of September 30, 1978 and reduced FAA's budget request $7.8 million. The House Appropriations Committee extended this funding limitation in its consideration of the FY 1980 appropriation bill (H.R. 4440). Congressional action to modify the Second Career Training Program is pending under H.R. 3479. *(CED-78-131, 6-29-78)*

Appropriations

Department of Transportation, Federal Aviation Administration—operations

Appropriations Committee Issues

The limitation on Second Career Training Program funding for FY 1980 should be continued pending Congressional action on H.R. 3479.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Selected Budget Issues in the Federal Aviation Administration

Budget Function: Transportation: Air Transportation (0405).
Legislative Authority: OMB Circular A-11.

In a review of the fiscal year 1979 budget for the Federal Aviation Administration (FAA), the following issues were considered: (1) the feasibility of fully funding a flight service station automation program; (2) extension of the facilities and equipment appropriation from 3 years to 5 years; and (3) the purchase of a flight inspection simulator for training.

Findings/Conclusions: Concerning the first issue, FAA was premature in asking for full funding during fiscal year 1979. Since an automated system had not yet been designed, cost estimates and funding levels were subject to change. In addition, FAA had not planned to award the production contract until fiscal year 1980. GAO concluded that this program should be fully funded during fiscal year 1980. GAO concurred with the request by FAA for a 5-year instead of a 3-year appropriation to eliminate lapsing funds caused most frequently by the unavailability of equipment. Concerning the final issue, FAA pointed out that private industry does not have a combined cockpit/flight inspection simulator of the type desired. A proposed training method using two simulators would not provide the quality of training that FAA wants.

Recommendations: FAA should obtain a cost comparison of the two methods, and then attempt to justify to the appropriations Committees the intangible benefits that may be expected through the purchase of a combined simulator.

FAA did not request funding for the production phase of the project in FY 1980 because the design development phase had not been completed. FAA had not decided whether to request full funding in the FY 1981 budget. The House passed FY 1980 DOT appropriation bill (HR 4440) which extends the availability of F & E funds from 3 to 5 years. FAA has no current plans to obtain a flight inspection training simulator. *(CED-79-61, 3-15-79)*

Appropriations

Department of Transportation, Federal Aviation Administration—Airports and Airways Trust Fund, facilities and equipment

Appropriations Committee Issues

The Committee should continue to require evidence that savings can be realized under full funding of long-term large-dollar procurements of hardware. Congress should also maintain vigilance over FAA's rate of obligation of funds appropriated for five years.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Status of the Federal Aviation Administration's Microwave Landing System

Budget Function: Transportation: Air Transportation (0405).

The Federal Aviation Administration's (FAA's) microwave landing system (MLS), which is designed to replace existing instrument and other landing systems, is to be an all-weather precision guidance system making instrument landings possible at more locations and providing flexibility in approach paths. It is expected to be easier to install and maintain and less expensive than the current system.

Findings/Conclusions: A high level of uncertainty exists in the Department of Transportation and the aviation community concerning the overall expected benefits of the MLS. It is generally believed that instrument landing systems are reliable, safe, and provide efficient service within technical and operational capabilities. However, the current system is limited to 40 channel frequencies; it does not meet military tactical requirements; and it is adversely affected by heavy snow, irregularities in the terrain, and structures built close to the runway. The MLS is expected to overcome these limitations. The total research and development effort for the MLS program will be between $90 million to $100 million more than originally estimated. No urgent need exists for the military MLS systems; therefore, to plan for production deliveries of both civil and military systems in 1985 and an initial operating capability in 1986 appears unnecessary.

Recommendations: The Secretary of Transportation should: continue the use of existing instrument landing systems (ILS) at U.S. domestic airports in accordance with a mutually agreeable microwave landing system implementation plan; require FAA to consider the opinions of users in developing cost-benefit data and an implementation plan; and require FAA to clearly validate the technical, operational, and economic benefits of the MLS by conducting a comprehensive demonstration program with clearly defined evaluation criteria.

The Department of Transportation plans concerning protection of ILS will be compatible with recommendations of the International Civil Aviation Organization; that is, it will protect ILS at international airports. The Department plans to coordinate MLS transition/implementation with the user community, conduct a service test and evaluation program and use the results to augment data currently available, and revalidate and update MLS cost estimates as new factors are identified. *(PSAD-78-149, 10-19-78)*

Appropriations

Department of Transportation and related agencies

Appropriations Committee Issues

The Appropriation Committee should require the Department of Transportation to justify that replacement of ILS with MLS at domestic airports is based on need, taking into consideration the ability of ILS to meet user need, and operational and economic benefits.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Stronger Federal Aviation Administration Requirements Needed To Identify and Reduce Alcohol Use Among Civilian Pilots

Budget Function: Commerce and Transportation: Air Transportation (405).
Legislative Authority: Federal Aviation Act of 1958, as amended (29 U.S.C. 1301). (P.L. 89-563; 80 Stat. 730).

During the period from 1965 to 1975, the National Transportation Safety Board, an independent agency responsible for investigating and determining the probable causes of aircraft accidents, cited alcohol impairment of pilot judgment and efficiency as a probable cause or contributing factor in 485 general aviation accidents, of which 430 resulted in fatalities. General aviation involves all civilian flying except by U.S. airlines.

Findings/Conclusions: Studies by the Federal Aviation Administration (FAA) show that the consumption of alcohol adversely affects pilot performance. However, the FAA does not routinely check the pilots' State traffic conviction records for alcohol-related motor vehicle convictions. Instead, pilots are relied on to disclose these convictions in their medical histories and often conceal them. The establishment of minimum blood-alcohol levels and implied consent regulations to test the presence of alcohol would: help the FAA to more precisely identify alcohol's role in accidents so that appropriate measures can be taken, improve enforcement to enable better identification of violators, reduce the investigatory time required to obtain evidence to sustain violations of FAA regulations, and serve as a deterrent to pilots who may consider drinking before and during flight.

Recommendations: The FAA should: establish minimum blood-alcohol levels so that "flying under the influence of alcohol" can be clearly defined; and require pilots to submit to mandatory sobriety tests or have their licenses suspended the same as required for motorists in every State. The Congress should make the National Driver Register accessible to the FAA.

The Department agreed that medical research on alcoholism was beneficial but stated that it had not yet identified laboratory studies which could be used routinely to diagnose alcoholics. It stated, however, that FAA was investigating psychological screening techniques and would implement those which proved beneficial. It also agreed that FAA should revise its regulations to include a minimum blood-alcohol level, adopt implied consent provisions, and seek the cooperation of law enforcement authorities to administer sobriety tests, but issuance of such regulations had been delayed due to other rulemaking priorities. The Department disagreed that pilots' attendance at safety seminars and clinics should be made mandatory under the Accident Prevention Program. The Surface Transportation Assistance Act of 1978 (P.L. 95-599, 11-6-78) did not give FAA access to the National Driver Register. The Act does, however, require a study and a report with recommendations by the Secretary of Transportation on the National Driver Register. One of the matters to be studied is the item of accessibility to the data by those outside the auto driver licensing activity. This could include FAA as well as those in the motor carrier industry. The final report to the Congress was due in November 1979. *(CED-78-58, 3-20-78)*

Appropriations

Department of Transportation, Federal Aviation Administration—operations

Appropriations Committee Issues

The Committee should determine whether: (1) sufficient resources are being devoted to the rulemaking process, (2) the effectiveness of the Accident Prevention Program could be enhanced by requiring pilots to periodically attend safety seminars and clinics, and (3) FAA will be able to devote sufficient resources to use the National Driver Register should Congress grant them access.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

The Federal Aviation Administration Should Do More To Detect Civilian Pilots Having Medical Problems

Budget Function: Commerce and Transportation: Air Transportation (405).
Legislative Authority: Federal Aviation Act of 1958 (49 U.S.C. 1421).

The Federal Aviation Administration's medical examination procedures do not identify all airmen who are medically unfit. Additional medical screening techniques are available and should be required.

Findings/Conclusions: Nineteen of 28 scheduled American passenger airlines require medical examinations which exceed Federal requirements, and the International Civil Aviation Organization has published medical standards for airmen which exceed those of the FAA. More extensive medical screening is required of air traffic controllers and military pilots than of civilian pilots. Other sources of information are available which could further help to identify pilots medically unfit to fly. The FAA often is restricted from obtaining this information.

Recommendations: GAO recommended that the Congress should provide the Secretary of Transportation with authority to furnish FAA motor vehicle driver data, which the Department maintains in its National Driver Register, for use in evaluating the medical fitness of airmen. GAO also recommended that FAA evaluate the recommendations of various medical studies which urge more extensive medical screening, conform to international airmen medical standards as closely as possible, and enforce existing regulations requiring airlines to only use airmen who they know meet Federal medical standards.

The Department agreed to reconsider recommendations of the various medical studies, review the merits of adopting international medical requirements, and notify airlines that Federal Aviation Regulations require the airlines to use airmen who they know meet Federal standards. It also said that it would start action if its evaluation showed that safety can be improved by more extensive medical screening. After its evaluation was completed, FAA's Office of Aviation Medicine prepared a position paper that concluded: (1) more extensive medical screening was not justified considering such things as accident experience, cost, inconvenience to the airmen and technical difficulties in processing, interpreting and storing data, (2) regulations were generally equivalent to international standards, and (3) FAA regulations could neither be interpreted as requiring airlines to remove from flying status airmen who airlines know do not meet FAA medical standards nor was information available to indicate that this was a problem that warranted regulatory changes. The paper also stated that reservations existed concerning the availability of resources for adequate use of the National Driver Register and that our recommendation could neither be supported nor opposed until the costs and benefits could be evaluated. The Surface Transportation Assistance Act of 1978 (P.L. 95-599, 11-6-78) did not give FAA access to the National Driver Register. The Act does, however, require a study and a report with recommendations by the Secretary of Transportation on the National Driver Register. One of the matters to be studied is the item of accessibility to the data by those outside the auto driver licensing activity. This could include FAA as well as those in the motor carrier industry. The final report to the Congress was due in November 1979. *(CED-76-154, 11-3-76)*

Appropriations

Department of Transportation, Federal Aviation Administration—operations

Appropriations Committee Issues

More extensive medical screening is needed to detect medically unfit airmen; however, if FAA cannot justify additional screening, then the Committee should determine whether the existing medical examination produces sufficient benefits to justify the cost to FAA and airmen. Because the National Driver Register could prove to be a more valuable source of information in identifying medically unfit airmen than the medical exam itself, the Committee should determine whether FAA will be able to devote sufficient resources to use of the National Driver Register should Congress grant them access.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Excessive Truck Weight: An Expensive Burden We Can No Longer Support

Budget Function: Transportation: Ground Transportation (0404).
Legislative Authority: Federal-Aid Highway Act of 1978.

The Nation's highways are deteriorating at an accelerated pace and sufficient funds are not available to cope with current needs or meet future requirements. Many factors that cause highway deterioration are not readily controllable, however, excess truck weight can be controlled. While strictly enforcing weight laws would not eliminate deterioration, it would substantially reduce the rate.

Findings/Conclusions: National statistics show that at least 22 percent of all loaded tractor-trailers exceed state weight limits. This percentage is even higher for other types of large trucks. Although the Department of Transportation (DOT) supported the 1975 increased Federal weight limits, it has no program sufficient to offset related increased costs to preserve the quality of the highways. While the 1975 weight increases were made to save fuel for heavy trucks, all vehicles use more fuel on deteriorated roads, heavier trucks use more fuel, and additional highway repairs require more fuel. DOT has not determined whether there has been an overall fuel saving since the higher limits were allowed. A good weight enforcement program requires effective enforcement techniques, stringent penalties, and adequate staff and funds. States need standards to evaluate their program to enforce weight limits that will enable them to identify problems and reliable alternative solutions.

Recommendations: The Secretary of DOT should include the following in the weight limit study: determine the net fuel consumption resulting from the impact of heavier truck weights; identify the economic effect of changes in weight laws, the cost and benefits, who will pay the costs, and who will receive the benefits; and determine the impact of any weight limit change on the current highway user tax structure and what changes may be needed to assure equitable allocation of costs. The Secretary should direct the Federal Highway Administrator to: establish criteria for evaluating weight enforcement certifications and programs that will assure as much uniformity as practical; develop, in coordination with each state, a long-range plan for improving enforcement programs; develop a state model program to include those state enforcement elements that constitute an effective legal framework to provide viable alternatives to apprehend violators and deter overweight operations; establish a permanent national weight enforcement operating group within the Federal Highway Administration to administer the certification requirement and act as a focal point for gathering and disseminating information; and develop criteria for using Federal funds to construct permanent scales to insure effective placement and operation of these facilities. Congress should amend highway legislation to make Federal weight limits also apply to noninterstate Federal-aid highways in all states; terminate current exceptions in Federal law that allow higher limits on some interstate highways; and prohibit overweight permits and exemptions when loads can be reduced to meet normal state weight limits. The Director, Office of Management and Budget, should develop cooperatively with DOT policies prohibiting Federal agencies from shipping or receiving goods in trucks which exceed State weight laws.

The Federal Highway Administration has pledged to implement most of our recommendations. They are working to strengthen their criteria for evaluating State weight enforcement programs and have agreed to develop a model enforcement program. While not yet agreeing to establish a small enforcement group at headquarters, it has established organizational responsibility in its field offices. The Highway Administration also has agreed to establish criteria for optimally locating truck weighing scales, provide the Congress interim findings on truck safety, and evaluate the long-term economies of heavier trucks. It did not, however, agree to analyze State-provided data to provide States indications of those types of vehicles most likely to exceed State weight limits. *(CED-79-94, 7-16-79)*

Appropriations

Department of Transportation, Federal Highway Administration—Federal-aid highways

Appropriations Committee Issues

The Committee should examine the Highway Administration's request for funds to restore Federal-aid highways because currently available State and Federal funds are not sufficient to slow the rate of highway deterioration.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Rail Crossing Safety: At What Price?

Budget Function: Commerce and Transportation: Ground Transportation (404).
Legislative Authority: Railroad Safety Act of 1970 (P.L. 91-458). Highway Safety Act of 1966 (P.L. 89-564). Highway Safety Act of 1970 (P.L. 91-605). Highway Safety Act of 1973 (P.L. 93-87). Highway Safety Act of 1976 (P.L. 94-280).

Highway safety legislation includes provisions for supplementing State spending for safety measures at rail-highway crossings. The Federal Highway Administration (FHWA) has designated several types of safety improvements that may be Federally funded, including better warning devices or elimination of crossings. The Highway Safety Act of 1976 reduced the percentage of highway safety funds available for high-hazard locations and roadside obstacles and more than doubled the funding for improvements at railroad crossings although only 2% of highway deaths occur at grade crossings.

Findings/Conclusions: FHWA has not told States what level of safety they should provide at crossings. As a result, States have widely divergent policies for improving crossing safety. During 1975, about 38% of crossing accidents occurred at locations having active warning devices. Improvement in law enforcement and drivers' education may offer alternatives to warning devices. State and Federal officials favor nationwide safety standards but anticipate difficulties in agreeing on a goal and in funding. Highway legislation established specific funding levels for various programs, but such categorical funding does not give States the necessary flexibility to meet their most critical needs. States contended that high-hazard projects were the most cost beneficial, but some crossing projects were also considered sound investments. FHWA has proposed legislation that would combine six categorical safety programs into a unified fund.

Recommendations: The Secretary of Transportation should require FHWA, the Federal Railroad Administration, and the National Highway Traffic Safety Administration to cooperate with the States and railroads in establishing a nationwide level of safety acceptable for rail-highway crossings and determining the best mixture of methods, including education and enforcement, to achieve that level. The Congress should: authorize States which are selecting safety projects according to cost-effectiveness to treat the categories as a single safety fund; as an interim solution, reassess the current allocation of funds among the categorical safety programs; require the Department of Transportation to provide it with a cost estimate for reducing accident risk at grade crossings to a uniform level; and if categorical safety funding is retained, amend the Highway Safety Act of 1973 to distribute crossing safety funds among States in proportion to their needs.

The Federal Highway Administration is currently considering developing uniform national criteria for selecting traffic control devices at rail-highway grade crossings and has asked for public comments. It, along with the National Highway Traffic Safety Administration and the Federal Railroad Administration, is cooperating with a National Safety Council campaign to develop a program outline for the Operation Lifesaver Program, a coordinated education, enforcement, and engineering effort to enhance safety at grade crossings. Thus far, congressional action has been limited to adopting a provision distributing half the grade crossing funds according to each State's percentage of the national total of grade crossings. *(CED-78-83, 4-25-78)*

Appropriations

Department of Transportation, Federal Highway Administration, Federal Railroad Administration, National Highway Traffic Safety Administration

Appropriations Committee Issues

The Committee should ascertain how much construction is still necessary. Further, we believe tangible benefits remain to be derived from consolidation of safety funding.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Solving Corrosion Problems of Bridge Surfaces Could Save Billions

Budget Function: Transportation: Ground Transportation (0404).

Although bridge roadway surfaces (decks) were expected to provide relatively maintenance-free service for about 40 years, the Federal Highway Administration has found that some unprotected bridge decks require major repair within 5 to 10 years, and often must be replaced after 15 years of service. The major cause of this early deterioration is corrosion of the reinforcing steel bars in the bridge deck, brought about by chloride chemicals which are used to melt snow. About $6.3 billion is needed to restore the Nation's Federal-aid system bridge decks. Most States have indicated that, if present conditions are not improved, their currently reparable bridge decks will continue to deteriorate, and eventually require complete replacement at a much higher cost.

Findings/Conclusions: A review of the problem indicates that a number of bridges in the Federal-aid system do not have a protective system on their decks. They contain either no areas or only small areas where chloride levels are high enough to cause bridge deck deterioration. If these bridge decks were protected with one of the systems now used for new bridge construction, significant savings could be realized by avoiding more expensive repairs later. Lack of funds is the primary reason that States have not installed protective systems on existing bridges. Funds available for bridge repair are generally budgeted for bridges so deteriorated that replacement of the deck is the only option. As a result, those bridge decks with little or no deterioration will continue to deteriorate, and eventually require repairs or replacements that are much more costly than the cost of the protective systems. Weaknesses also exist in the Federal Highway Administration's evaluation process to assess the performance of the technologies in extending the service life of the bridge decks.

Recommendations: The Secretary of Transportation should identify those bridge decks which can be economically restored, estimate the cost of restoring them, and develop a plan for repairing these decks as soon as possible. The Department should reassess the progress being made in finding proven, cost-effective methods for protecting existing chloride-contaminated bridge decks, and take appropriate action to resolve any problems that are delaying progress. In addition, a formal long-term data collection and evaluation system for bridge deck protective systems should be established.

The Federal Highway Administration generally agreed with the recommendations. They are in the process of revising the management information system so that a formal long-term data collection and evaluation system for bridge deck protection can be instituted. The House Committee on Science and Technology held a series of hearings on the bridge deck corrosion problem as a result of GAO's report. GAO testified at the hearing held in Pittsburgh on March 19, 1979. *(PSAD-79-10, 1-19-79)*

Appropriations

Department of Transportation, Federal Highway Administration, Highway Trust Fund, Highway Bridge—Replacement and Rehabilitation Program

Appropriations Committee Issues

The Committees should ascertain the Federal Highway Administration's progress in resolving the bridge deck corrosion issues identified by the GAO report and the subsequent Committee hearings.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION
NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Problems in the Northeast Corridor Railway Improvement Project

Budget Function: Transportation: Ground Transportation (0404).
Legislative Authority: Railroad Revitalization and Regulatory Reform Act of 1976.

The Railroad Revitalization and Regulatory Reform Act of 1976 directs the Secretary of Transportation to undertake a 5-year $1.75 billion project to improve rail passenger service and travel times on the Northeast Corridor between Boston, New York, and Washington, D.C., by February 1981.

Findings/Conclusions: The Northeast Corridor Improvement Project (NECIP) will not be completed within the established time and funding limits. AMTRAK's performance on NECIP construction work has not been good. Work has consistently run behind production schedules while exceeding cost estimates. The scope of work for NECIP has been reduced from that originally intended in the draft implementation master plan. These reductions will result in increased future maintenance costs for AMTRAK, reduced passenger comfort, reduced on-time reliability, and reduced safety. Shortcomings in NECIP management have resulted in numerous problems. The three party management structure is not working effectively and has contributed to the problems. The Federal Railroad Administration (FRA) is the overall program manager and has the final authority and responsibility for the entire program. However, FRA has not been effective, and major overall decisions and determinations have not been made.

Recommendations: FRA should not try to involve itself in day-to-day decisions and operations. Amtrak should assign overall responsibility to one individual for NECIP performance and establish a stable NECIP organization with a clearly defined role to help assure that its contruction work is completed on time and within cost estimates. AMTRAK should take immediate steps to correct the weaknesses identified in its management system and internal controls. Congress should decide what improvements are desirable and what additional funding, if any, should be provided to meet current trip time goals, make improvements to feeder lines, and further improve trip time goals for the Northeast Corridor.

The Department of Transportation did not agree that our report demonstrated that project management was ineffective and said we did not sufficiently recognize the project's complexities. It also disagreed that problems existed with the project's management structure and said FRA should continue to play a major role. AMTRAK, on the other hand, said that institutional arrangements were the basic problem with the project. *(CED-79-38, 3-29-79)*

Appropriations

Department of Transportation—Federal Railroad Administration

Appropriations Committee Issues

The NECIP management structure has not been improved; and the project is continuing to have schedule and budget problems. Additional Federal funding is likely to be required.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Should AMTRAK's Highly Unprofitable Routes Be Discontinued?

Budget Function: Transportation: Ground Transportation (0404).
Legislative Authority: Amtrak Improvement Act of 1974. 45 U.S.C. 644. Rail Passenger Service Act of 1970. P.L. 91-518. Amtrak Improvement Act of 1975. P.L. 94-25. Amtrak Improvement Act of 1978. P.L. 95- 421.

After operating for 4 years as a quasi-public, for-profit entity, the National Railroad Passenger Corporation (Amtrak) could point to improvements in the following operations: reservations and ticketing, equipment reliability and availability, ontime performance, onboard services, and corporate planning and programming for the future. Nevertheless, the upward trend of its losses and the required Federal operating subsidy greatly concerned Amtrak, the Department of Transportation (DOT), and the Congress. According to Amtrak, increased operating deficits are due to increased services, ownership costs of new equipment, takeover of the Northeast corridor, and inflation.
Findings/Conclusions: In fiscal year 1977, no Amtrak routes made a profit. A review of 11 routes showed that operating losses were high despite route improvements such as adding new equipment and changing schedules to improve ontime performance. Increased ridership alone would not eliminate these losses. More riders would improve fuel efficiency on some routes, but on others, ridership would have to triple or quadruple to make the trains more fuel-efficient than are automobiles. As long as Amtrak continues to operate these routes, it cannot hope to improve its poor financial condition. A DOT study of Amtrak's route structure preliminarily recommended discontinuing many of the routes that Amtrak's criteria identified as highly unprofitable. Any restructuring of Amtrak's route system should be accompanied by establishment of economic, social, and environmental standards representing Congress' views as to the public service value of rail passenger service. Otherwise, the annual funding uncertainties will recur.
Recommendations: Congress directed the Department of Transportation (DOT) to restudy the Amtrak route system, and in a January report DOT recommended that Amtrak's 27,000-mile route system be reduced 43 percent to about 15,700 miles. The 1979 gasoline shortage and other considerations caused DOT to modify its stance, and Congress eventually approved a law reducing Amtrak's route system by about 5,200 miles. Some of the routes left in the system are among those we studied and identified as uneconomic. Congress also established criteria by which Amtrak could judge its routes in the future. *(CED-79-3, 11-27-78)*

Appropriations

Department of Transportation—National Railroad Passenger Corporation grants

Appropriations Committee Issues

Amtrak still operates routes which we studied and found to have dismal financial results and waste energy.

DEPARTMENT OF TRANSPORTATION

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Passive Restraints for Automobile Occupants—A Closer Look

Budget Function: Transportation: Ground Transportation (0404).
Legislative Authority: Occupational Safety and Health Act of 1970 (29 U.S.C. 651). Surface Transportation Assistance Act of 1978 (P.L. 95-599; 92 Stat. 2727). Toxic Substances Control Act (15 U.S.C. 2601). (P.L. 93-492; 88 Stat. 1470). Pacific Legal Foundation, et al. v. Dept. of Transportation, Civ. No. 78-1034 (D.C. Cir. 1979). 15 U.S.C. 1381.

All new cars manufactured after September 1, 1983, will be required to have passive restraint systems requiring no action by occupants. The two systems being considered are air bags and automatic seat belts. The Secretary of Transportation mandated passive front seat restraint systems to overcome the public's reluctance to buckle up their seat belts.
Findings/Conclusions: While the restraints offer life-saving and injury-prevention potential, testing indicates a potential danger from a deploying air bag may exist for out-of-position occupants. Because of the importance of the mandate, both in terms of cost and safety to the American public, the actual experience with passive restraints must be evaluated. Thus far, testing has been done under laboratory conditions, and real world data for air bags is still too limited to support a reliable estimate of effectiveness in reducing serious and fatal injuries. Furthermore, many questions are unanswered concerning the health and safety risks of using the chemical sodium azide to inflate air bags. Since air bag systems containing sodium azide could be installed in millions of cars, additional research needs to be conducted on this chemical to measure its risks. The cost estimates of the airbags are high, but several major insurance companies either offer or plan to offer discounts for passive restraints.
Recommendations: The Secretary of Transportation should require additional testing by the National Highway Traffic Safety Administration on the problem of out-of-position occupants. Depending on the outcome of this testing, the Secretary should consider appropriate modifications to the passive restraint standard including, if warranted, additional performance requirements covering this problem. The Secretary should also: (1) appoint a task force comprised of representatives from the Safety Administration, the insurance industry, the automobile industry, and independent highway safety researchers to develop an evaluation plan; (2) require the Safety Administration to collect and analyze the data needed to implement the evaluation plan; and (3) make modifications to the standard where warranted. The Administrator of the Environmental Protection Agency and the Secretary of Labor, through the Occupational Safety and Health Administration, should require that high priority be given to additional research on sodium azide to measure its health and safety risks.

The National Highway Traffic Safety Administration objects to doing the recommended research testing. The Agency believes its proper role is to review and critique the manufacturer's testing program and progress. This it intends to do. However, the Agency does agree that it should develop a more advanced child dummy to use in the performance testing program. The Agency will publish for public comment its evaluation plan in the near future. This plan will be reviewed by the National Accident Sampling System Advisory Committee, a group which has substantial technical expertise in this area and represents a broad spectrum of organizations. *(CED-79-93, 7-27-79)*

Appropriations

Department of Transportation, National Highway Traffic Safety Administration

Appropriations Committee Issues

The Committee should determine if the Agency's plans represent the proper role it is to serve in accordance with congressional intent. GAO believes it may be necessary to specifically charge the Agency with the responsibility of carrying out the necessary research effort in an objective and unbiased manner.

DEPARTMENT OF TRANSPORTATION

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Pipeline Safety: Need for a Stronger Federal Effort

Budget Function Commerce and Transportation: Other Transportation (407).
Legislative Authority: Transportation of Explosives Act (18 U.S.C. 831). Natural Gas Pipeline Safety Act of 1968, as amended (49 U.S.C. 1671). Transportation Safety Act of 1974, title I (49 U.S.C. 1801).

A review of the Federal pipeline safety program identified a number of significant problems and weaknesses in the program. The Office of Pipeline Safety Operations (OPSO) in the Department of Transportation has regulatory authority for the safe transportation of essentially all gas and hazardous liquids, but it has not fully or effectively exercised this authority.

Findings/Conclusions: OPSO has not: issued safety regulations governing all hazardous material pipelines, issued comprehensive Federal standards for liquefied natural gas facilities, issued stringent safety standards for the transportation of highly volatile liquids, revised the liquid pipelines safety regulations, or systematically reviewed existing pipeline safety regulations to assure that they are effective. In addition, OPSO has not provided the States with specific guidance for conducting pipeline safety programs or established minimum program quality criteria for State participation. Improvements are needed by OPSO to ensure operator compliance with established pipeline safety standards. OPSO has not developed an effective data collection and analysis system, and only limited use has been made of data collected in the Federal pipeline safety program. OPSO's ability to conduct a comprehensive program has been adversely affected by staffing problems and the continued absence of a permanent director.

Recommendations: The Secretary of Transportation should direct OPSO to: issue safety regulations covering all gas and hazardous liquid pipelines, promptly develop and issue more comprehensive standards for liquefied natural gas facilities and more stringent standards for highly volatile liquids, revise existing liquid pipeline regulations to be specific and comprehensive, undertake a systematic and thorough review of all Federal pipeline safety regulations, expedite current efforts to develop guidance for States in conducting adequate inspection and enforcement programs, establish minimum program quality criteria for State participation in the Federal gas pipeline safety program, conduct adequate operator compliance inspections, conduct a more active enforcement program against operators who do not comply with established safety standards, and develop a more comprehensive and accurate data system.

The Department of Transportation generally agreed that the report accurately identified Federal actions which may enhance the public safety, and initiated a number of actions to accomplish that objective. Actions taken include: issuance of proposed rules regarding previously exempted systems, liquefied natural gas facilities, and hazardous liquid pipelines including those transporting highly volatile liquids; a review of current and anticipated regulatory needs and issues and the establishment of the first annual plan of regulatory actions; the development of guidance for States participating in the Federal gas pipeline safety program and consideration of options designed to foster improved compliance efforts through expansion of field staff and through emphasis on problem areas and operators; and improvements in data system content and usage. Bills (H.R. 2207, S.411) have also been introduced in the Congress which, if enacted, would further strengthen and clarify the Department's authority in the safety regulation of natural gas pipeline transportation and provide major new and comprehensive authority in the safety regulation of hazardous liquid pipeline transportation. *(CED-78-99, 4-26-78)*

Appropriations

Department of Transportation, Research and Special Programs Administration—research and special programs

Appropriations Committee Issues

Although the Department has initiated a number of actions to improve the effectiveness of the Federal pipeline safety program, careful and continuous attention should be given to ensuring that the actions initiated are implemented and completed in a timely

manner. Also, considering the magnitude and growth in the Department's pipeline safety responsibilities in recent years, and the impact of the Federal pipeline safety program upon the public safety, serious attention needs to be given to the adequacy of the program staffing to carry out these responsibilities in a comprehensive, effective, and timely manner.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Analysis of Future Coast Guard's Resource Needs for Responding to Oil Spills

Budget Function: Transportation: Water Transportation (0406).
Legislative Authority: Federal Water Pollution Control Act 33 U.S.C. 1321

Upon Congressional request, GAO studied the responsiveness by the Coast Guard to oil spills and their future ability to meet future oil spill emergencies. The Transportation System Center of the Department of Transportation (DOT) has studied the issue and GAO's report evaluated that study.

Findings/Conclusions: Only data from the last 4 years were used for the DOT study due to unreliability of the information. GAO feels these data are inadequate to confidently project one single monetary estimate of the Coast Guard's future oil spill needs. The estimates that were provided were higher than the figures arrived at by GAO. Improved oil spill technology, disaster assistance from the private sector, and stricter measures requested by the President governing vessel safety technology and oil spill prevention imply that the future estimates of the Coast Guard's needs will not be as high as DOT projected.

Recommendations: Congress should request the Coast Guard to: (1) provide a range of potential costs along with the changes in assumptions; (2) identify significant uncertainties that could affect program results; and (3) develop data on the social and economic impact of oil spills to be used in establishing response criteria and policies.

Coast Guard agreed with the factual presentation. *(CED-79-32, 1-12-79)*

Appropriations

Department of Transportation, Coast Guard— operating expense

Appropriations Committee Issues

The Committees should require the Coast Guard to provide a range of costs to carry out its pollution response requirements which would provide cost/benefit analysis at various funding levels.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Coast Guard Action Needed To Promote Safer Marine Transportation

Budget Function: Transportation: Water Transportation (0406).
Legislative Authority: P.L. 92-340; 14 U.S.C. 85,86.

Navigational aids systems help insure safe marine transportation and the Coast Guard is responsible for maintaining 50,000 aids to navigation ranging from buoys to computerized vessel traffic management systems. Aids to navigation become more important as marine traffic increases.

Findings/Conclusions: Increased marine traffic and volume of cargo, including hazardous material, has led to a growing number of serious accidents. In 1977, 2,330 collisions, rammings, or groundings incurred losses of more than $89 million.

Recommendations: The Coast Guard can improve its response to aid discrepancies by establishing performance standards based on sound data rather than intuitive judgment; making greater use of specially trained and equipped repair teams; changing its personnel practices especially its policy of transferring staff every 2 years; maintaining an adequate inventory of spare aids and parts by reducing aid losses caused by adverse weather; and reassessing workload distribution for buoy and construction tenders. Coast Guard management of the aids can be improved by exercising its discretionary authority to mark sunken vessels and assure removal of the vessels by the owners or the Corps of Engineers, establishing procedures for consulting and considering mariners' views on aids, and making sure vessel traffic service systems are the least costly and the most efficient systems to promote safety and facilitate commerce.

The Department of Transportation generally rejected the conclusions and recommendations. *(CED-79-37, 5-21-79)*

Appropriations

Department of Transportation, Coast Guard— operating expenses

Appropriations Committee Issues

The Coast Guard should be required to (1) use the least costly and complicated approaches in developing vessel traffic management systems, (2) assure that aid discrepencies are timely corrected so that casualties can be reduced, and (3) providing funding level to implement aid systems.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

How Effective Is the Coast Guard in Carrying Out Its Commercial Vessel Safety Responsibilities?

Budget Function: Transportation: Water Transportation (0406).
Legislative Authority: 46 U.S.C. 211. 46 U.S.C. 214.

The Coast Guard's Commercial Vessel Safety (CVS) Program is responsible for assuring the safety of life, property, and the environment in and on waters subject to U.S. jurisdiction. Statistical data show that marine casualties nearly doubled during the period 1972 through 1976, demonstrating the need for CVS to carry out its responsibilities more effectively.

Findings/Conclusions: A staffing shortage existed at every inspection location visited, with inspectors working overtime, supplemented by unqualified trainees and reservists. Many inspectors were not adequately trained or qualified. The Public Health Service is declaring mariners with serious physical and mental problems fit for duty, after a union or company doctor has already declared them unfit. Harbor pilots operating under local, State, or a pilot association's jurisdiction are excluded from Coast Guard disciplinary action. Although the vessel boarding program has been expanded, the frequency of tankship safety examinations has been reduced and the quality of inspections, followup, and enforcement has been inconsistent. Response to foreign government requests for technical and training assistance has been minimal due to limited staff and the absence of direct funding. The function of the Shipping Commissioner, established in 1872, is obsolete.

Recommendations: The Secretary of Transportation should direct the Commandant of the Coast Guard to: comprehensively and systematically study the staffing needed to carry out CVS activities and international safety programs; expand in-house training and establish standards for personnel qualifications in the inspection area; and establish an inspection job specialty classification and/or extend the rotation cycle to retain the expert leadership needed in this mission. The possibility of transferring some aspects of the U.S. vessel inspection program to the American Bureau of Shipping should be reexamined. The Commandant should provide comprehensive direction for boardings and examinations, improve followup on tankship safety deficiencies, expedite the development of the Marine Safety Information System, adopt an aggressive penalty assessment policy, and emphasize the boarding and examination of uninspected U.S. commercial vessels. A demonstration of competency should be required for the issuance or renewal of marine industry personnel licenses. Physical fitness standards must be established. Jurisdiction over State pilots should be sought, and legislation proposed to abolish the shipping commissioner's functions.

The Department of Transportation generally agreed with GAO's conclusions and recommendations. *(CED-79-54, 5-25-79)*

Appropriations

Department of Transportation, Coast Guard— operating expenses

Appropriations Committee Issues

The Appropriations Committee should require analysis by Coast Guard to carry out the Commercial Vessel Safety Program responsibilities adequately. Savings would be available if Coast Guard shipping commissioners' functions were abolished. Also, savings could occur if the American Bureau of Shipping performed inspection functions presently being done by the Coast Guard.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

The Coast Guard's Role in Drug Interception--How Much Is Enough?

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751).
Legislative Authority: Drug Abuse Control Amendments of 1965 (P.L. 89-74; 79 Stat. 226). 14 U.S.C. 2. 14 U.S.C. 89(a).

The Coast Guard has had some success as a maritime drug enforcement agency; in 1978 it seized 140 vessels and 3.2 million pounds of marijuana. This success is due to two factors: (1) Coast Guard cutters, aircraft, and electronics gear are superior to the equipment used by smugglers; and (2) the strategy of concentrating surveillance on certain routes through which smugglers must travel. Most drug smugglers approach the U.S. coastline from Colombia in "mother ships" which are met by smaller "contact" boats. Contraband is offloaded to these smaller boats, which then proceed to shore. Seizure of a mother ship generally results in the capture of large quantities of marijuana. The Coast Guard's strategy emphasizes the seizure of mother ships by patrolling the choke points between Colombia and the United States. It is estimated, however, that cutters are at these points only 35 percent of the time because not enough are available.

Findings/Conclusions: While the Coast Guard has established a general goal for its law enforcement mission, it does not have a specific drug enforcement goal. The Coast Guard lacks sufficient resources to patrol effectively on the principal choke points.

Recommendations: The Secretary of Transportation should require the Commandant of the Coast Guard to establish long-range goals as to the amount of drugs the Coast Guard would like to intercept and identify alternative approaches, acceptable time frames, and various levels of resources necessary to achieve those goals. The goals should be based on and support the overall Federal strategy for controlling drugs. The Secretary of Transportation should direct the Commandant of the Coast Guard to take the necessary steps to: (1) acquire a common law enforcement frequency for communication among the Coast Guard, Customs, and the Drug Enforcement Agency, and (2) adopt an interagency agreement for effective implementation of communication capability. The Secretary of Transportation should also direct the Commandant of the Coast Guard to: (1) accelerate training efforts, in particular those provided at the Maritime Law Enforcement School; (2) consider establishing a specialized law enforcement job classification to provide the expert leadership needed in drug enforcement activities; and (3) establish a standard by which personnel may be considered qualified for boarding operations.

The Coast Guard agreed with the factual presentation. *(CED-79-40, 2-12-79)*

Appropriations

Department of Transportation, United States Coast Guard—operating expense

Appropriations Committee Issues

The Coast Guard should submit funding alternatives based on meeting its program goals to carry out its drug interdiction program.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

U.S. Coast Guard Procurement of Replacement Icebreaker

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058).
Legislative Authority: P.L. 95-61. Committee on Conference on H.R. 13467.

Various alternatives to expedite procurement of an icebreaker by the U.S. Coast Guard to replace the Westwind Icebreaker, which is becoming obsolete, were investigated.

Findings/Conclusions: None of the alternatives examined appeared likely to reduce the time to award a contract for the icebreaker. The cost estimate developed by the Coast Guard during the initial planning phase appeared to be reasonable, and the estimating method was acceptable. The Coast Guard should provide a range of probable cost as well as the specific dollar estimate.

Recommendations: The Subcommittee should require that the Commandant, United States Coast Guard, submit an analysis of the uncertainties affecting the procurement for this icebreaker.

The Coast Guard agreed with the factual information. *(CED-79-16, 12-1-78)*

Appropriations

Department of Transportation—acquisition, construction, and improvements

Appropriations Committee Issues

The Coast Guard should provide adequate analysis of uncertainties affecting the replacement price for the icebreaker.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

140-Foot Harbor Tugboat: Does the Coast Guard Need It on the East Coast?

Budget Function: Transportation: Water Transportation (0406).

The Coast Guard is planning to buy 10 or 11 new 140-foot harbor tugboats at an estimated total cost of about $70 million to replace its existing fleet of 13 aging 110-foot harbor tugboats for icebreaking duties on the Great Lakes and on the rivers and harbors of the east coast from Maine to the Chesapeake Bay.

Findings/Conclusions: GAO believes that the Coast Guard has sufficient justification to replace the 110-foot vessel. Also, the replacement of the five tugs assigned to the Great Lakes with the new 140-foot tug is appropriate. However, the Coast Guard has not justified its plans to put five such vessels in the east coast districts. Use of the existing craft on the east coast does not justify the additional capability of the replacement vessel since east coast operations require a tug more than an icebreaker. The 140-foot vessel seems to be excessive for these districts. Further, to procure these vessels for east coast operations appears to be a waste of both capital investment and operating expense funds. It is difficult to quantify the potential cost of this action in either capital investment or operating expense funds. However, one 1974 design comparison estimated that a 140-foot vessel could cost as much as $1 million more to construct than a 120-foot vessel.

Recommendations: GAO recommends that the Coast Guard reevaluate its plans to replace existing east coast harbor tugboats with the 140-foot craft. The Coast Guard should consider: (1) the overall east coast mission of the 110-foot tugs as well as any other class of vessel currently requiring replacement, (2) the potential for consolidating the mission of the 110-foot tug and other aging east coast vessels into a requirement for a single multimission vessel, and (3) the life cycle costs of various alternative designs in selecting a replacement vessel which will satisfy the mission need.

The Department of Transportation believes that GAO's recommendation that the Coast Guard reevaluate plans to replace east coast tugs with the 140-foot harbor tug was made on insufficient data, because it believes GAO did not provide an in-depth analysis. The Coast Guard, however, has established a System Acquisition Management Office which will... "comprehensively reassess east coast mission requirements and verify that the 140-foot tug remains the proper vessel...." The study will incorporate the GAO recommendation action and will be the basis for any subsequent budget requests to acquire additional 140-foot tugs. *(PSAD-79-17, 1-15-79)*

Appropriations

Department of Transportation and Related Agencies

Appropriations Committee Issues

Before appropriating monies to the Coast Guard to acquire more 140-foot harbor tugs, the Committee should assure itself that the Coast Guard's study—reassessment of the east coast mission—adequately considers the geographic constraints which the GAO report mentioned. That is, the 140-foot tug is too long to turn and too deep in the water for certain rivers on the east coast.

DEPARTMENT OF TRANSPORTATION

UNITED STATES RAILWAY ASSOCIATION
Consolidated Rail Corporation

Conrail Faces Continuing Problems

Budget Function: Transportation: Ground Transportation (0404).
Legislative Authority: Bankruptcy Act. 11 U.S.C. 205. Regional Rail Reorganization Act of 1973. 45 U.S.C. 701. Railroad Revitalization and Regulatory Reform Act of 1976. 45 U.S.C. 801.

Federal legislation establishing the Consolidated Rail Corporation (Conrail) authorized Federal assistance of $2.1 billion to enable the company to become profitable by the end of 1979. Conrail, in its latest business forecast, stated that this amount was not enough and that it will need an additional $1.3 billion through 1982 to achieve financial self-sufficiency. The United States Railway Association (USRA), in its report to the Congress, identified problems which indicated Conrail's poor prospects for achieving self-sufficiency.
Findings/Conclusions: Conrail's forecast of profits by 1980 was based on assumptions that contradict its past and current performance trends. It could require substantially more than the amount appropriated plus the additional $1.3 billion to become self-sufficient. Although Conrail recognized that additional moneys will be needed for its contributions to the railroad retirement system and to replenish the employee protection fund, its business plan makes no specific provision for these funds. Conrail made substantial investment in track and equipment rehabilitation, but its improvements program for modernizing yards and terminals lagged because of time-consuming planning processes. It has taken some steps to expedite improvements. Among problems experienced by Conrail were: a decline in traffic, primarily because of poor customer service; inadequate amounts and poor condition of equipment received from bankrupt railroads; and a high incidence of breakdowns, partly because of inadequate maintenance practices. Conrail expects to achieve labor savings as a result of a new labor agreement. The USRA found errors in the final system plan estimate of potential car utilization improvements; however, GAO believes that needed improvements emphasized in the plan should remain as a guide for Conrail performance.
Recommendations: The Conrail Chairman and Chief Executive Officer should take actions necessary to ensure that Conrail requests adequate Federal investment for all improvements contemplated in the final system plan and moves ahead aggressively in planning and implementing them, and that Conrail includes the full costs it assumes the Federal Government will bear in requests for Federal funding.

Conrail chose not to comment on the report, while the Railway Association generally agreed with the GAO report. After the report was issued, Congress authorized an additional $1.2 billion. Conrail recently estimated that without substantial rail industry deregulation, it will require another $780 million in Federal assistance over the next 5 years; the Railway Association believes Conrail will actually need closer to $1.4 billion more. *(CED-78-174, 10-6-78)*

Appropriations

United States Railway Association

Appropriations Committee Issues

Conrail will probably require Federal assistance beyond the $3.3 billion presently authorized.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Communication and Management Problems Hinder the Planning Process for Major Mass Transit Projects

Budget Function: Transportation: Ground Transportation (0404).
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.).

The Urban Mass Transportation Administration (UMTA) awards Federal grants to State and local authorities to plan and implement various mass transit projects. Nearly two-thirds of the $8.4 billion in capital grants awarded through fiscal year 1978 by this agency were for the construction, extension, or modernization of intracity rail systems. Federal funding authority for such investments is discretionary, so metropolitan areas must vie for available funds. Due to the potential demand for its funds and concern about its ability to finance these projects, UMTA since 1974 has required analysis of rail and nonrail alternatives when intracity rail projects are proposed so that a cost-effective option can be selected. This policy was formalized in September 1976.

Findings/Conclusions: Even though UMTA had been requiring analysis studies of rail and nonrail alternatives to be made on major projects since 1974, UMTA has not developed guidelines to help project sponsors develop studies acceptable to UMTA. As a result of the lack of guidance and effective communication, project sponsors have conducted studies inconsistent with what UMTA wanted.

Recommendations: The Secretary of Transportation should apply the September 1976 Federal policy on major urban mass transportation investments to all major projects unless specifically exempted by the policy. The Secretary should make major mass transit investment decisions only after significant deficiencies noted in alternatives analysis studies have been corrected. The Secretary should also direct the Administrator of UMTA, in addition to developing alternatives analysis guidance, to improve communication with all project sponsors by consistently monitoring progress of studies, providing prompt feedback to project officials, and requiring that all agreements and requirements are documented.

The Department of Transportation generally agreed with GAO's findings and conclusions and supported the recommendations. UMTA has also taken a number of actions which are directed at averting problems which are discussed in the report. UMTA is developing written technical guidance for the alternative analysis process which it expects to issue in February 1980. *(CED-79-82, 6-5-79)*

Appropriations

Department of Transportation, Urban Mass Transportation Administration—urban mass transportation fund

Appropriations Committee Issues

The alternative analysis process, if effectively managed and applied to all major projects, is a useful and constructive tool to identify cost-effective mass transit projects. In its consideration of UMTA budget requests, the Committee should consider the alternatives analysis for the individual major transit projects for which UMTA is requesting budget authority and funding. Also, the committees should determine the status of the technical guidance for the alternative analysis process which is planned for issuance in February 1980.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Need for More Federal Leadership in Administering Nonurbanized Area Public Transit Activities

Budget Function: Commerce and Transportation: Ground Transportation (404).
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601).

In November 1974, the Congress amended the Urban Mass Transportation Act of 1964 to authorize $500 million for exclusive use for nonurbanized areas (less than 50,000 population) during fiscal year 1975 through 1980. The $500 million is available for planning, demonstration, and capital investments supporting small town and rural area transit services.

Findings/Conclusions: State and local officials believe that few requests for the $500 million have been made because of the absence of Federal financial assistance for projected operating deficits, a belief that Urban Mass Transportation Administration (UMTA) grant application procedures and requirements are too complex, the absence of knowledge about available UMTA financial assistance, and the absence of policy regarding Federal mass transit assistance. UMTA does not manage the $500 million set-aside as a separate program; it has no separate policy, procedures, personnel, grant delivery system, or organizational entity relative to transit assistance for small urban or rural areas. Although UMTA has established planning regulations which apply to nonurbanized areas, these regulations are not a substitute for policies and procedures which specifically identify Federal transportation objectives for nonurbanized areas and how Federal assistance can address them.

Recommendations: The Secretary of Transportaion should direct the Administrator of UMTA to: establish more specific policies and procedures for nonurbanized areas, evaluate grant application proedures to determine how they can be simplified, and evaluate whether UMTA's current information dissemination methods are adequate.

In December 1978, Congress passed the Surface Transportation Assistance Act of 1978 (P.L. 95-599), which significantly altered the statutory basis for UMTA assistance to nonurbanized areas. This Act provided Federal funds on a formula basis to the States for funding of public transportation services in nonurbanized areas. The Act established the nonurbanized assistance as a separate effort with the direct involvement of the States. It also authorized the use of the funds to subsidize operating expenses. We believe the provisions of the new legislation, when fully implemented, should overcome the major problems addressed in our report. However, as of October 1979, the program is still operating under emergency regulations and final regulations have yet to be developed. FHWA has been given the responsibility for administering this program. *(CED-78-134, 7-3-78)*

Appropriations

Department of Transportation, Urban Mass Transportation Administration—Urban Mass Transportation Fund

Appropriations Committee Issues

The Committee should determine the progress that has been made in developing the final regulations and implementing the program.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Procurement of Rail Passenger Cars by the New Haven Railroad

Budget Function: Commerce and Transportation: Ground Transportation (404).
Legislative Authority: Urban Mass Transportation Act of 1964, as amended (49 U.S.C. 1601).

The Urban Mass Transportation Administration (UMTA) granted Connecticut $49.6 million to help purchase 100 passenger cars from General Electric for $63.9 million.

Findings/Conclusions: GAO reported to the Secretary of Transportation that the procurement contract did not conform to sound contracting principles for the following reasons: (1) the payment schedule provided funds to the contractor in excess of the contractor's expenditure schedule, (2) payments were made without contract provisions which protect the Government and the grantee if the contract was not completed, and (3) a solesource award was made without assurance to UMTA that adequate cost and pricing data had been submitted by the contractor.

Recommendations: GAO recommended that UMTA develop more specific, third-party contracting procedures for use by grantees, prescribing conditions and limitations for advance payments and the negotiation of sole-source procurements.

UMTA is in the process of developing third-party contracting procedures which UMTA officials believe will comply with the requirements in the Federal Procurement Regulations. These new procedures are expected to be issued by the end of calendar year 1979. *(RED-76-15, 9-17-75)*

Appropriations

Department of Transportation, Urban Mass Transportation Administration—urban mass transportation fund.

Appropriations Committee Issues

1. The adoption of contracting requirements for Federal grantees, similar to the requirements in the Federal Procurement Regulations, would assure better control over awards of contracts financed under grant programs and reduce Federal interest costs from unnecessary advance payments.
2. In approving budget requests for urban mass transportation, the Committees should determine whether UMTA's new third-party contracting procedures have been issued as expected.

DEPARTMENT OF THE TREASURY

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

Occupational Taxes on the Alcohol Industry Are Not Being Adequately Enforced, but Repeal Appears Preferable to Additional Enforcement

Budget Function: Central Fiscal Operations (803).
Legislative Authority: Federal Alcohol Administration Act (26 U.S.C. 5146).

Alcoholic beverage occupational taxes collected in fiscal year 1975 amounted to $21.5 million.

Findings/Conclusions: Taxpayer compliance with the alcohol-related occupational tax has dropped below acceptable levels and enforcement by the Bureau of Alcohol, Tobacco and Firearms is inadequate. Although additional manpower in this area would undoubtedly increase both revenue and compliance, repeal of the occupational taxes appears preferable to increased enforcement.

Recommendations: Congress should repeal all occupational taxes in section 5081 through 5148 of the Internal Revenue Code on retail and wholesale dealers in distilled spirits, wines, and beer; manufacturers of non-beverage alcoholic products; brewers; manufacturers of stills; and rectifiers. Congress should also amend the Federal Alcohol Administration Act to clarify the authority of the Bureau of Alcohol, Tobacco and Firearms to investigate possible consumer and/or unfair trade practice violations of the Act prior to a permit hearing.

The Treasury Department is opposed to the repeal of the occupational tax authority. Further, in its reply to the Office of Management and Budget on the report, the Department stated that the GAO report raised a broad issue concerning whether the entire practice of regulating the retail liquor industry should revert to the Federal Trade Commission or to State authorities. *(GGD-75-111, 1-16-76)*

Appropriations

Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms—salaries and expenses

Appropriations Committee Issues

It is necessary to determine whether additional funds should be requested to enforce collection of occupational taxes on the alcohol industry.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

How Taxpayer Satisfaction With IRS' Handling of Problem Inquiries Could Be Increased

Budget Function: General Government: Tax Administration (0807).

The U.S. tax system is based on voluntary compliance and each individual and business is responsible for filing all required tax returns, assessing the amount of the tax, and paying that amount. Because the Federal tax laws, publications, and forms are complex, taxpayers often need answers to difficult questions. The Internal Revenue Service (IRS) has two systems through which it handles tax inquiries; normal handling and special handling. The normal system used by district offices is intended to answer most taxpayer inquiries on the first contact. The special system was established to handle problem inquiries. While taxpayers may not always be right, extensive taxpayer dissatisfaction could affect their compliance with the tax laws. As a result, GAO sent out questionnaires to determine taxpayer satisfaction with IRS handling of inquiries.

Findings/Conclusions: The majority of the 2,223 taxpayers responding to the questionnaire were satisfied with the way IRS handled their inquiries. About 32 percent were dissatisfied, most complaining about the way IRS communicated its answers and the fact that resolving, or not resolving, their problems took too many contacts and too much time. GAO estimates that 54 percent of the taxpayers handled by the national office and 40 percent handled by service centers were dissatisfied. Due to weaknesses in implementing the special handling system, many problem inquiries which should have received special handling either did not or were referred too late. The control procedures were also found to have weaknesses. Followup of taxpayers with problem inquiries is too limited and taxpayers whose problems are not solved after the first attempt either have to keep trying in frustration or give up. Followup is needed to see that the problems are solved and that the taxpayers are satisfied to the extent possible. Followup would also provide data for the systematic evaluation of possible problem causes. Satisfaction could be increased by making the district offices' special handling units the focal point for controlling more such inquiries, since the national office and service centers are further removed and are not primarily intended to handle taxpayer problems.

Recommendations: The Commissioner of Internal Revenue should: (1) require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that problem inquiries are properly referred for special handling and are controlled; (2) increase the extent to which problem inquiries are handled and controlled by the district offices; (3) send comprehensive followup questionnaires to a statistically valid selection of all taxpayers with problem inquiries; (4) increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by the GAO taxpayer questionnaire survey; and (5) make sure that IRS looks for ways to improve its communication of responses to taxpayers' inquiries as part of its efforts to simplify tax forms and instructions.

IRS generally agreed with most of GAO's recommendations. The major disagreement related to IRS's belief that it should obtain information about previous contacts on the same question or problem from only certain taxpayers requesting assistance. GAO believes that unless IRS identifies all second-time contacts and provides those requirers with special handling, some deserving persons will still not get special service, while others who do not meet the criteria, but who complain the most, will receive it. *(GGD-79-74, 9-18-79)*

Appropriations

Department of the Treasury, Internal Revenue Service—salaries and expenses

Appropriations Committee Issues

IRS believes that querying all taxpayers about previous contacts on the same inquiry will put a possible strain on its taxpayer service resources. However, GAO believes this is the only way it can properly implement its criteria for referring taxpayer inquiries to its special handling system, or Problem Resolution Programs.

Until it queries all taxpayers about prior contacts on the same problem, IRS will never know how much, if any, additional resources are required to query all persons with inquiries as to previous contacts. IRS would then be better able to determine whether it needs different criteria for identifying problem inquiries and/or whether it needs to devote more resources to operating its special handling system.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Inspection Service Functions: Management Can Further Enhance Their Usefulness

Budget Function: General Government: Tax Administration (0807).

The Internal Revenue Service (IRS) must maintain effective management control over its collections, returns, and investigations, and assure integrity among the staff involved. To do this IRS has a principle means of control, the Inspection Service. The Inspection Service is charged with keeping the agency's operations and management under continual scrutiny and appraisal.

Findings/Conclusions: Although the internal audit staff is complying with management's directives and contributing to more efficient operations, its role and usefulness are limited in meeting management's needs. The audit staff must direct its efforts primarily to continually monitoring field activites, an unrealistic goal which hinders effective audit planning. The audit approach basically restricts the scope of most audits to a single field office, limits the purpose to determining whether specific operations at that office comply with written instructions, and results in audit reports to field management. The internal audit staff's own efforts for improvement are a step in the right direction, but management needs to supplement these actions.

Recommendations: The Commissioner of Internal Revenue should: (1) modify policy requiring annual audits of all major field activites and establish an audit goal which encourages the most effective use of resources; (2) direct the Assistant Commissioner of Inspection to develop audit plans and periodically discuss with the Commissioner and other Assistant Commissioners the level of resources devoted to centrally planned, directed, and controlled audits; (3) clarify the role and responsibilities of regional analysts; (4) determine the extent the Office of Personnel Management can assume additional responsibility for personnel investigations presently being conducted by IRS criminal investigators; (5) provide general investigators to conduct noncriminal investigations; (6) establish criteria delineating matters to be investigated and assign responsibility for handling administrative matters to line management; (7) review the investigator and caseload relationships to provide a reasonable investigator caseload balance; and (8) establish uniform standards to monitor the timeliness with which investigations are being completed.

IRS agreed with most of GAO's recommendations. However, the nature and extent of some of the actions it planned to take were unclear. IRS did not specifically agree to base its audit plans on the number of auditors expected to be available as opposed to the number it thought it should have. *(GGD-78-91, 1-30-79)*

Appropriations

Department of Treasury, Internal Revenue Service—salaries and expenses

Appropriations Committee Issues

IRS' Internal Security Division has made extensive use of criminal investigations to perform noncriminal work even though the work could be done at substantial savings by the Office of Personnel Management or IRS' general investigative personnel. IRS has not reduced its criminal investigations by 50 percent as suggested by GAO, but did inform the Senate Committee of steps it is taking to replace some criminal investigators with professionals. The Committee urged IRS to continue its efforts until up to 75 percent of all background investigations are handled by noncriminal investigations. The Committees should assure that IRS' Internal Security Division achieves maximum reduction of costly criminal investigations.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Who's Not Filing Income Tax Returns? IRS Needs Better Ways To Find Them and Collect Their Taxes

Budget Function: General Government: Tax Administration (0807).
Legislative Authority: Internal Revenue Code (IRC). 26 U.S.C. 6072(a). 26 U.S.C. 6081. 26 U.S.C. 6651(a).

each year many taxpayers do not file tax returns, and as a result, the Internal Revenue Service (IRS) is not able to collect billions legally owed to the United States. IRS' primary means for detecting and investigating nonfilers is the Taxpayer Delinquency Investigation Program (TDIP). Its major weaknesses result from criteria for selecting potential nonfilers for investigation, policies and procedures restricting the investigation of those selected, and various practices in managing nonfiler cases. Selection of potential nonfilers is based generally on whether a person's income indicates a predetermined tax liability, rather than on whether a person is required to file. Because resources are limited, IRS policies and procedures for investigating potential nonfilers intentionally limit the extent to which they are pursued. Delays in processing tax refunds to delinquent filers are also costly to the Government because interest must be paid on those returns which are not processed within 45 days. Furthermore, regulation does not impose a penalty to delinquent taxpayers if they are due refunds.

Findings/Conclusions: Certain differences such as education level and self-employment help explain the identity of nonfilers and the reasons they do not comply. Occupations with the highest nonfiling rates were laborers, service workers, craftsmen, and clerical workers. IRS' only active program to date is directed at some self-employed professionals who make up less than 1 percent of the estimated nonfiler population. IRS needs to be more systematic and vigorous in detecting and pursuing nonfilers. To determine the number and identity of these nonfilers, their reasons for not filing, and the action needed to promote compliance with the laws, it is necessary to estimate the nonfiler population and analyze its characteristics. A model needs to be developed which could be used to assure that individuals selected for investigation are indeed required to file returns. IRS can improve its TDIP by making a number of improvements in its caseload management practices. Using State tax-related data on Federal nonfilers would also help identify nonfilers who are not easily detected through its TDIP. Additional resources alone will not increase program effectiveness. Improvement needs to be made in the way IRS uses the money and people it has.

Recommendations: To further reduce the delinquency gap created by the nonfiler population, the Commissioner of the IRS, given available resources, should consider establishing more Returns Compliance Programs directed at specific groups of individual nonfilers deserving concentrated attention because of their tendency toward nonfiling. Any selection of such programs should be based on periodic IRS estimates and analyses of the nonfiler population. In the interim, however, selection could be based on the characteristics of our estimated population, or random samples of persons not covered under the TDIP. The Commissioner should attempt to use tax and other data available from the States to help detect more nonfilers and establish a priority system to ensure that delinquent tax returns involving refund claims are processed within the 45-day statutory limitation. The Congress should request IRS to develop and provide to the appropriate congressional committees information on the amount of additional funds needed to improve the effectiveness of IRS nonfiler efforts. This information should include cost estimates for (1) estimating and analyzing the nonfiler population, (2) developing a better nonfiler case selection method, and (3) investigating thoroughly all nonfilers selected. The Congress then can decide whether additional funds are needed.

IRS agreed with most of GAO's recommendations. However, it stated that devoting additional resources to more thoroughly investigate nonfilers would not necessarily be productive and would reduce its efforts in other enforcement programs. GAO questioned the productivity of some of the IRS nonfiler cases and stressed the need to pursue more nonfilers from the standpoint of enforcing compliance and preserving the integrity of the tax system. *(GGD-79-69, 7-11-79)*

Appropriations

Department of the Treasury, Internal Revenue Service—salaries and expenses

Appropriations Committee Issues

IRS maintains that it needs additional resources to fully implement GAO's recommendations for improving IRS' nonfiler activities and to avoid impacting on other important functions, like examinations. As recommended by GAO, IRS is developing cost estimates for (1) estimating and analyzing the nonfiler population, (2) developing a better nonfiler case selection method and, (3) investigating thoroughly all nonfilers selected. The committees should request IRS to provide this information as part of its next budget request. They should also determine whether IRS' nonfiler efforts are being funded at a level commensurate with the magnitude of the problem and are in balance with the levels of effort in other compliance areas, such as examinations and criminal investigations.

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

Achieving Needed Organizational Change: A Customs Service Dilemma

Budget Function: General Government: Central Fiscal Operations (803).
Legislative Authority: 1 Stat. 29.

The United States Customs Service is organized on four levels, or tiers—headquarters, 9 regions, 45 districts, and 303 ports. The four-tier structure stems from the Stover report, the result of a Department of the Treasury management study, which gave the impetus for the 1965-66 reorganization.

Findings/Conclusions: While the four-tier structure has contributed to management efficiency, the Stover report and later studies recommended a reduction in the number of regions and districts. Customs has been unwilling to make the reductions because of external opposition to consolidation. Fewer regions and districts would allow Customs to reduce overhead and reassign personnel to day-to-day operations. This could be achieved without eliminating a Customs presence at affected communities, and it would improve services.

Recommendations: The Secretary of the Treasury should direct the Commissioner of Customs to: reduce the number of regions and districts in keeping with workload requirements and sound organizational principles, clarify the responsibilities of organizational levels and units, realign responsibilities for functions among and within organizational levels, and establish definitive criteria for reviewing port status and use these criteria to identify unneeded ports.

The Department of Treasury agreed with and endorsed our recommendations, but stated that internal restructuring has been held off pending a possible Presidential reorganization proposal which would create a new border management agency. *(FPCD-78-29, 3-30-78)*

Appropriations

Department of the Treasury—operations and maintenance

Appropriations Committee Issues

Customs Service can improve its efficiency and reduce overhead by reducing the number of its regional and district offices.

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

Customs' Cargo Processing—Fewer But More Intensive Inspections Are In Order

Budget Function: Law Enforcement and Justice: Federal Law Enforcement and Prosecution (0751).
Legislative Authority: 19 U.S.C. 1499.

Customs inspectors attempt to comply with a provision of law which requires that a portion of each imported cargo shipment be inspected. Faced with increased workload and a relatively stable workforce, Customs' inspections often consist of just a quick look. The Customs organizations of several other nations have adopted more selective systems for designating shipments for inspection, rather than trying to look at all shipments. Treasury's Internal Revenue Service also uses a selective system for designating certain tax returns for audit. Customs has two limited enforcement programs—intensive inspection of a few shipments and post-entry audits of importers' books and records—that are more effective than its traditional inspections.

Findings/Conclusions: The inspections conducted by U.S. Customs do not ensure compliance with the laws and regulations governing imports. Intensive inspections of selected shipments and post-entry audits are more effective than cursory inspections of all shipments; however, existing law requires Customs to inspect some portion of every shipment.

Recommendations: Customs should adopt a plan for a comprehensive selective cargo inspection system. Upon receipt of an acceptable plan, Congress should amend the Tariff Act of 1930 (19 U.S.C. 1499) to allow Customs to implement the system.

The Department agreed with our recommendation and said that Customs is committed to establishing a comprehensive selective cargo inspection system. *(GGD-78-79, 9-7-78)*

Appropriations

Department of the Treasury, U.S. Customs Service—salaries and expenses.

Appropriations Committee Issues

Customs needs to develop a comprehensive selective cargo inspection system to ensure a more effective use of its inspectional and audit resources.

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

Custom's Classification of Imported Vehicles—A Controversial Issue

Budget Function: General Government: Central Fiscal Operations (0803).
Legislative Authority: Tariff Act of 1930 (19 U.S.C. 1562). Tariff Schedule 6, Part 6.

The United States Customs Service classifies imported vehicles with chassis containing cabs and other features found on road-ready trucks. The chassis classification applies to trucks imported without cargo beds. As classified, these vehicles are subject to a 4-percent duty rate instead of the 25-percent rate applicable to trucks. Because there are persuasive arguments both for and against the chassis classification, it is difficult to conclude, as a matter of law, that the classification is clearly wrong. From a practical viewpoint, Customs' rulings permit importers to avoid a 25-percent duty by removing the cargo box from trucks and by importing items separately. Treasury officials are reconsidering vehicle classifications but will not issue any decisions until multilateral trade negotiations are concluded. *(GGD-79-19, 12-13-78)*

Appropriations

Department of the Treasury—salaries and expenses

Appropriations Committee Issues

The Department was reconsidering the classification of these vehicles but was delaying a decision until multilateral trade negotiations were concluded. Those negotiations have concluded.

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

Customs' Efforts to Develop a System for Assigning Inspectors Need Top Management Support

Budget Function: General Government: Executive Direction and Management (802); General Government: Central Personnel Management (805).
Legislative Authority: National Productivity and Quality of Working Life Act (P.L.94-136).

The method the U.S. Customs Service uses to allocate inspectors to ports-of-entry has created staffing inconsistencies and the potential for their inefficient use. Although Customs has been aware of these shortcomings for many years, only recently have efforts been made to correct the problem. In August 1976, Customs established the Productivity Task Force to develop an approach to productivity management.
Findings/Conclusions: Despite the magnitude of its responsibilities, Customs does not have a system which provides detailed information on its inspection efforts and which relates such efforts to accomplishments, considering such factors as volume, processing complexity, enforcement risks, and facility restrictions. In addition, Customs terminology has not been standardized, thereby hindering the conversion of workload data to staffing requirements. A review of Customs operations at several locations showed no apparent correlation between the number of inspectors assigned to a port-of-entry and the workload in terms of activity levels, work complexity, or enforcement risks. Efforts to correct these problems through the Productivity Management and Improvement program appear to be weakening, and top management support is needed if Customs is to make a more rational allocation of inspectors.

Recommendations: The Secretary of the Treasury should direct the Commissioner of Customs to provide the Productivity Task Force the necessary leadership and the authority, guidance, and personnel to accomplish its objectives; monitor the progress of the Productivity Management and Improvement Program; and develop standardized Customs terminology for current and proposed information systems.

Treasury agrees in part with the GAO recommendations. Customs believes that although the GAO report recommendations and comments are well intended, today there would be considerable difference in the report's conclusions. Customs said it is now concentrating its efforts to develop a system for assigning inspectors. *(GGD-78-48, 5-2-78)*

Appropriations

Department of the Treasury, U.S. Customs Service—salaries and expenses

Appropriations Committee Issues

There is a need for a better system of assigning inspectors to achieve more effective and efficient use of inspection staff.

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

Import Duties and Taxes: Improved Collection, Accounting, and Cash Management Needed

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).
Legislative Authority: Customs Procedural Reform Act of 1977. H.R. 8149 (95th Cong.). 19 U.S.C. 1. Reorganization Plan 1 of 1965.

The U.S. Customs Service collected over $6 billion in duties, taxes, and fees on imported merchandise during fiscal year (FY) 1977, and revenues are projected to increase to $7 billion by the end of 1980.

Findings/Conclusions: During FY 1976, delays in collections allowed by Customs procedures cost the Government an estimated $9.6 million in interest costs. The Government is entitled to duty payments when goods are released to importers. However, Customs allowed importers to defer payments an average of 12.4 days, and proposed changes may delay collections up to 30 days. The Government could have reduced its interest costs by up to $7.3 million if it had collected, when due, the $3.3 billion in FY 1976 collections deferred. Also, about $563 million in importers' alcohol taxes was deferred in FY 1976 which could have reduced interest costs by an estimated $2.3 million if collected on time.

Recommendations: The Secretary of the Treasury should consider developing methods to reduce collection delays, including requiring importers to pay duties when goods are released or be charged interest on late payments. He should also review the policy allowing alcohol tax deferrals for an average of 23 days and, if deferrals are allowed to continue, consider levying interest charges on importers who elect to defer taxes.

The Department of the Treasury generally agreed with us and said that Customs has begun studies on ways to develop corrective action. Corrective action should provide that deferrals on duties and taxes be either eliminated or that interest be charged on amounts deferred, and that the delay in collecting supplemental duties be shortened and interest charged on accounts 30 days past due. *(FGMSD-78-50, 8-21-78)*

Appropriations

Department of the Treasury, U.S. Customs Service—salaries and expenses

Appropriations Committee Issues

The committees should require the Customs Service to demonstrate their progress in eliminating delays on collection of duties and taxes or in collecting interest on the amounts deferred. In addition, the committees should require the Service to demonstrate that delays in collecting supplemental duties have been shortened and that interest is charged on accounts 30 days past due.

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS

The Federal Bail Process Fosters Inequities

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752).
Legislative Authority: Bail Reform Act of 1966. Speedy Trial Act of 1974. 18 U.S.C. 3154. 18 U.S.C. 3146. United States v. Cramer, 451 F.2d 1198, 1200 (5th Cir. 1971). United States v. Leathers, 412 F.2d 169 (D.C. Cir. 1969). United States v. Gillin, 345 F. Supp. 1145, 1146-47 (S.D. Tex. 1972). United States v. Bigelow, 544 F.2d 904, 907-08 (6th Cir. 1967). United States v. Wind, 527 F.2d 672, 674-74 (6th Cir. 1975). Blunt v. United States, 322 A.2d 579 (D.C. App. 1974). United States v. Kirk, 534 F.2d 1262, 1280-81 (8th Cir. 1976). United States v. Gilbert, 425 F.2d 490, 491-92 (D.C.C. 1969). United States v. Bishop, 537 F.2d 1184, 1186 (4th Cir. 1976). United States v. Thompson, 452 F.2d 1333, 1340-41 (D.C.C. 1971). Allen v. United States, 386 F.2d 634, 636 (D.C.C. 1967).

Each of the 55,000 criminal defendants who annually enter the Federal court system must have a bail hearing before a judicial officer, usually a magistrate. This hearing is important because the magistrate decides the bail conditions under which the defendant may obtain release prior to trial. Pretrial release (bail) practices in Federal district courts were reviewed to determine if the bail system is used to cause a high rate of appearance without unnecessarily detaining defendants.

Findings/Conclusions: Judicial officers have substantial discretion in making bail decisions. As a result, they set widely varying, and in some cases overly restrictive, release conditions because they use bail for differing purposes and weigh the criteria of the Bail Reform Act differently. Consequently, some defendants are jailed, have to pay to be released, or are otherwise restricted while other similarly charged defendants are not so restricted. Judicial officers need more complete and reliable information when making bail decisions. The Federal judiciary has not established a system to provide judicial officers with feedback on the results of their bail decisions in relation to the results of other judicial officers and to monitor and evaluate the bail process. The usefulness of Pretrial Services Agencies' (PSAs) supervision and social services functions has not been demonstrated; the Administrative Office of the Courts' evaluation of PSAs will be useful but limited.

Recommendations: The Chief Justice, in his capacity as Chairman of the Judicial Conference, should work with the Conference, the Director of the Administrative Office of the U.S. Courts, and the Federal Judicial Center to develop and implement a program to assist judicial officers in making sound and consistent bail decisions. He should also work with the Judicial Conference and the Administrative Office of the U.S. Courts to: develop a system to monitor and evaluate bail activities, provide information to judicial officers on the results of bail decisions so they may evaluate their performance against that of other judicial officers, and receive periodic reports on the status and problems in the bail area to assist in developing improvements in the bail process. The Judicial Conference should provide the means for judicial officers to have more complete and accurate information on defendants when making bail decisions.

The Administrative Office commented that the inconsistencies in bail recommendations and types of supervision noted in the report are inherent and intended in the PSA experimental project. It also stated that its research methodology for the PSA evaluation does not assume that any significant changes in bail variables result from the PSA operation. Their study has built-in controls to account for changes due to other factors. *(GGD-78-105, 10-17-78)*

Appropriations

Administrative Office of the U.S. Courts

Appropriations Committee Issues

Before providing resources on a large scale, Congress should assess whether the pretrial service agencies have improved the bail process.

ARCHITECT OF THE CAPITOL

Renovation of House Office Building Annex No. 2 by the Architect of the Capitol

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: Additional House Office Building Act of 1955 (P.L. 84-24; 40 U.S.C. 193a). (P.L. 94-6; 40 U.S.C. 175).

The Architect of the Capitol currently estimates that the cost of renovation of House Office Building Annex No. 2 will be about $26.5 million, which is an increase of about $12 million over the initial estimate that was made in January 1975. Some of this increase is attributable to inflation and the need to perform the work in phases. The Architect has avoided even greater cost increases by reducing the scope of the project. Most of the scope reductions involve remodeling rather than replacing existing equipment or systems; not replacing the roof; refurbishing, rather than replacing, the elevators; and combining the smoke evacuation system with the heating, ventilation, and air conditioning system. Even though the overall effect of these scope reductions on project costs would be substantial, GAO believes these scope changes may reduce the quality of the renovation effort and cause higher building operation and maintenance costs. In addition, GAO estimates that $26.5 million will not be enough to finish the project. Finally, it was noted that the project will not be completed on schedule because the occupancy level in the building during renovation has been higher than expected. The Architect believes that a January 1981 completion date will allow sufficient time to compensate for potential problems, but GAO would allow for the probability of additional delays.
Findings/Conclusions: Current estimates to renovate House Office Building Annex will be about $26.5 million—an increase of about $12 million over the initial estimate. Some of increases are attributed to inflation. Other factors are: understated initial cost estimate; unrelated costs charged to the project for operation and maintenance; estimates include facilities not originally planned. The Architect has avoided even greater costs by reducing scope of the project. *(LCD-79-319, 7-19-79)*

Appropriations

Architect of the Capitol—construction

Appropriations Committee Issues

The Committee should determine whether the amounts appropriated are sufficient to complete the project.

ARCHITECT OF THE CAPITOL

LIBRARY OF CONGRESS

The Library of Congress' New Madison Building: Reasons for, and Effects of, Delays and Escalating Costs

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: Supplemental Appropriations Act. 1966 (P.L. 89-309; 79 Stat. 1133). Supplemental Appropriations Act, 1961 (P.L. 86-651; 74 Stat. 509). Legislative Branch Appropriation Act, 1970. Legislative Branch Appropriation Act, 1979 (92 Stat. 790). P.L. 86-417. P.L. 86-628. P.L. 89-260. P.L. 91-214. P.L. 94-219. P.L. 95-355. 2 U.S.C. 141.

When the Library of Congress James Madison Memorial Building was approved in 1965, it was to cost $75 million. Currently, the Architect of the Capitol is requesting funds that will bring the cost to over $134 million. The original completion date was January 1971. The Architect now estimates completion by January 1980. However, the contractor doing the interior finishing work estimates May 1981. Design and construction of the building was done in overlapping phases, which made it difficult to ascertain the net effect of a delay in one of the phases.
Findings/Conclusions: The Architect is requesting an additional $3.5 million, which will raise total authorizations to $134,175,000. This additional amount may not be sufficient to complete the project because it is based on an estimated completion date that may not be met, and because potential claims from the contractor doing the interior finishing may exceed the available contingency allowance. The building will not resolve all of the Library's long-term space needs because office-type activities are also planned for the building. *(LCD-79-330A, 9-17-79)*

Appropriations

Architect of the Capitol—construction

Appropriations Committee Issues

The Architect is requesting $3.5 million to complete the project. We believe it may not be sufficient because it is based on an estimated completion date that cannot be met and because potential claims may exceed the available contigency allowance.

CIVIL AERONAUTICS BOARD

Airline Passengers: Are Their Consumer Rights Protected?

Budget Function: Commerce and Transportation: Air Transportation (405).
Legislative Authority: Federal Aviation Act of 1958, as amended (49 U.S.C. 1301). H.R. 12611 (95th Cong.).

The Civil Aeronautics Board (CAB) has altered the usual buyer-seller relationship between passengers and airlines by allowing the airlines to limit their responsibility and liability; this is often to the passenger's detriment. The CAB is responsible for the economic regulation of domestic airlines; it regulates fares, routes, and certain airline responsibilities.

Findings/Conclusions: In buying an airline ticket, the passenger consents to the tariffs setting forth the conditions of transportation. Because tariffs have the force of law, passengers are charged with knowledge of their terms even though they are voluminous and often complex. A review of tariffs indicated that: tariffs can infringe on consumer protection by shielding airlines from responsibilities; tariffs lack uniformity; they are often ambiguous and complex; and tariffs change frequently. The Government's role in altering the buyer-seller relationship needs to be reformed. The CAB relies on the complaints it receives as a primary source of information. Without a broadened information base, the CAB cannot be sure its efforts effectively address vital air passenger issues. The continually increasing volume of complaints has strained the Board's resources. Staff time intended for consumer problem identification and policymaking must often be diverted to handling and routing complaint mail. Enforcement efforts are hampered by lack of authority to impose civil penalties.

Recommendations: The CAB should review all existing rules tariffs and where possible: eliminate those which unnecessarily shield airlines from liabilitiy, standardize provisions concerning basic passenger rights, enforce regulations requiring that tariffs be written clearly and concisely to eliminate ambiguities, and require tariffs to become effective only on a semi-monthly basis to reduce the frequency of changes. The CAB should also develop policies which require airlines to provide better advance notice of significant restrictive tariff provisions and broaden its information base by requiring airlines to retain consumer complaints received. The Congress should authorize the CAB to order payment of civil penalties.

The CAB is selectively reviewing existing rules tariffs to accomplish the above GAO recommendations. CAB is also doing work to develop policies for airlines giving advance information on major restrictive tariffs and for airlines retaining consumer complaints data as a way to broaden their information base. The Airline Regulation Act of 1978 (P.L. 95-504) gives CAB the authority to impose civil penalties. *(CED-78-143, 7-20-78)*

Appropriations

Civil Aeronautics Board—salaries and expenses

Appropriations Committee Issues

The Committee needs to monitor the Board's allocation of resources to the consumer protection area to effectively identify consumer problems and formulate appropriate remedies.

CIVIL AERONAUTICS BOARD

Why the Federal Airline Subsidy Program Needs Revision

Budget Function: Commerce and Transportation: Air Transportation (405).
Legislative Authority: Federal Aviation Act of 1958, as amended (49 U.S.C. 1301 et seq.).

The Civil Aeronautics Board's (CAB's) subsidy program, which annually pays airlines about $60 million to serve small communities, needs complete revision. The program is directed at sustaining local service airlines rather than providing necessary air service to small communities which cannot support air service without Federal subsidy.

Findings/Conclusions: The current program finances losses that airlines incur in serving small communities without regard to the appropriateness of routes, flight frequencies, or type of aircraft used. This is the result of the failure of the Board to define specific services which should be subsidized.

Recommendations: The Congress should provide the CAB with a legislative mandate to restructure the current subsidy program and direct it to: establish standards to measure when a community's air service is inherently unprofitable and warrants Federal subsidy; establish a standard of what is adequate service to a community and base subsidies on the actual cost of providing the service; subsidize uncertificated airlines when they can provide necessary small community air service at lower costs; periodically reevaluate air service at all subsidized communities to determine if they continue to merit Federal subsidy support; and consider scheduled air service provided by unsubsidized airlines in evaluating the need for and adequacy of air service at small communities.

The Department of Transportation and the CAB agreed that the subsidy program needed reform and they generally supported the GAO recommendations. The Airline Deregulation Act of 1978 (P.L. 95-504) includes provisions for a revised subsidy program. *(CED-77-114, 8-19-77)*

Appropriations

Civil Aeronautics Board—payments to airlines

Appropriations Committee Issues

The Committee should monitor and evaluate CAB's administration of the revised subsidy program, and should maintain oversight of the effectiveness of the new program in providing adequate air service to small communities at low cost. The Committee should direct the Board to establish standards for determining the timing and quantity of subsidized air service necessary for small communities at the least cost to the Federal Government, and assure that it is provided.

COMMUNITY SERVICES ADMINISTRATION

Meeting Winter Heating Bills for Needy Families: How Should the Federal Program Work?

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Supplemental Appropriations Act of 1977 (P.L. 95-26). Community Services Act of 1974 (P.L. 93-644; 42 U.S.C. 2701 note). Supplemental Appropriations Act of 1978 (P.L. 95-240). P.L. 95-482.

To alleviate the burden of high heating costs on low-income households during severe winter emergencies, the Congress has appropriated $200 million a year for 1977, 1978, and 1979. The program, administered by the Community Services Administration and carried out by the States, paid utility bills and other energy-related costs for the needy. Under the Special Crisis Intervention Program, funds were distributed to the States based on the severity of the winter, the number of poverty households, the number of elderly in the households, and the regional fuel cost.
Findings/Conclusions: Controls over eligibility and the distribution of funds have not been managed well and there has been no assurance that families in the greatest need are served first. The program needs to be strengthened if assistance is to be effective.
Recommendations: The Community Services Administration Director should consider this report when developing and implementing future emergency energy assistance programs. When future appropriations are authorized by the Congress, the Director should define the types of energy emergencies which should be met with program funds; develop criteria for State and local programs to use in directing funds to those in the greatest need; require States to make sure that local projects rank and fund applicants by the criteria; limit future expenditures to costs incurred during winter emergencies; establish specific procedures for the regions to follow in overseeing and supplementing State monitoring efforts; and provide guidance for uniform review and approval of all State plans and programs. The Congress should not consider the transfer of future programs providing emergency energy assistance to the Department of Health, Education, and Welfare's general program of emergency assistance for needy families, proposed by the President, until identified problems with that program are resolved and the Community Services Administration's program is proven.

The Community Services Administration agreed with most of the matters in the report; it emphasized that program time constraints and the nonreimbursement of administrative costs largely contributed to problems in administering the program. The Community Services Administration proposed two separate programs which it believed would resolve most of the issues addressed in the recommendations. The first would be an income transfer program that would assure adequate individual resources to pay for home energy needs and would be operated by Social Security and welfare offices. The second would be operated by community action agencies and would intervene in health or life-threatening situations for those not served by the income transfer program or those who find themselves in an energy crisis. In subsequent statements to Congressional committees, the Community Services Administration indicated that it acted on the recommendations during its 1979 Crisis Intervention Program by: more closely defining winter related emergencies and tying assistance to them; helping to direct funds to individuals experiencing the most serious emergencies; requesting State assistance in resource allocation, program planning and monitoring; and making efforts to assure uniform interpretation of program regulations and procedures. The Community Services Administration did not agree that local projects should rank and fund applicants. We believe that in any program where there is not sufficient money to serve all eligible applicants, as was the case with Crisis Intervention, a simple ranking process is the only equitable means of serving those most in need. The Community Services Administration stated that until a comprehensive energy assistance program is implemented, there must be an ongoing program to prevent hardship or threat to health or life from an energy-related emergency. Community Services said that the Administration had recommended and it planned to develop this type of program with clearly defined criteria for fiscal year 1980. We are assessing the integrity and effectiveness of the Community Services Administration's 1978 and 1979 emergency energy assistance programs and the Administration's proposals for future energy assistance programs. *(HRD-79-12, 4-26-79)*

Appropriations

Department of Health, Education, and Welfare
Department of Labor and related agencies

Appropriations Committee Issues

The Congress should not consider the transfer of future programs providing emergency energy assistance to the Department of Health, Education, and Welfare's general program of emergency assistance to needy families until identified problems with that program are resolved and the Community Services Administration's program is proven.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Congressional Control Over Appropriations to the Corps of Engineers Can Be Strengthened

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

When appropriation funds are used to finance headquarters and division activities within the Corps of Engineers, congressional control is weakened because the size and scope of centralized activities cannot be monitored and there can be no assurance that project funds actually are expended for their intended purposes.

Findings/Conclusions: Using the Corps of Engineers' billing system, it is extremely difficult to distinguish between services which directly benefit projects and those which do not. The Corps has combined the concept of fund transfers with the principles of cost accounting. An equitable method that provides for each project to bear its fair share of cost needs be developed. From a cost accounting standpoint, the methods used to obtain the funds from project appropriations did not assure that projects charged benefited from or were charged an equitable share of the costs. Most congressional appropriations pertain to specific projects and related functions. The practice of "tapping" project funds to supplement the general expense appropriation is not consistent with the original intent. The revolving fund is used to effect the transfer of funds from districts to supplement the general expense appropriation. Such a fund bills the districts to obtain reimbursement up to predetermined amounts for expenditures made. To achieve equitable cost accounting, improvement is needed in the methods used to distribute costs.

Recommendations: The Secretary of the Army should direct the Chief of Engineers to establish appropriate procedures for equitable distribution of administrative costs to projects. This would help assure that the administrative costs distributed to the districts and projects are commensurate with the benefits received. Congress should require the Corps to fund its centralized functions through general expense appropriation which is justified for that purpose. The Corps also should be allowed to continue using project funds for those headquarters and division activities that the Appropriations Committees decide are associated more with project activities than with normal general administration.

The Corps disagreed with the GAO finding in the report and has not acted on any of our recommendations. *(FGMSD-79-12, 1-31-79)*

Appropriations

Department of the Army: Corps of Engineers (Civil Functions)—general expense
Construction, General—Corps of Engineers (Civil Functions)

Appropriations Committee Issues

The committees should require the Corps to fund its centralized functions, whenever possible, through the general expense appropriation which is justified for that purpose. The Congress should allow the Corps to continue using project funds for those headquarters and division activities that the Appropriations Committees decide to be more associated with project activities than with normal general administrative expenses.

DISTRICT OF COLUMBIA GOVERNMENT

Activities of Special Police and Guard Forces in the District of Columbia Can Be Improved

Budget Function: Administration of Justice (0750).
Legislative Authority: Classification Act of 1949, as amended. 5 U.S.C. 5101. P.L. 86-37. P.L. 91-3. P.L. 90-610. P.L. 93-175. 40 U.S.C. 13f. 5 U.S.C. 4103. Executive Order 11348. P.L. 93-198.

Since 1789, a number of Federal and District of Columbia agencies have been authorized by the Congress to establish special police or guard forces; in fiscal year 1977, the Federal Government had 11 forces and the District had 4 forces. These forces, consisting of about 2,800 officers, are independently administered by 14 Federal or District agencies. In fiscal year 1977, it cost the forces about $48 million, including administrative costs which were not readily identifiable, to provide security for 498 buildings either leased or owned by the Federal or District governments.

Findings/Conclusions: Significant differences exist among the agencies in such matters as security of facilities, qualification for employment, training, and salaries. However, security responsibilities and duties are mostly the same. Each force has established certain administrative functions which have resulted in uneconomical and inefficient practices. Standardization of activities and some force consolidation may be possible, but because of Home Rule, consolidation of Federal security forces should not include District government forces. Consolidation is a matter for the Congress to decide.

Recommendations: Whether or not consolidation occurs, the following actions should be taken by the Mayor of the District, the Public Printer, the Librarian of the Library of Congress, the Chief Justice of the Supreme Court, the Secretary of the Smithsonian Institution, and the Administrator of the National Gallery of Art: adopt a policy of acquiring goods and services from the General Services Administration (GSA); cooperatively develop standarized equipment and uniforms; seek assistance from the Civil Service Commission to develop standardized training programs, employment requirements, and compensation levels; and seek assistance from the GSA to develop guidelines for determining appropriate and affordable levels of security. The Director, Office of Management and Budget, should require heads of agencies over which he has jurisdiction to take these actions.

There was general agreement among the agencies involved that standardizing uniforms and equipment and buying from the General Services Administration could save money. There was less agreement on standardizing salaries, employment requirements, and training, and little agreement that the forces should seek assistance from General Services to develop guidelines for determining appropriate and affordable levels of security. In December 1978, the Chairman, Civil Service Commission, advised the Congress, in accordance with the requirements of the Legislative Reorganization Act, that action on the recommendations had been delayed because of higher priorities. He said that proposals were in process for changes in Federal pay, including provision for special occupational services. According to the Chairman such authorization would allow, when appropriate, establishing special pay and classification systems for unusual occupations, possibly including one for protective employees. *(GGD-78-16, 10-4-78)*

Appropriations

District of Columbia Government
General Services Administration
Department of the Treasury
Department of Defense, Army Corps of Engineers
Administrative Office of United States Courts
Other independent agencies

Appropriations Committee Issues

Coordination and cooperation among the forces could reduce the cost of protective services, but individual agencies involved do not appear willing to consider any effort which could lead to loss of staff or of control over security activities.

DISTRICT OF COLUMBIA GOVERNMENT

The District of Columbia Government Should Determine Its Work Force Needs

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852).
Legislative Authority: P.L. 91-405.

Over half of the budget of the District of Columbia is used for personnel, making cost control in this area very important. In 1970, Congress established the Nelsen Commission to determine ways of promoting economy and efficiency while improving services within the District government. Among other things, it recommended that every agency with over 50 employees determine its staffing needs annually, based on rational work measurement methods, and that the Executive Office of the Mayor control the system used to determine staffing levels.

Findings/Conclusions: The District's Office of Budget and Management Systems has not sought staffing plans from the commissions and agencies as the Nelsen Commission advised. GAO reviewed six District departments and found that five of them do not set work force requirements or prepare staffing plans, but base these decisions on experience and managerial judgment; the sixth department had a formal staffing program but only for its own use. Throughout the District government, only annual increases in staffing over the previous year's level need to be justified, and even this provision excludes positions funded by Federal grants. The District controls its work force by imposing arbitrary ceilings on employment without regard to actual needs, because planning would require a large staff. Although work measurement occurs in various departments on a fragmentary basis, the District has no policy or office to regulate it. The importance of work measurement in staff planning lies in the efficiencies and savings it can produce, but it is irrelevant where employment levels have been set by court orders, union contracts, and political pressure. Without systematic measurement and planning procedures, the District does not know how many employees it needs or how to allot them. Also, approaches to the problem show too much variation among government departments.

Recommendations: The Mayor should direct the establishment of a work force planning system based on method studies and work measurements, including statements of goals and responsibilities for each department and agency, and providing for annual staff planning reports as outlined by the Nelsen Commission. This system should identify essential work to be performed by the following categories of personnel: full-time, permanent, positions funded under Federal grant and nonappropriated sources, part-time, temporary, and special employment types. The Mayor should also prepare a plan for implementing a work force planning system, including a schedule of necessary resources for its realization.

The District has not yet responded to the report. *(FPCD-79-21, 4-4-79)*

Appropriations

District of Columbia—operations and maintenance

Appropriations Committee Issues

Agency workforce planning should identify the number of employees needed to effectively and efficiently accomplish the Government's essential work.

DISTRICT OF COLUMBIA GOVERNMENT

Review of the Use of Additional Resources Provided to Forest Haven To Correct Medicaid Deficiencies

Budget Function: Health: Health Care Services (0551).
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198; 87 Stat. 774).

A review was requested of the District of Columbia government's use of additional funding and positions provided by Congress in fiscal year 1977 to Forest Haven, a residential facility for the care and treatment of the mentally retarded. The review included an examination of the extent to which these additional resources helped Forest Haven comply with Federal standards under the Medicaid program and the extent to which it now complies with them. The review included an examination of administrative and management matters including procurement, maintenance, and use of overtime.

Findings/Conclusions: The Medicaid-covered facilities at Forest Haven continue to have program and safety deficiencies, including life safety deficiencies and problems dispensing medications, but improvements are being made. About one-half of the Forest Glen residents, although medically eligible for Medicaid, receive no Medicaid coverage because the buildings in which they live do not meet Federal standards. These residents do not receive the same services and benefits as those provided Medicaid-covered residents, including quality-of-life assessments, annual Medicaid surveys, and Supplemental Income benefits. Other problems identified include: contractor personnel, in apparent violation of the requirements relating to their use, were used in full-time supervisory positions; environmental health and safety conditions needed to be greatly improved; maintenance services were inadequate to meet most routine and preventative maintenance needs; overtime payments seemed excessive; and processing of purchase orders was slow and major purchases were made without complete planning to assure that items could be used as intended.

Recommendations: The Mayor of the District of Columbia should require that a comprehensive plan be developed which would include a determination of maintenance and capital improvement requirements of Forest Haven facilities and consideration of alternative uses of unneeded facilities. The Mayor should also insure that actions are taken to: fill key positions with full-time employees; improve procurement support services; analyze staffing requirements to determine the amount of overtime work and alternative methods of hiring part-time employees; resolve proposed staff disciplinary actions in a more timely manner; improve transportation capabilities to allow residents to fully benefit from vocational and educational experiences; and insure that appropriate regulatory agencies make periodic inspections of all Forest Haven facilities. To the extent that funds can be made available, the Mayor should: correct instances of noncompliance with Medicaid standards; increase maintenance staff; and correct environmental health and safety problems.

The Mayor of the District of Columbia commented on this report on August 27, 1979, and pointed out a number of actions that were being taken to correct the deficiencies noted. The Mayor stated that their ability to correct some of the deficiencies would depend on obtaining additional funds and personnel. Actions being taken include (1) a comprehensive plan for the institution is being prepared, (2) all key management positions have been filled, (3) procurement procedures have been improved, (4) overtime expenditures have been analyzed and additional temporary personnel requested to reduce the use of such overtime, (5) the Director, Department of Human Resources, has taken steps to reduce inordinate delays in handling adverse personnel actions, (6) additional vehicles have been purchased which, except for the need for additional drivers, have substantially resolved the facility's transportation problems, (7) all Medicaid deficiencies have been or are in the process of being corrected, and (8) a process has been initiated to assure that all code violations noted during the various inspections are corrected. *(HRD-79-49, 4-3-79)*

Appropriations

District of Columbia Government—Department of Human Resources

Appropriations Committee Issues

The review was requested by the Chairman, Subcommittee on District of Columbia, Senate Committee on Appropriations because of the Subcommittee's con-

tinuing concern over conditions at Forest Haven. This report should be useful to the appropriations committees in determining what more needs to be done to improve conditions at the facility.

DISTRICT OF COLUMBIA GOVERNMENT

BOARD OF ELECTIONS AND ETHICS
DEPARTMENT OF HUMAN RESOURCES
OFFICE OF PERSONNEL

The District of Columbia Should Establish a Separate Office of Ethics

Budget Function: General Government: Other General Government (0806).
Legislative Authority: P.L. 95-376. D.C. Code Ann. —2-139. D. C. Ann. —1-1182.

The financial disclosure systems for District of Columbia Government employees are administered by two offices: the District Board of Elections and Ethics and the District Personnel Office. The financial disclosure systems of the District Government must insure that personal financial interests of its employees do not conflict with their official duties.

Findings/Conclusions: The District Board of Elections and Ethics administers the financial disclosure system for high-level District officials; however, because the Board is understaffed and gives priority to District elections, it has not been able to determine whether all the required statements have been filed for past years. The District Office of Personnel administers financial disclosure systems for District agencies, but due to a shortage of staff it has not monitored the systems for many years. GAO found that: statements were not filed, were filed late, or were inadequately completed; not all employees in sensitive positions were required to file statements; statements were not adequately reviewed; and criteria did not exist for determining conflicts of interest. There also appeared to be instances where agency officials should have questioned information disclosed on the statements in the Department of Human Resources. Recent legislation may remedy some, but not all, of the deficiencies.

Recommendations: To establish effective financial disclosure systems in the District of Columbia government, the Mayor should establish a District of Columbia Office of Ethics with strong administrative and enforcement authority. All duties currently held by the Board of Elections and Ethics and the Office of Personnel should be transferred to the new Office of Ethics. This new Office should be adequately staffed and charged with the primary tasks of developing sound financial disclosure systems and making legislative recommendations for enacting the system's requirements into law. In developing the systems, procedures, and comprehensive financial disclosure legislation, the new Office should: develop financial disclosure forms to obtain all information needed to detect potential conflicts of interest; require high-level officials to file public financial disclosure statements with the new Office and require other officials to file confidential financial disclosure statements with their employing agency; establish specific procedures to insure that all statements are properly and promptly filed and completed; establish specific criteria for reviewing financial disclosure statements and detecting potential conflicts of interest; establish a formal advisory service to render opinions on matters of financial disclosure and ethical conduct; provide continuous information on ethical matters for District officials; audit periodically agencies' financial disclosure systems; and report annually to the Mayor and the City Council on the effectiveness of the financial disclosure system and ethics regulations and recommend any necessary changes.

District officials generally agreed with the recommendations and indicated that emergency legislation which revised some of the financial disclosure laws had been signed by the Mayor on June 8, 1979. *(FPCD-79-65, 8-16-79)*

Appropriations

Federal payment to the District of Columbia

Appropriations Committee Issues

The District of Columbia needs to establish a separate Office of Ethics to meet effectively present conflicts of interest.

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF HUMAN RESOURCES

Welfare Payment Reduced: An Improved Method for Detecting Erroneous Welfare Payments

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198).

The Department of Health, Education, and Welfare (HEW) requires that all Aid to Families with Dependent Children (AFDC) welfare cases be reviewed every 6 months to determine continued eligibility and correctness of payments. According to the District of Columbia, limited staff allowed only 20 percent of its AFDC cases to be reviewed. It needed an effective method to identify potential error cases to permit more efficient use of manpower, to increase the number of error cases reviewed, and to materially reduce errors and incorrect payments.

Findings/Conclusions: Working with the District of Columbia's Department of Human Resources, GAO developed three formulas that assign computer-derived numerical scores to cases that need to be reviewed and rank them in order of their error potential. The methods will help the District make better use of staff by having them concentrate their reviews on correcting cases most likely to be in error, remove ineligible recipients from the welfare rolls, correct overpayments and underpayments to eligible recipients, and accumulate information to increase caseworker productivity and generally improve welfare program administration. The District reviewed only 15 percent of its welfare cases from May 1977, when it started using one of the formulas, through April 1978. During that period, erroneous welfare payments were reduced by $3.5 million, or nearly double the amount that was possible using its methods. Other results will be reductions in Medicaid and food stamp benefits paid to erroneous AFDC cases. Because conditions change over time, the formula must be updated to ensure its continued usefulness in identifying welfare cases with high potential for error. The approach used to develop the formulas can be used by State and local governments. Similar formulas would be useful to most jurisdictions and particularly useful to those that do not review all cases every six months. Their use should produce for them benefits similar to those of the District. Also, the use of the formulas by State and local governments could help HEW achieve, nationwide, reductions in incorrect welfare payments. The formulas should be used as a supplement, and not a substitute, for complying with HEW regulations requiring all cases to be reviewed every 6 months.

Recommendations: The Secretary of HEW should distribute this report to State and local governments and emphasize to them that using formulas similar to the ones GAO developed could help in reducing incorrect welfare payments.

The Secretary of HEW advised us in August 1979, that the GAO formulas were made available to State welfare officials during a national conference on case workload management held in April 1979 to discuss various methods for potential application within their States. *(GGD-78-107, 2-5-79)*

Appropriations

District of Columbia Government—general operating expenses, human resources
Department of Health, Education, and Welfare
Social Security Administration—Supplemental Security Income Program

Appropriations Committee Issues

The District's Department of Human Resources must continue its efforts to identify and correct erroneous welfare payments. HEW should continue to emphasize to States the importance of making use of proven error case identification methods so that erroneous welfare payments can be reduced.

DISTRICT OF COLUMBIA GOVERNMENT

DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Excess Classroom Space—A Case for Better Planning

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198).

Through better planning, the District of Columbia's Board of Education could improve the administration of its capital improvement program to more effectively evaluate when, where, and how many schools are needed in the District's public school system.

Findings/Conclusions: Declining enrollments and added classrooms will create over 28,000 excess seats by school year 1980-81. Many of the schools which currently have excess capacity are within blocks of each other. Until a facilities planning system is implemented to help the Board decide the proper course of action, the Board cannot effectively plan and monitor the projected building modernization and renovation program.

Recommendations: To obtain better planning, the Board of Education should: implement a facilities planning system that provides for the accumulation and reporting of essential data to assist in evaluating its school building needs; revise its planning policy to consider the schools' available pupil capacity in adjacent planning areas rather than only that of a specified area in determining its space needs; codify its policy statements in capital improvements and formally submit them to the Superintendent of Schools; develop and adopt a plan and timetable for implementing the planning system; and cancel its plans to build the Perry-Simmons replacement school.

In August 1978, the President, Board of Education, reported that the seven positions requested in the fiscal year 1979 budget for the Facilities Planning Division would enhance the ability of the school system to further develop and implement a facilities planning system. However, these positions were not approved by the Congress. In June 1977, the Board adopted rules which establish criteria for evaluation of space needs, usage, and availability of alternatives. A March 1978 report was prepared by the Superintendent which included recommendations for the phasing out or closing of school buildings based on the Board-approved criteria. The Board also adopted new rules in December 1977, which provide for more efficient and organized use of school buildings and grounds. The Congress deleted the Board's 1978 request for funding to build the Perry-Simmons replacement school. As of October 15, 1979, a facilities planning system had not been developed. *(GGD-76-73, 9-30-77)*

Appropriations

District of Columbia Government—general operating expenses, education

Appropriations Committee Issues

The Board of Education should continue its efforts to implement a facilities planning system and a timetable for its implementation should be developed and updated. If additional resources are needed the Board should include these needs in its budget request.

DISTRICT OF COLUMBIA GOVERNMENT

DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Improvements Recommended for Better Oversight of the Capitol Page School

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852).
Legislative Authority: Legislative Reorganization Act of 1946 (P.L. 79-601). P.L. 89-810.

The Capitol Page School, operated for the Congress by the District of Columbia Public Schools, provides educational programs and instruction to young men and women while they are serving as pages for the Congress.

Findings/Conclusions: A Department of Health, Education, and Welfare panel concluded that the administrative arrangements, programs offered, facilities, and general conduct of the school were adequate for a limited term experience; however, the educational program could be improved by overcoming such limitations as short class attendance time, few elective courses, and lack of supervised study after working hours. The panel recommended that pages be appointed for 1 year to provide optimum experience in learning the legislative process and to provide the Congress with adequate page service. This will permit the school to improve the instructional program and provide a more regular schedule for a more stable student body. The District of Columbia Board of Education should improve the Capitol Page School accountability and oversight. Areas of improvement include the need for (1) a formal arrangement with the Secretary of the Senate and the Clerk of the House of Representatives for educating pages, (2) complete and accurate accounting data on Capitol Page School transactions, (3) reporting periodically and annually on School operations and page performance, and (4) better documentation of selection of Capitol Page School teachers and on obtaining substitute teachers.

Recommendations: The District of Columbia Board of Education should make a formal arrangement with the Secretary of the Senate and the Clerk of the House for the operation of the school; assure that complete and accurate operating cost records are maintained; and prepare and submit a memorandum progress report on the school's operations with the school's budget. Also, the Board should direct the school to: include comments on deficiency reports concerning the actions needed by the pages to improve academic performance; prepare mid-advisory reports for pages who are not maintaining required grades for retention; document actions concerning recruitment of regular and substitute teachers; and determine whether any financial recovery can be made of the overpayment to a school staff member.

In October 1978, action was taken or was in process on our recommendations. *(GGD-79-56, 4-26-79)*

Appropriations

District of Columbia Government—general operating expenses, education
Congressional Operations Appropriations—education of pages

Appropriations Committee Issues

Implementation of our recommendations would improve the Capitol Page School accountability and oversight.

DISTRICT OF COLUMBIA GOVERNMENT

OFFICE OF THE CITY ADMINISTRATOR

GAO Observations on the District of Columbia's Municipal Bond Program

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852).
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act; (P.L. 93-198).

The District of Columbia plans to establish a municipal bond program. The District had $1.23 billion of outstanding debt at the end of fiscal year 1977 and it estimates borrowings will increase to about $2.55 billion at the end of the fiscal year 1985. The expected financial commitment through 1985 will bring the city closer to its legal debt ceiling. This condition requires a system that prevents unnecessary borrowings and costs, and insures funding of projects that support high priority city-wide goals.

Findings/Conclusions: The District's capital project planning is conducted at each agency, and is directed toward meeting agency goals, not city-wide goals. There is no list of city-wide priorities and no guarantee that limited funds available are used to finance high priority projects. Project justifications, scopes of work, and cost estimates have not been complete and accurate. Guidelines used to determine which items qualify for the capital budget may not be sufficient to exclude operating items from the capital budget.

Recommendations: The District needs to improve its capital project planning system by: developing project plans that meet city-wide goals as well as individual agency goals; establishing priorities to aid in selecting projects for construction; insuring that project justifications are complete and based on reliable and accurate data; and revising guidelines for distinguishing between capital and operating items. The District needs to issue procedures that clearly delineate responsibilities for administering the bond program and to establish guides to aid personnel in carrying out related day-to-day activities. Also, the District needs to make accurate estimates of issuing water and sewer revenues to support the soundness of issuing revenue bonds.

In May 1979, the City Administrator stated that the District was in the process of selecting a financial advisor to work with the District staff and the bond counsel in: formulating comprehensive debt policies and explicit procedures; refining the capital programming process to ensure compatibility with debt management; analyzing existing capital structure, debt capacity, and financial environment; and formulating the first stage of a comprehensive debt issuance program for long- and short-term general obligation and revenue debt. The Administrator said that the District had begun to develop a general plan which will reflect policy direction and District-wide goals and priorities. These priorities, which will determine the timeframe in which projects are to be initiated, will be communicated to each agency. Also, capital improvement programming procedures will be examined and, if necessary, revised to correct problems in completeness of project justifications, scopes of work, and accuracy and reliability of cost estimates. Increases in a project budget will be requested through a Congressional budget submission. Through anticipated refinements in the capital improvement programming process, the District will insure that inclusion of equipment as capital items is consistent with the Home Rule Act. Finally, the Administrator said that a new computer system for water and sewer activities will include revenue estimating capabilities and will provide accurate revenue estimates. *(GGD, 4-17-79)*

Appropriations

District of Columbia Government—general operating expenses, executive direction and support

Appropriations Committee Issues

The District should continue its efforts toward developing its bond program and improving its capital improvement programming procedures, and complete these efforts before attempting to market its bonds.

ENVIRONMENTAL PROTECTION AGENCY

Air Quality: Do We Really Know What It Is?

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304).
Legislative Authority: Clean Air Act. Clean Air Act Amendments of 1970. Clean Air Act Amendments of 1977.

Reliable and comparable air quality data are critical to Environmental Protection Agency (EPA) regulation and enforcement efforts. Through 1986, an estimated $248 billion will be expended for air pollution abatement programs.

Findings/Conclusions: Although progress has been made in improving air quality, EPA efforts to develop a standardized, comprehensive air monitoring system have been slow and often ineffective. Because of a delay in the promulgation of recent regulations, implementation of such a system will probably not be achieved until the mid-1980's. The reliability of some of the air quality data currently used to assess national progress toward standards, develop trends, and establish control strategies, is questionable. Of 243 monitoring stations reviewed, 81 percent had one or more problems, such as incorrect situation of the monitors or equipment in use which was not EPA certified, which could adversely affect the reliability of data. These problems stem from the fact that monitoring is being carried out by State and local agencies, using systems originally designed to meet their individual needs.

Recommendations: The EPA should: conduct a thorough evaluation of current air monitoring systems; provide technical assistance to State and local agencies in preparing their implementation plans; and concentrate its efforts and resources in areas most adversely affected by air quality designations, taking necessary precautions in decisionmaking until sufficient, accurate data are available. The appropriate congressional committees or subcommittees should hold oversight hearings to explore the progress being made in implementing the air monitoring regulation issued by EPA in May 1979, and to identify the additional actions needed to assure successful completion of the goals of clean air legislation. *(CED-79-84, 05-31-79)*

Appropriations

Environmental Protection Agency—enforcement

Appropriations Committee Issues

Air quality data used by EPA in making important health and economic related decisions is of an unknown quality. EPA should therefore apprise the Congress as to when and at what cost a reliable, comprehensive air monitoring program will be operational and producing reliable data.

ENVIRONMENTAL PROTECTION AGENCY

Hazardous Waste Management Programs Will Not Be Effective: Greater Efforts Are Needed

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304).
Legislative Authority: Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901). Resource Recovery Act of 1970 (P.L. 91-512).

The United States has numerous hazardous waste sources scattered throughout the nation, producing 56 million tons annually. These include industrial wastes, agricultural chemical residues, and chemical or pathological wastes from hospitals and laboratories. They occur as solids, liquids, powders, and sludges, and represent a prodigious disposal problem. GAO reviewed the Environmental Protection Agency's (EPA) hazardous waste management plans and programs and the necessary resources to support them. GAO also visited 10 State environmental protection organizations, contacted officials in 16 other States, and GAO also met with representatives of industrial associations, trucking companies, and waste management firms.

Findings/Conclusions: Generally, the States lack the staff and funds to implement hazardous waste requirements for health and environmental safeguards. Most States recognize the need to control waste, but lack the requisite controls, do not know the quantities produced in their jurisdictions, and are ignorant of present means of disposition. In fact, none of the States surveyed had fully identified its hazardous waste generators or believed it had an adequate enforcement program. EPA has been unable to obtain the funding authorized for implementing disposal programs, so assistance promised to the States has not been provided. Many States will not accept the responsibility for fulfilling their obligations without Federal financial and technical assistance; in such cases, EPA is required to step in and operate the programs directly. Currently, there is no long-term funding source available for hazardous waste disposal at any level of government, but fee systems are a possible alternative. EPA regional officials lack the staff to authorize, review, monitor, and provide technical assistance to State programs. Most EPA regions cannot help States draw up regulations, orient industry and the public concerning requirements, or review disposal sites for environmental soundness.

Recommendations: EPA should encourage the States to develop self-supporting funding, such as fee systems, for operating hazardous waste management programs, and model legislation should be developed for State legislatures to establish fee systems. EPA should also request that Congress appropriate the necessary funds for State hazardous waste programs beyond the fiscal year 1979 expiration date, and amend the Resource Conservation and Recovery Act of 1976 to include a fee system to cover costs when States cannot or will not meet the responsibility, and EPA is compelled to take responsibility for the State's program.

EPA program officials generally agreed with the conclusions and recommendations. *(CED-79-14, 1-23-79)*

Appropriations

Environmental Protection Agency—abatement and control

Appropriations Committee Issues

The necessary staffing and funding levels needed by EPA to implement the hazardous waste portions of the Resource Conservation and Recovery Act of 1976 should be provided.

ENVIRONMENTAL PROTECTION AGENCY

National Water Quality Goals Cannot Be Attained without More Attention to Pollution from Diffused or 'Nonpoint' Sources

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500; 33 U.S.C. 1251 et seq. (Supp. V)).

Nonpoint sources of pollution involve pollutants such as sediment, acid mine drainage, and pesticides carried into streams by storm runoff. Discharges of nonpoint pollution can occur anywhere along a water body in contrast to sources where the point of discharge is from a conduit; as a result, nonpoint sources are more difficult to control.

Findings/Conclusions: The best way to control nonpoint pollution is to prevent as much of it as possible from reaching the water through proper management of the land. More attention is needed to control this type of pollution because it can render streams unfit for fishing and swimming according to goals set for 1983. State and local agencies are not using adequate data for planning solutions to this problem. Since total funds for water pollution control are limited, better data are needed to set priorities and evaluate alternatives. The lack of data available on nonpoint sources of pollution is attributable to past and current emphasis on controlling point sources of pollution.

Recommendations: The Administrator of EPA should: initiate a program to provide for the collection of adequate data on relationships among sources of water pollution and expected impacts of control techniques; assess resources EPA and State and local planning agencies need to collect adequate data; develop legislative proposals to provide planning agencies adequate time and funds to conduct proper planning; promote interest and involvement in nonpoint planning and control at high levels within other Federal agencies; develop procedures to identify budgeted and actual expenditures related to nonpoint planning and control; and place responsibility for administering the program at a higher level within EPA. Congress should address itself to questions concerning the adequacy of Federal funds for nonpoint source pollution control and, if funds are to be provided, determine what criteria should be used to determine eligibility.

The Agency in its letter to the House and Senate Committees on Government Operations generally agreed with our recommendations and said corrective actions were being taken. Such actions include (1) funding comprehensive data collection and analysis of projects, (2) developing interagency agreements to facilitate communication and cooperation, (3) developing a strategy document to identify budgeted and actual expenditure related to nonpoint planning and control, and (4) developing better estimates of resources required to collect and analyze nonpoint source data. These actions had not been completed as of October 18, 1979. In our July 1979 testimony before the Subcommittee on Oversight and Review of the House Committee on Public Works and Transportation, we suggested (1) an extension of the water quality planning program to provide funding for prototype nonpoint pollution projects, and (2) implementation of the Rural Clean Water Program which deals with nonpoint pollution on agriculture lands. *(CED-78-6, 12-20-77)*

Appropriations

Environmental Protection Agency—Abatement and control

Appropriations Committee Issues

It's doubtful whether program objectives can be achieved within projected funding levels.

ENVIRONMENTAL PROTECTION AGENCY

Questions Continue as to Prices in Contracting for Architectural-Engineering Services under the Environmental Protection Agency Construction Grants Program

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).
Legislative Authority: Federal Management Circular 74-7. OMB Circular A-102. 40 C.F.R. 35.

Payments to consulting engineers under Environmental Protection Agency (EPA) grants for municipal waste treatment plant construction may comprise about 10 percent of total program costs. In 1975, EPA issued regulations for procurement of architect-engineering (A/E) services which prohibited awards of contracts in which profits are based on construction costs, allow fixed-priced contracts only when work can be clearly defined, say all contracts may be negotiated, but cost reimbursement contracts must include a cost ceiling which cannot be exceeded without formally amending the contract, and fixed-price contract prices cannot be increased without changing the scope of work.

Findings/Conclusions: In spite of these regulations, contracting problems have continued. EPA does not have the authority to require renegotiation of many contracts which contain methods which are now prohibited. EPA and grantees rely mostly on cost data submitted by A/E firms, there is little control over projects by grantees, and the grantees do not have sufficient knowledge to assess costs charged by firms. Review by EPA regional offices is limited and inconsistent; they generally review only contracts of over $100,000, and grantees were not given guidance for reviewing contracts of $100,000 or less.

Recommendations: The EPA Administrator should develop guidelines for grantees to use in reviewing A/E contract proposals of $100,000 or less; emphasize to grantees that hiring of personnel to perform cost reviews is permitted under the regulations; develop and issue guidance on fair and reasonable profits to be allowed in the contracts; and develop a program to review contracts under $100,000 on a selected basis to determine the adequacy of grantee reviews of proposals.

The agency generally agreed with our findings, conclusions, and recommendations; however, corrective action has not been taken. *(CED-78-94, 6-6-78)*

Appropriations

Environmental Protection Agency—construction grants

Appropriations Committee Issues

Opportunities exist for reducing the costs of conducting programs and activities.

ENVIRONMENTAL PROTECTION AGENCY

Secondary Treatment of Municipal Wastewater in the St. Louis Area: Minimal Impact Expected

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500; 33 U.S.C. 1251). Clean Water Act of 1977 (P.L. 95-217).

The objective of the Federal Water Pollution Control Act Amendments of 1972 was to restore and maintain the chemical, physical, and biological integrity of the Nation's waters. Publicly owned treatment works were required to provide secondary treatment by July 1, 1977, and to use the best practicable technology by 1983. To assist publicly owned treatment works in providing secondary treatment, the Act authorized the Environmental Protection Agency (EPA) to make grants of up to 75% of the eligible costs. Federal funds approximating $163 million are planned to be spent for construction of two municipal secondary treatment facilities in the St. Louis, Missouri, area.

Findings/Conclusions: No significant change in Mississippi River water quality is expected to result from the planned investment of about $216 million (including $163 million in Federal funds) in secondary treatment facilities in St. Louis. Although EPA and other officials have mentioned possible long-range reductions in potentially cancer-causing materials, these benefits have not been validated or quantified. Large increases in energy use and large accumulations of sludge from secondary treatment operations are expected. These considerations will have an impact not only on energy and environmental issues but also on the St. Louis area residents who will have to bear increased operation and maintenance costs. According to St. Louis Sewer District officials, these costs will more than double. Sewer District officials felt that little benefit would result from upgrading two treatment plants from primary to secondary status. However, both Missouri and Illinois officials believed that more benefits would result if Federal funds were used for other projects in their States.

Recommendations: The Congress should amend the law to eliminate the mandatory requirement for secondary treatment of discharges and to permit the Administrator of EPA to grant waivers, deferrals, or modifications on a case-by-case basis to this requirement. The Administrator of EPA should reevaluate its policy of subordinating combined sewer overflow and collector sewer projects to municipal plant projects, in view of the Clean Water Act of 1977 which allows States more flexibility in determining construction grant priorities.

EPA disagreed that secondary treatment should be waived in some instances where water quality improvements are marginal. According to EPA, secondary treatment should be a base level because it is a necessary, reasonable and appropriate standard for all municipal wastewater discharges to marine waters. EPA believes its water quality strategy and regulations already provide the States sufficient flexibility for setting construction priorities. EPA will, however, consider requests for deviation where it can be demonstrated that a combined sewer overflow project will result in water quality improvements greater than that which could be attained by providing secondary treatment for dry weather flows. *(CED-78-76, 5-12-78)*

Appropriations

Environmental Protection Agency—abatement and control

Appropriations Committee Issues

Unless the law is changed, some secondary treatment plants will still have to be constructed even though the plants may only marginally improve water quality.

ENVIRONMENTAL PROTECTION AGENCY

Water Quality Management Planning Is Not Comprehensive and May Not Be Effective for Many Years

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304).
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972. P.L. 92-500. 33 U.S.C. 1251. Clean Water Act of 1977. P.L. 95-217.

Section 208 of the Federal Water Pollution Control Act Amendments of 1972 authorized a planning program (referred to as 208 planning) to be undertaken in areas with substantial water quality control problems. The program has evolved from an optional one for urban regions to a mandatory one carried on by local, State, and interstate planning agencies. Statutory requirements for planning include identifying: needs and methods for financing treatment works; agencies necessary to construct, operate, and maintain facilities and carry out the plan; and nonpoint sources of pollution and control measures. Planning agencies had up to 2 years to address these requirements, complete initial plans, and submit them to the Environmental Protection Agency (EPA).

Findings/Conclusions: The statutory 2-year period was inadequate for comprehensive planning and for developing information on pollution and water quality. Data on effects of pollutants on water quality were inadequate or unavailable. Waste-load allocations for polluters could be subject to legal action if adequate cause/effect data are not available. Other problems hindering 208 planning include: lack of committed local funds to continue planning and carry out recommendations when Federal funds are exhausted, disagreements among governmental units which may hamper implementing potential solutions to water quality problems, and the need for public participation programs more sensitive to local needs.

Recommendations: The Administrator, EPA, should inform the Congress of problems being experienced in 208 planning and report on: how long it will take to acquire adequate cause/effect data, technical capability, needed resources to accomplish 208 planning, and the strategy EPA plans for resolving data deficiency problems; and alternatives to the existing program, including setting priorities for planning requirements and an analysis of tradeoffs involved if alternatives had to be achieved in a shorter timeframe and at lower costs. He should also emphasize the importance of expanding public involvement efforts and modify public involvement regulations to emphasize the use of public opinion surveys.

The Agency generally agreed that 208 planning is not yet comprehensive, but felt that the most effective way to use its limited resources was not to have 208 planning agencies consider all the requirements, but rather only the high-priority water problems. *(CED-78-167, 12-11-78)*

Appropriations

Environmental Protection Agency—abatement and control

Appropriations Committee Issues

The 208 planning program is at the end of fiscal year 1980. The Committee needs to decide whether funding for the program should be continued, because if inadequate attention is given to nonpoint pollution, serious consequences may occur.

FEDERAL COMMUNICATIONS COMMISSION

Organizing the Federal Communications Commission for Greater Management and Regulatory Effectiveness

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376).
Legislative Authority: Communications Act. H.R. 3333 (96th Cong.). S. 611 (96th Cong.). S. 622 (96th Cong.).

There is substantial merit in the Federal Communications Commission's (FCC) form of organization for regulating domestic and international communications, a complex and politically sensitive area. Technological changes in the communications industry have prompted a critical reexamination of basic communications policy and regulatory methods contained in the enabling legislation of the FCC.

Findings/Conclusions: Many of the criticisms of independent regulatory agencies, including the FCC, are directed at weaknesses related to internal organization and procedural matters, and management of the organization. The FCC has not established a comprehensive planning process, a basic element of management, within which it defines its organizational goals and objectives in relation to its mission, sets priorities to achieve these goals and objectives, and measures results through organized, systematic feedback. In addition, a persistent need for improved management and direction was found in the areas of organization, control, and personnel management both agency-wide and for two major FCC programs.

Recommendations: The FCC must act in three areas: the Chairman, the Commissioners, and Bureau management must become more aware of the importance and functions of the planning process; the FCC must establish a structure in which planning can occur; and the FCC must establish a planning process which includes a long-range plan, and a measurement and feedback process. The FCC should amend the Office of Plans and Policy (OPP) to include specific responsibilities for a comprehensive Commission-wide planning process which is coordinated with the bureaus and office; direct the bureaus and offices to establish planning units with responsibilities parallel to OPP; establish a planning process which includes a long-range plan, a short-range plan, and a measurement and feedback process; and submit the long-range plan to the FCC oversight committees. To improve management control FCC must develop an integrated management information system; establish an effective program evaluation system; and improve the budget process through the use of performance measurement techniques and performance analysis. FCC must also place greater emphasis on its personnel management practices and its automatic data processing and contractual policy research programs. Congress should amend the Communications Act of 1934 to: make the Chairman of the FCC the administrative head of the agency; reduce the number of commissioners from the present seven to five; provide for Senate confirmation of the designation by the President of one commissioner as Chairman; lengthen the terms of office; provide for a periodic rather than a permanent budget authorization; increase the number of professional assistants available to each commissioner from two to four and the number of secretarial assistants from one to two; increase the opportunities for effective representation of the general public interest in proceedings of FCC; and provide for the position of Managing Director and empowering the Chairman to delegate to the Director responsibility for the day-to-day management of the agency, under the Chairman's general supervision and direction.

The FCC in its response to congressional committees, required by Section 236 of the Legislative Reorganization Act of 1970, stated that it concurred with the basic findings of GAO and endorsed most of the recommendations. The Commission has agreed to institute programs to improve its program evaluation, management information, budget, and personnel management capabilities. The Commission also stated that it would improve management in its automatic data processing and contract research programs. The Commission conditioned some of its changes on budgetary approval of additional resources. *(CED-79-107, 7-30-79)*

Appropriations

Federal Communications Commission

Appropriations Committee Issues

Given the lack of management controls cited, it is doubtful whether FCC can support its request for additional resources.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Federal Snow Removal Reimbursement Policy: Improvements Needed

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453).
Legislative Authority: Disaster Relief Act of 1974 (42 U.S.C. 5121). Executive Order 12148. H.R. 1320 (96th Cong.).

A review was made of the Federal Disaster Assistance Administration's (FDAA) new snow removal reimbursement policy and the emergency request procedures FDAA and the Indiana and Illinois State governments used following the severe mid-January 1979 snowstorm. The law authorizes the President to provide assistance to supplement the efforts and available resources of State and local governments when a major disaster or emergency is declared. FDAA processes requests from State governors for Federal assistance and also coordinates the activities of other Federal agencies and disaster relief organizations during an emergency. Many Federal programs are available to provide varying kinds of assistance to State and local governments and individuals adversely affected by severe snowstorms. Federal assistance is to be available if, and only to the extent that, an effective response to the situation is beyond State and local capabilities.

Findings/Conclusions: The snow removal policy has several weaknesses because it does not adequately consider States' financial resources and does not adequately assess the costs incurred before reimbursement to determine if they are appropriate. The Disaster Relief Act of 1974 also has weaknesses which have the potential to affect some States' eligibility for Federal disaster assistance. The Act may result in inequitable emergency assistance treatment of States because of differences in State laws and differences in States' willingness to prepare for emergencies. While the FDAA does not specify a system for requesting assistance, it does provide both financial and technical assistance to States to develop and update emergency preparedness plans. The States are in the best position to gather the data on the severity of a snowstorm and the ability of the State and local agencies to handle it. This responsibility appears to have been properly assigned within the States. In a comparison of the Indiana and Illinois procedures to request Federal assistance, no major differences between the States' plans were found which would account for the fact that Illinois' request was approved and Indiana's was denied.

Recommendations: The Administrator, FDAA, should revise the snow removal reimbursement policy so that it (1) safeguards the President's disaster relief fund, (2) does not consider how well a State has fared on previous declaration requests before deciding whether to recommend that another emergency be declared, and (3) better discourages States from submitting inappropriate requests for assistance. The Administrator should also prepare a comprehensive analysis of the impact of these potential inequities on Federal disaster assistance and submit a detailed plan to correct the weaknesses of the Act, including necessary legislative changes, to the Congress. It is necessary to reemphasize the need for States to expeditiously develop specific plans for snow emergencies. The $25,000 annual plan maintenance grant should be withheld from any States that normally receive heavy snows but do not agree to prepare more specific snow preparedness plans. The Congress should enact legislation requiring future snow removal reimbursements to be in the form of loans rather than grants. The Administrator, FDAA, should be given the authority to forgive emergency snow removal loans to the extent that a detailed examination discloses that a State could not otherwise afford the cost of snow removal. In such cases, FDAA and the State should account for the forgiven portion of the loan the same as a direct grant. The Congress should also amend the Disaster Relief Act of 1974 to specifically require FDAA to provide reimbursement eligibility from the time a snowstorm begins. The amendment should be reworded slightly to provide eligibility from the beginning of the "unexpected event," as opposed to the beginning of the "emergency" or "major disaster."

Other than reemphasizing the need for States to develop specific snow preparedness plans, GAO believes that changes by the Federal Emergency Management Agency (FEMA) to its snow removal reimbursement policy will not accomplish the intent of the GAO recommendations. *(CED-79-97, 8-2-79)*

Appropriations

HUD and certain independent agencies
Federal Emergency Management Agency

Appropriations Committee Issues

The Committees should assure that (1) the President's disaster relief fund is not used to provide snow removal reimbursements to States that can afford their own costs of snow removal and (2) eligibility for emergency snow removal reimbursements coincides with the beginning of a snowstorm rather than the time of an emergency declaration.

FEDERAL EMERGENCY MANAGEMENT AGENCY

FEDERAL INSURANCE ADMINISTRATION

Arson-for-profit: More Could Be Done To Reduce It

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453).
Legislative Authority: Urban Property Protection and Reinsurance Act of 1968, as amended (12 U.S.C 1749). Privacy Act of 1974.

Fair Access to Insurance Requirements Plans, authorized under Federal law, are privately-owned organizations which operate like private insurance companies but are established primarily by State legislation. They provide property insurance to areas where the insurance industry will not provide coverage. The Federal Riot Reinsurance Program provides private insurance companies who participate in Fair Access Plans with riot reinsurance to protect them against excess losses during riots.

Findings/Conclusions: Arson-for-profit is considered a
serious problem in the plans, as well as in private insurance. Factors cited as contributing to the problem were: inadequate investigations of arson cases; overinsurance of property, exceeding market value; and provision of insurance coverage to almost anyone requesting it. The amount of coverage given to property owners varies with the plans—some base it on market value but some provide any amount requested. The plans can refuse to insure for the full amount requested, but three of nine visited do not. Plans may refuse coverage, but reasons for doing so are limited. Depreciation is considered in paying claims but, in some States, deterioration is not considered in settlements for total property losses.

Recommendations: The Secretary of Housing and Urban Development should direct the Administrator, Federal Insurance Administration, to revise regulations to: require that all plans establish property value at the time of underwriting and eliminate the practice of giving property owners any amount of insurance desired; require all plans to obtain and consider information concerning the character of the property owner in its determination of insurability; and permit plans to use a 5-day cancellation notice with State insurance department approval in each instance. The Administrator should discuss the desirability of adopting the broad evidence rule basis with State insurance authorities in those States that require insurance payments at actual cash value without consideration of market value.

HUD stated that the FIA would work with State insurance authorities and the insurance industry to improve underwriting mechanisms consistent with the objectives of the FAIR Plans. HUD also agreed with GAO that there is room for improvement in the FAIR Plans. FIA informed GAO that revised regulations have been proposed to provide FAIR Plans authority to obtain and consider information concerning the character of property owners in their determination of insurability and authority to use a 5-day cancellation notice with State insurance department approval.
Note: On April 1, 1979, the functions of the Federal Insurance Administration were transferred from the Department of Housing and Urban Development to the Federal Emergency Management Agency by Executive Order 12127. *(CED-78-121, 5-31-78)*

Appropriations

Federal Emergency Management Agency, Federal Insurance Administration—National Insurance Development Fund

Appropriations Committee Issues

The Committee should examine the Federal Insurance Administration's actions to reduce arson-for-profit in the FAIR Plans.

GENERAL SERVICES ADMINISTRATION

GSA Approval of Expenditures Under the Former Presidents Act Has Been Reasonable

Budget Function: General Government: Other General Government (0806).
Legislative Authority: Former Presidents Act of 1958. Presidential Transition Act of 1963 (3 U.S.C. 102).

The expenditures under the Former Presidents Act for the period July 1, 1975 through April 1979 were reviewed.

Findings/Conclusions: Total expenditures for each fiscal year were within appropriation limits, and expenditures for staff salaries were within specific statutory limits. Except for certain travel costs, individual expenditure items were properly authorized and appropriately documented. It was noted that several unusual office expenses items were listed, but the General Services Administration has been reasonable under existing legislation in determining whether to approve expenses. If Congress believes that some of the expenses are inappropriate, further legislative guidance should be provided. Recommendations made in an earlier report concerning the distinction between expenses that should be paid from Presidential Transition Act funds or from Former Presidents Act Funds are repeated.

Recommendations: The Administrator of the General Services Administration should request that former President Ford's office return the travel costs improperly paid from Former Presidents Act funds. *(GGD-79-86, 9-10-79)*

Appropriations

Independent Agencies Appropriations Act

Appropriations Committee Issues

The Appropriations Committees may want to consider whether further legislative guidance should be provided to control expenditures for former Presidents.

GENERAL SERVICES ADMINISTRATION

Ineffective Management of GSA's Multiple Award Schedule Program—A Costly, Serious, and Longstanding Problem

Budget Function: Procurement-Other Than Defense (1007).
Legislative Authority: Federal Property and Administrative Services Act of 1949.

The General Services Administration (GSA), through its Federal Supply Service (FSS), makes common-use items available to Federal agencies through three basic buying programs: stores, nonstores, and Federal Supply Schedules. The multiple-award program is the largest FSS program, with 53 percent of total FSS sales. Under the multiple-award program, a number of commercial firms are awarded indefinite quantity contracts for a particular product category. Prices are based on a negotiated minimum discount off the vendors commercial prices. Agencies select the particular product that best meets their needs and order directly from the vendor. The purpose of the multiple-award program is to decrease agency open-market purchases by offering a wide selection of commercial products at prices lower than available through open-market purchases, and make commercial items available when it is impractical to draft adequate specifications for bids.

Findings/Conclusions: The GSA multiple-award schedule program cannot be effectively managed in its present form. It is intended to make a wide variety of commercial products available to Federal agencies, but there are too many items on the schedules and too many suppliers of similar items, and GSA does not have the capability to make sure that the Government's interests are protected. In addition, there is little or no price competition in the negotiations or monitoring of items ordered by the agencies, and little or no assurance that suppliers offer items at prices that reflect the Government's volume purchases. GAO found that the Government sometimes pays more for identical items, and gets less favorable warranty and payment terms than other purchasers. Studies have focused on the problems since 1971. However, GSA management has not taken any substantive corrective actions. GAO believes this inaction has been due to: the GSA traditional view that it is only a service organization to provide what the users want; GSA management's reluctance to become involved in controversy with industry and trade associations; and Federal agencies which want to maintain the existing noncompetitive process of awarding contracts, as well as the numerous products offered through the program.

Recommendations: The Administrator of GSA should take the following actions: (1) reconsider GSA's service-oriented approach of trying to satisfy the unique needs of Federal agencies; (2) develop criteria for use of multiple-award schedules; (3) review all multiple-award items and eliminate those not meeting the established criteria; (4) intensify efforts to identify products which can be competed with, develop commercial item descriptions for these products, and apply market-research techniques to determine acquisition strategy; (5) define overall management responsibility for the multiple-award schedule program; (6) improve training of contracting officers; (7) refine existing management information systems to provide better data by product; and (8) increase the emphasis on the GSA audits of vendors. Congress should enact legislation which would put GSA under a mandatory timeframe for accomplishing management improvements. The posture of GSA should be strengthened as a primary supplier of products to Federal agencies.

Congress has not yet acted to put GSA under a mandatory timeframe for accomplishing needed management improvements. *(PSAD-79-71, 5-2-79)*

Appropriations

General Services Administration

Appropriations Committee Issues

The Committee should adopt this proposal or should, as a minimum, ask GSA for a progress report on making needed management improvements during the appropriation hearings.

GENERAL SERVICES ADMINISTRATION

Replacing Government Sedans Yearly Would Result in Fuel and Cost Savings

Budget Function: Transportation: Ground Transportation (0404).

The General Services Administration (GSA) is the only large organization that replaces its rental fleet on a 6-year cycle. By converting to a 1-year replacement cycle, GSA could save about $9.1 million a year on lower maintenance cost and higher resale values.

Findings/Conclusions: Commercial rental and leasing companies replace daily rental vehicles on a 1-year cycle and long-term lease vehicles every 2 to 3 years. Since 1954, 10 Government studies have shown that the current 6-year or 60,000 mile replacement standard for GSA sedans is not the most economical and should be shortened. GSA has not had experience in replacing its total sedan fleet annually; therefore, it does not know what improvements could be gained.

Recommendations: With the concurrence and the cooperation of the Director, Office of Management and Budget (OMB), the Administrator of GSA should conduct a pilot study to test a 1-year replacement cycle in one or more of GSA regional motor pools; adopt a 1-year replacement policy if the test results are positive; and consider the merits of a 2-year cycle if the results of the pilot test prove GSA cannot effectively manage a 1-year replacement cycle. The Director of OMB should monitor GSA efforts and evaluate the feasibility of adopting a shorter replacement standard for other civil agencies and Department of Defense sedans.

GSA agreed with GAO's findings and recommendations, but said there is a problem in obtaining funds for the initial procurement of new vehicles. GSA is interested in conducting a pilot test and future discussions will be held with congressional staff members, OMB, and GAO to determine procedures. *(LCD-78-245, 5-8-79)*

Appropriations

Federal Supply Service—operating expenses

Appropriations Committee Issues

The Committee should determine what actions OMB and GSA are taking to implement GAO's recommendations.

GENERAL SERVICES ADMINISTRATION

Review of the Public Buildings Cooperative Use Act of 1976 and Its Implementations

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: Public Buildings Cooperative Use Act of 1976 (40 U.S.C. 601a).

In an evaluation of the implementation of the Public Buildings Cooperative Use Act of 1976, GAO reviewed all aspects of the Act, including: the methods used by the General Services Administration (GSA) to identify and calculate costs of acquiring and renovating train stations and other historical buildings; the feasibility of leasing space for commercial activities in Federal buildings; and the appropriateness of using historic buildings for Federal office space.

Findings/Conclusions: GAO found that GSA is interpreting the Act as a way to acquire and preserve historic structures, whereas GAO believes the intent of the Act is for the purpose of acquiring additional Federal office space.

Recommendations: If Congress intends that historic structures should be preserved even though there is not a pressing need for additional Federal space in certain locations, GAO recommends that the intent of the law be redefined to allow GSA to acquire such space without having to demonstrate need. *(LCD-79-302, 1-25-79)*

Appropriations

Public Building Service

Appropriations Committee Issues

The Committee should determine whether funds should be appropriated despite the fact that it has been demonstrated that a need for space does not exist.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Firesafety Violations in Two Buildings Leased by the General Services Administration

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: Occupational Safety and Health Act of 1970. Federal Property Management Regulations.

A review was made to determine the adequacy of fire protection measures in two buildings leased in Washington, D.C., by the General Services Administration (GSA). These buildings house about 4,900 employees of the Environmental Protection Agency (EPA) and the Department of Energy (DOE). The buildings must meet the local fire code, as well as comply with specific firesafety clauses in the leases.

Findings/Conclusions: Inspection of both buildings revealed numerous violations of the D.C. fire code and the leases. Neither building meets GSA current firesafety standards. These standards were revised, however, after the present leases were negotiated and will have to be incorporated when the leases are renewed. Occupants at the DOD building may not be adequately trained in emergency evacuation procedures because fire drills were not held as often as required. Although fire drills were held and a plan is in effect for the EPA building, frequent false fire alarms may have impaired the integrity of the system. Previous efforts to identify, correct, and prevent firesafety violations have not been adequate. GSA and the building tenants have not made inspections as often as required. Because of the laxity of GSA in enforcing lease requirements, the Government is not receiving the level of firesafety for which it is paying.

Recommendations: The Administrator of GSA should require both buildings to be inspected promptly in order to identify all firesafety violations and to see that all deficiencies are corrected. If the building owners do not promptly correct deficiencies that are their responsibility, the necessary work should be done with Government funds and the cost deducted from rental payments as authorized by the leases. The Administrator should work with the tenants of the buildings to establish an appropriate fire-prevention program, including education on proper housekeeping and building evacuation procedures. Tenants should be reminded that all work involving building services and firesafety matters should be coordinated with the Public Buildings Service to protect the Government's interests. In future Region 3 leasing negotiations, the Administrator should make sure that any deviations from established firesafety criteria are justified, approved, and documented.

The Administrator of GSA agreed with all of the report's recommendations and is establishing procedures to assure that firesafety requirements are being met in all leased buildings. *(LCD-79-312, 5-22-79)*

Appropriations

Public Building Services—operating expenses

Appropriations Committee Issues

The Committee should be concerned with whether GSA is spending Government funds for costs that should be borne by lessors.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

The General Services Administration Should Improve the Management of Its Alterations and Major Repairs Program

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: Public Buildings Act of 1959; (40 U.S.C. 601 et seq.).

The General Services Administration (GSA) manages an alterations and major repairs program for 3,300 Federal buildings. As of May 1979, estimated costs of all work requirements in the program were about $1.4 billion. In fiscal year 1978 GSA obligated about $212 million for alterations and repairs, and it plans to obligate about $203 million in fiscal year 1979. GSA also performs alterations work on a reimbursable basis over and above what it provides through direct appropriations, for which $46 million was obligated in fiscal year 1978.

Findings/Conclusions: The present inventory of work requirements is not a reliable basis for establishing the funding need, setting priorities, scheduling the work, and measuring results. GAO found instances in which the individual building inventories were overstated or understated by millions of dollars. Most cost estimates for individual work items were not supportable and many were inaccurate. Furthermore, the total inventory provided to congressional committees did not include unscheduled or unprogrammed work requirements. There is a critical need for an accurate computerized inventory of alterations and repairs work requirements in order to justify annual requests for new obligation authority, for congressional oversight of the reduction of the backlog which led to a substantial increase in funding, and for management of the program. Numerous improvements are needed in the management control of GSA to promote efficiency, economy, and achievement of planned results. Some of the problems noted were: (1) the regions deviate from approved work programs without Central Office's authority; (2) the regional offices are unduly retaining authority for prospectus projects by improperly charging the cost of work to non-prospectus projects; (3) the accomplishment of work is not measured and reported by the same types; (4) regional offices do not have an efficient system of matching obligations with work requirements by building; and (5) GSA charges tenant agencies on a reimbursable basis for work that apparently should be included in their rental payments for the space.

Recommendations: The Administrator of GSA should direct the Public Buildings Service to: (1) review each work item to assure it is accurate, current, and represents a valid requirement; (2) develop a system for the Central Office to track inventory requirements and building inspections on a continuing basis; and (3) report in subsequent congressional budget presentations the total inventory, including requirements unscheduled or unprogrammed. Specific cost estimating procedures should be developed and sufficient documentation should be required to adequately determine their implementation. These procedures should include criteria on deriving cost estimates for labor, material, overhead, design, and supervision. The inventory computer program should be revised so that work items reflect the estimated cost of the program year. Criteria on the nature, scope, frequency, procedures, and practices for carrying out comprehensive building inspections should also be developed, as well as a standard format providing for inspection documentation. The Administrator should direct the Public Buildings Service and other appropriate GSA offices to: (1) issue clarifying instructions to the regional offices on, and exercise better oversight over, the approval requirement for major projects; (2) establish tighter controls over charging the costs of work to outstanding prospectus expenditure authority, with the Central Office clearly defining and communicating to the regional offices what work should be charged to existing prospectus authority; and (3) provide specific criteria and educate the regional offices and tenant agencies on what constitutes direct-funded and reimbursable repair and alteration work. The regional offices should not charge tenants for work which is provided through rental payments to GSA. These offices should also consult with alterations and major repairs program managers and develop the appropriate computerized system modifications that will enable them to: (1) match and efficiently track by building the work requirements, work programmed, work-in-process, obligations, and other necessary factors; and (2) relate the costs of work accomplished to

the total inventory requirements and annual budget and program objectives by the major categories of work. In this regard, subsequent congressional budget presentations should reflect such program results information on the previous year's approved budget request.

GSA has taken steps to fully implement 5 of the 9 recommendations contained in the report. GSA did not agree with our recommendations on (1) development of cost estimating procedures; (2) increasing the frequency of building inspections; (3) improving congressional budget presentations; and (4) development of better criteria on what constitutes direct funded and reimbursable repair and alteration work. (We are in the process of drafting a letter to the Administrator of GSA to explain why GSA should also take action on these recommendations.) *(LCD-79-310, 7-17-79)*

Appropriations

General Services Administration, Public Buildings Service—repairs and alterations

Appropriations Committee Issues

The Committee should require GSA to furnish an accurate and complete inventory of alterations and major repairs in their budget presentation. GSA's budget presentation should also reflect program results information on the previous year's approved budget request.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

GSA Real Property Disposal Procedures and Controls of Related Personal Property

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: Legislative Reorganization Act of 1970. Federal Property and Administrative Services Act of 1949.

The Administrator of the General Services Administration (GSA) is charged with promoting maximum use of excess real property by executive agencies and disposing of property no longer required by Federal agencies. The Administrator has the authority to decide how Federal excess and surplus real property will be managed. He has delegated the authority to a Commissioner who in turn has delegated it to the regional administrators. A review was made of these procedures at three GSA regions, and records and procedures at other Federal agencies were also reviewed to determine whether property had been properly accounted for.

Findings/Conclusions: Several problems arise from the GSA lack of control of related personal property. First, excess personal property is not reported to the appropriate GSA property division for inventory control and reporting to other Federal agencies for screening of possible Government needs. Secondly, apparently much of the property GSA transfers to local organizations is not needed for their purposes. Thirdly, the lack of accurate inventories of transferred-related personal property and the obligation to identify and check its use greatly complicates the compliance surveys of the sponsoring Federal agencies. Any undue delay in the property disposal adds to the cost of protection and maintenance, increases the risk of vandalism and deterioration, and compounds the pressures from competing parties for the property. In one region, the delays were exessive on a high proportion of disposals examined. The same region did not maintain a complete record of all real property it conveyed to other Federal agencies for transfer to local public agencies for public benefit uses.

Recommendations: The Administrator of GSA should revise the regulation to assure that personal property is disposed of as related personal property only if the Real Property Division has obtained a determination from the Personal Property Division that such disposal is in the best interest of the Government. The GSA regions should be required to have related personal property inventoried and a record maintained by the regions, the sponsoring Federal agency, and the recipient as accountable property. The Administrator should also establish a reasonable time standard for the disposal of excess and surplus real property, and require the regions to meet this standard unless excepted in specific cases by the Central Office for good cause. The Administrator should direct the GSA regions to maintain accurate and complete inventory records of real property transferred for public benefit uses. *(LCD-79-321, 9-12-79)*

Appropriations

General Services Administration, Public Buildings Service—operating expenses

Appropriations Committee Issues

The agency should be queried about action taken on GAO recommendations.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

GSA's Space Management Proposals for the National Capital Region and for the Nation's Cities

Budget Function: General Government: General Property and Records Management (0804).

The General Services Administration (GSA) has proposed a policy to reduce Federal office space in the Washington, D.C., metropolitan area by 10 percent and to develop a long-range plan to implement the policy. The proposal is one element of a space management matrix which affects, or is affected by, implementation of the President's national urban policy announced in March 1978.

Findings/Conclusions: GSA has a nationwide policy of relocating Federal facilities to the central business areas of cities, regardless of whether the cities have been identified as distressed. In implementing the national urban policy, GSA is competing with private industry to acquire expensive and scarce space in the central city areas. GSA also has two counterproductive policies affecting the Washington, D.C., area. One encourages decentralization from Washington, while the other encourages relocating Federal activities from suburban areas to downtown business areas. *(LCD-79-315, 7-30-79)*

Appropriations

General Services Administration, Public Buildings Service—operating expenses

Appropriations Committee Issues

The agency should be queried about the economics of the actions taken and planned for implementing the President's National Urban Policy.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Inquiry Into Change Orders and Claims for Construction of the Richard B. Russell Federal Building

Budget Function: General Government: General Property and Records Management (0804).

Concern was expressed over the costs and the delay in completing the Richard B. Russell Federal Building in Atlanta, Georgia. An investigation was conducted of the cost overruns and the legitimacy of the claims filed by the construction contractor.

Findings/Conclusions: In April 1979, the General Services Administration (GSA) estimated the total cost of the Russell Building project, excluding claims, at about $62 million or about $15 million less than the amount authorized by Congress for the project. Claims awards could significantly increase the total cost. The validity of the claims is presently an issue pending before the General Service Board of Contract Appeals. Most of the construction contractor's claims related to change orders. The change orders increased the contract by a net amount of $32,387. The total increase in construction cost for change orders in this and other contracts amounts to $3.18 million. The majority of change orders are due to design deficiencies or changed agency requirements. At the time the review was completed, the construction contractor had filed or expreseed its intent to file claims totaling $39.6 million. The bulk of the claims is for time extensions. The contractor has provided GSA with no backup support for these claims. The General Service Board of Contract Appeals or the U.S. Court of Claims will make the final determination on most of the claims. *(LCD-79-313, 5-16-79)*

Appropriations

Public Building Service—construction

Appropriations Committee Issues

There are none—unless the claims when filed exceed the estimated maximum project cost of $77,066,000 approved by the Congress. The estimated total cost, excluding claims is about $62 million. The contractor expressed its intent to fill claims totaling about $40 million.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Proposed Project To Renovate Nashville's Historic Train Station Building Needs To Be Reevaluated

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: Public Buildings Cooperative Use Act of 1976.

The General Services Administration (GSA) was directed to consider buildings with historic, architectural, or cultural significance as the primary alternative for meeting the space needs of the Government. However, GSA appears to be operating under the assumption that the acquisition of these structures takes precedence over the need for additional federally-owned space in areas where the structures are located.

Findings/Conclusions: In a prior report, it was recommended that Congress clarify its intent regarding this directive. The renovation of Nashville's historic train station building was the first structure planned for acquisition and renovation pursuant to the directive. In approving the prospectus for the Nashville project, the congressional committees did not have complete and reliable information on several important issues. The information provided was incomplete and inaccurate. The inadequacies not presented could affect the feasibility and prudence of the proposed project.

Recommendations: The Chairmen of the Public Works Committees of the House and Senate should request GSA to prepare and submit a revised prospectus for the proposed Nashville train station building that accurately and completely informs Congress of all pertinent economic and other issues relating to the proposed project. *(LCD-79-308, 4-27-79)*

Appropriations

Public Buildings Service—repairs and alterations

Appropriations Committee Issues

The prospectus overestimated the amount of occupancy space and underestimated the costs of renovation. There is some reservation that the project can be completed at the estimated cost contained in the prospectus.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Repairs and Alterations of Public Buildings by General Services Administration—Better Congressional Oversight and Control Is Possible

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: Public Buildings Act of 1959 (40 U.S.C. 601 et seq.).

From 1961 through 1977, the Senate Committee on Environment and Public Works and the House Committee on Public Works and Transportation (Public Works Committees) had approved 276 prospectuses for major repairs and alterations projects. The General Services Administration (GSA), which manages a major repairs and alterations program for public buildings, must obtain approval from the Public Works Committees for each project estimated to cost over $500,000.

Findings/Conclusions: For several years the backlog of major repairs and alterations has been about $1 billion. In the past 4 years, GSA has spent only about 45 to 50 percent of repair funds on large projects. Moreover, a substantial amount was spent for projects not specifically identified in any of the recent work programs supporting the agency's annual request for repair funds. GSA and the Public Works Committees seem to have a significant misunderstanding regarding the nature and scope of repair work requiring the Committees' approval. GSA has spent over $1 million on each of a number of public buildings without having requested approval of the Committees, and has used the authority of approvals to do work that was not described in the scope approved.

Recommendations: The Administrator of General Services should: revalidate prospectuses approved prior to fiscal year 1973, in order to cancel or revise those that are outdated; have prospectuses approved or submit prospectuses to the Public Works Committees before the budgets are submitted; and seek agreement with the Public Works Committees on the type and extent of changes in the scope of prospectuses which require approval of the Committees. The House and Senate Public Works Committees should: initiate proposed legislation to amend the Public Buildings Act of 1959 to define the term "project" to include all related work required for a single building; initiate proposed legislation to require GSA to revise its procedures to have prospectuses submitted for approval on reimbursable work projects when such projects include general building improvements estimated to cost over $500,000; require GSA to justify to the Committees prospectus projects that have been either approved or funded and have not been completed after a number of years; and determine and advise GSA as to what extent certain costs for work classified as maintenance could be considered alterations and should be included in prospectuses. The House and Senate Appropriations Committees should propose that Congress provide funds for each prospectus project over $500,000 (line item appropriation), together with the authority to transfer funds to other projects, provided the Appropriations Committees are notified in advance of any transfer. An alternative method would be to require GSA to make a complete accounting at the end of each fiscal year of its use of funds obtained. Funds for projects under $500,000 should be provided on a lump sum basis and GSA should identify funds to be earmarked for major and minor projects.

The Appropriations Committees are considering imposing restrictions of funds appropriated for alterations and major repairs projects. GSA stated it was taking the necessary action to implement the three recommendations to the Administrator. *(LCD-78-335, 3-21-79)*

Appropriations

Public Buildings Service—repairs and alterations

Appropriations Committee Issues

The Committees should continue in their efforts to require more accountability from GSA in the repairs and alterations program and thereby exercise more congressional control.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Review of the Procedures Used To Value Air Force Plant No. 3, Tulsa, Oklahoma.

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: National Industrial Reserve Act of 1948.

An evaluation by the General Services Administration (GSA) and the Tulsa Airport Authority of Plant No. 3, located at Tulsa, Oklahoma, showed a large discrepancy in values. GAO was requested to review the procedures used to estimate the value of the plant. The plant consists of over 300 acres of land and 79 structures totaling more than 2.7 million square feet. The Government-owned plant is currently operated by McDonnell-Douglas Corporation. The Air Force reported the plant excess in October 1972 with the condition that GSA negotiate a sale to McDonnell-Douglas for continued use as an aircraft fabrication and assembly facility. The Air Force specified that, as a condition of sale, the plant's existing capability for defense production be preserved for 5 years from the date title to the property is transferred to the contractor.

Findings/Conclusions: In February 1973 GSA contracted with an independent appraisal firm to provide a valuation of the plant and all related Government-owned personal property. In September 1977 and September 1978, the firm provided GSA with the value of the plant, which was to be used as a basis for negotiated sale to McDonnell-Douglas. The Airport Authority's estimate of the value of the plant and special tooling was almost $100 million greater than the independent appraisal. GAO examined the procedures used by the Tulsa Airport Authority and by the GSA appraiser to identify the reasons for the major differences in the estimated values for the plant and to evaluate the reasonableness of the procedures as a basis for valuing the plant. Some issues were noted concerning the value of the property which GSA and the Air Force need to consider further. GAO believed the procedures used by the appraiser for GSA were more appropriate.

Recommendations: The Administrator of GSA and the Secretary of the Air Force should make sure that the Government receives adequate compensation for: the value of equipment furnished by the Government since 1974, because this equipment was excluded from the appraiser's valuation at the request of GSA; the value of all capital rehabilitation improvements to plant facilities not previously included in the appraiser's valuation; and the value of parking aprons. In addition, the Administrator of GSA and the Secretary of the Air Force should establish the appropriate acreage to be sold, in view of the differences reported by the Airport Authority, the GSA appraiser, and the Tulsa County Assessor's Office.The appropriateness of the bulk discount taken on equipment due to its subjective nature should also be reevaluated. *(LCD-79-317, 6-20-79)*

Appropriations

General Services Administration—operating expenses

Appropriations Committee Issues

The Committee should query the agency on the status of the sale and the action taken to ensure the Government receives adequate compensation for the plant.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Use of Escalation Clauses for Operating Costs on All GSA Leases

Budget Function: General Government: General Property and Records Management (0804).
Legislative Authority: OMB Circular A-109.

The General Services Administration (GSA) is responsible for locating suitable space to meet agency needs, negotiating and awarding leases, and ensuring that lease terms are met. In November 1973, because of increased inflation, GSA directed its regions to use escalation clauses for building operating costs in long-term leases of 5 years or more. The purpose of the clauses was not to reimburse lessors for actual building operating costs but to provide lessors, through the process of averaging cost increases, some protection against excessive increases in major costs such as real estate taxes, utilities, maintenance, and janitorial services.

Findings/Conclusions: The administration of escalator
clauses is complicated by the variety of clauses, by different escalatable cost items, and by payment restrictions. The regional offices did not maintain current or accurate lists of leases with escalator clauses, rental readjustment dates, base years, or payment dates. The administration of escalation clauses is costly, involving additional negotiations and the collection, verification, and analysis of the lessors' cost information. The best guarantee of a fair and reasonable rental rate, with or without escalation clauses, is adequate competition by landlords with space suitable for GSA's needs. Escalation clauses should be limited to space requirements that are: for leases not drawing much competition, for lease periods of at least 3 years or more, and of sufficient size to justify additional administrative costs. The Consumer Price Index is not an appropriate standard for determining adjustments to building operating costs.

Recommendations: The Administrator of GSA should direct the Public Buildings Service to: cancel April 1978 instructions requiring use of the Consumer Price Index for calculating annual operating cost adjustments, reconsider the circumstances under which escalation clauses may benefit the Government when negotiating fair and reasonable rental rates, redraft a standard escalation clause for use under specified circumstances, and monitor the regions' implementation of escalation clause instructions in order to minimize the effects that result from noncompliance or unallowed deviations from basic instructions. The Administrator should also direct the Regional Administrators to maintain adequate control over escalation clauses included in all leases in order to eliminate the necessity to rely on the memory of the realty specialist or to wait for lessors to initiate escalation procedures.

The agency did not agree with our recommendation, and it is going ahead with the one-year escalation clauses. *(LCD-78-340, 11-13-78)*

Appropriations

Public Building Service—leasing

Appropriations Committee Issues

Annual escalations resulting from increased operating costs will continue to support increased leasing costs for the Federal Government.

INTERSTATE COMMERCE COMMISSION

Energy Conservation Competes with Regulatory Objectives for Truckers

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (0403).
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Interstate Commerce Act, as amended (49 U.S.C. 1 et seq.).

Interstate Commerce Commission (ICC) measures to reduce energy use by trucks have been limited because the Commission is guided by its traditional regulatory objectives of protecting existing regulated truckers and making certain that service is adequate.
Findings/Conclusions: The ICC does not have enough information on energy conservation measures to use in its decisionmaking. Energy conservation programs for surface transportation will have only limited success until a national policy clearly establishes the relative priority of energy conservation and regulatory objectives.
Recommendations: Congress should enact legislation which shows whether energy conservation or traditional regulatory objectives are more important and allows the ICC to change its regulations to authorize intercorporate transportation if it does not otherwise conflict with the national priorities established. The ICC should develop enough information to determine how its energy-related decisions will affect competition and service. The Chairman of the Commission should determine the validity of the rule that truckers wanting to use a route that would reduce mileage by more than 20% must apply to the ICC and prove that competitors will not be affected; the continued need for any limitations on shipping truck trailers on railcars; and the reasons for empty mileage and its effect on competition and service to the public.

The Commission agreed that its energy conservation actions had been tempered by its overriding concern that nothing be done to deprive the public of high-quality surface transportation service. The Commission said, in some instances, more fuel could be saved if its primary regulatory objectives were subordinated. Since we issued our report, ICC has complied with our recommendation to determine the validity of the 20 percent rule. It has not, however, decided whether to determine the reasons for empty mileage and the impact on competition and service to the public of possible solutions. *(CED-77-79, 7-8-77)*

Appropriations

Interstate Commerce Commission—salaries and expenses

Appropriations Committee Issues

Congressional guidance is needed on the relative priority of energy conservation and traditional, sometimes competing, regulatory objectives.

INTERSTATE COMMERCE COMMISSION

ICC's Expansion of Unregulated Motor Carrier Commercial Zones Has Had Little or No Effect on Carriers and Shippers

Budget Function: Commerce and Transportation: Ground Transportation (404).
Legislative Authority: Motor Carrier Act of 1935 (49 U.S.C. 301).

Recognizing that changes have occurred in the location of business and industrial activity since the Interstate Commerce Commission (ICC) established commercial zones in the 1930's, the ICC expanded its commercial zones in 1975. The effect of the expanded commercial zones on motor carriers in terms of changes in tonnage, area served, rates, revenues, operations, and competition was examined through the use of questionnaires sent to carriers and shippers of 12 zones.

Findings/Conclusions: The expansion had little or no effect on most carriers' volume of shipments, rates, revenue, interlining, and certain aspects of operations. Some carriers experienced a change in the size of the area they served, rate competition, and service competition. The expansion also had a negligible effect on most shippers' rates and service. Officials of chambers of commerce, public utilities commissions, planning agencies, and carriers and shippers agreed that the expansion was generally adequate. The effect on most carriers and shippers may change at a future time because of a shift in economic conditions or because of industrial expansion; the commercial zone expansion needs to be continually monitored by the ICC.

Recommendations: The Chairman of the ICC should establish procedures to monitor the effect and the adequacy of the commercial zone expansion and make adjustments or modifications as warranted.

In August 1978 ICC said it agreed with our recommendation and plans to initiate a review of the effects of the commercial zone expansion in the spring of 1980. It added that it is currently beginning the planning phase for the review. *(CED-78-124, 6-26-78)*

Appropriations

Interstate Commerce Commission—salaries and expenses

Appropriations Committee Issues

Because the Commission needs to review the effects of the commercial zone expansion, the Committee should be sure that the Commission has sufficient resources to carry out its planning effort.

INTERSTATE COMMERCE COMMISSION

New Interstate Truckers Should be Granted Temporary Operating Authority More Readily

Budget Function: Commerce and Transportation: Ground Transportation (0404).
Legislative Authority: Interstate Commerce Act (49 U.S.C. 1). 49 U.S.C. 310a.

The Interstate Commerce Commission (ICC) controls entry and service levels by granting operating authority only to truckers who show that their service is needed by shippers and by limiting the truckers' authority to carrying specific commodities in geographic areas. The objective is to assure a quality trucking system that meets the needs of the shipping public while protecting regulated truckers from excessive competition.
Findings/Conclusions: Because of the time and expense involved in an application for permanent authority, truckers often use the temporary authority procedure as a stepping stone to a permanent authority. The ICC's policies and procedures for deciding to grant or deny temporary authority applications may unduly favor authorized truckers by: providing them the right to handle all traffic, placing the burden of proof primarily on the applicant trucker and his supporting shippers, and providing inadequate guidelines to shippers supporting applications. Granting authority to new truckers, where authorized truckers would not be harmed, could be one means of providing better service to the shipping public and more entry for truckers. The current process for granting temporary operating authority does not always give shippers the service they want while it protects regulated truckers from competition.
Recommendations: Congress should amend the Interstate Commerce Act so that more temporary authority can be granted to new truckers. The ICC should: require that protesters demonstrate how they are meeting or could meet the individual needs of shippers supporting their temporary authority applications; provide guidelines to applicant truckers and supporting shippers which specify the kinds of information the ICC needs; provide more detailed guidelines to its staff on criteria to apply in determining what situations constitute "immediate and urgent need" and "reasonable" service by authorized truckers; and take actions needed to see that field staffers have sufficient time to fully evaluate applications, follow up on deficient applications and support statements, and prepare thorough reports which fully explain the bases for recommendations.

As a result of our recommendations, ICC has:
—proposed new rates which would alter the procedures for protesting motor carrier operating authority applications;
—issued a pamphlet which provides helpful pointers to applicant truckers and supporting shippers for filling in the necessary application details for temporary authority;
—initiated establishment of a formal training program to assure that its field staff personnel are well versed in the guidelines dealing with reviewing and evaluating applications and protests;
—established a Section of Performance which is in the process of establishing criteria for the quantitative assessment and/or reassignment of responsibilities for field personnel; and
—developed field staff instructions that require that staff evaluations and recommendations involving temporary authority and emergency temporary authority applications be retained for 2 years.
—ICC also plans to propose new rules which will make the granting of temporary authorities much simpler. *(CED-78-32, 2-24-78)*

Appropriations

Interstate Commerce Commission—salaries and expenses

Appropriations Committee Issues

1. The Committee should determine whether the Commission's budget request will allow it to complete those actions initiated as a result of GAO's recommendations.
2. Congress should amend the Interstate Commerce Act so that more temporary authority can be granted to new truckers.

INTERSTATE COMMERCE COMMISSION

"Weight Bumping"—Falsifying Household Moving Weights To Increase Charges—What ICC Needs To Do

Budget Function: Transportation: Ground Transportation (0404).

About 1 million American households which move each year are not being protected adequately against the practice of "weight bumping" which artificially increases the cost of moving. Weight bumping is the falsifying of weights of household goods shipments to increase transportation charges.

Findings/Conclusions: The Interstate Commerce Commission (ICC) and the moving industry agree that weight bumping is a problem; they disagree on its extent. There are no ICC regulations concerning weighmasters and scale operations and only limited regulations governing weight tickets. Accordingly, ICC must rely on State and local governments to regulate weighing activities. This reliance has serious shortcomings because of insufficient and inadequate State and local controls.

Recommendations: The Chairman of the ICC should: direct a comprehensive study so that ICC may better measure the extent of the problem and thus assign the appropriate level of investigative and enforcement action to deal with it; establish regulations regarding the weighing of interstate household goods shipments to prevent weight bumping; and establish unannounced periodic inspections at weigh stations with State assistance, and investigations to reduce the practice. The Secretary of Defense should direct the Military Traffic Management Command to develop procedures for identifying shipments that warrant investigation for possible weight bumping and providing the information to the proper Defense organizations for investigation.

In hearings before the Senate Appropriations Subcommittee on fiscal year 1980 Appropriations, ICC said it has plans to implement all the recommendations. *(CED-79-75, 5-1-79)*

Appropriations

Interstate Commerce Commission—salaries and expenses

Appropriations Committee Issues

The Subcommittee should review the progress being made to improve the controls over weighing operations to detect and prevent weight bumping.

LEGAL SERVICES CORPORATION

Free Legal Services for the Poor: Increased Coordination, Community Legal Education, and Outreach Needed

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Legal Services Corporation Act of 1974 (P.L. 93-355). Economic Opportunity Act of 1964 (P.L. 88-452).

As created by Public Law, the Legal Services Corporation is a private, nonmembership, nonprofit corporation, and is the primary provider of free civil legal services to the Nation's poor. The Corporation received appropriations of $125 million and $205 million for fiscal years 1977 and 1978, respectively, and an estimated $76 million was also available in 1977 for legal services to the poor from other sources; this was distributed almost equally among Corporation- and non-Corporation-funded providers.

Findings/Conclusions: Substantial resources exist for free legal services to the poor from Federal, State, and local sources in addition to those provided by the Corporation. Although the Corporation entered into an agreement with the Administration on Aging to provide services to the elderly, it relies primarily on local projects' initiatives to identify and coordinate activities. Some Corporation grantees were not aware of other available providers and resources in the service area, and improved coordination is needed to ensure maximum use of all potential resources. Few Corporation grantees have conducted or obtained assessments of the legal needs of the poor in their communities for the purpose of establishing service priorities. The Corporation cited insufficient time or resources as the reason for not conducting periodic local needs assessments. Such periodic assessments would help assure that project priorities and resources are directed to the most prevalent problems. Community legal education and outreach efforts have been limited by the unavailability of staffing and resources.

Recommendations: The President of the Legal Services Corporation should: explore the potential for obtaining national coordination agreements with Federal and non-Federal funding sources; provide guidance to grantees for identifying and determining the nature of nonproject resources in their communities; encourage grantees to seek support from local bar associations, law schools, and other potential resource providers; disseminate information to grantees regarding innovative approaches to assessing legal needs; provide guidance to grantees for performing periodic needs assessments; encourage grantees to seek assistance from social service agencies in assessing local needs; expand training sessions on community legal education; and provide individual projects with needed technical assistance.

The Corporation agreed with the recommendations and indicated it was working as rapidly as possible to carry them out. In subsequent statements submitted to Congressional committees the Corporation described the actions it is taking to address the issues identified, including expanding coordination with other resource providers, encouraging increased support from the private bar, implementing a project information system, expanding training of project staff, and improving local legal needs assessment and priority-setting processes. The Corporation has since issued regulations requiring consideration of other funds available to grantees when determining additional funding above its minimum goals, and the Corporation's president recently emphasized to the National Bar Association and the American Bar Association the need to encourage greater involvement by the private bar in the delivery of legal services. *(HRD-78-164, 11-6-78)*

Appropriations

Department of State
Department of Justice, Administrative Office of the United States Courts
Department of Commerce

Appropriations Committee Issues

None currently. Future oversight should assess Corporation efforts to ensure that effective actions have been implemented to address issues identified.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Analysis of NASA's Supplemental FY 1979 Budget Request

Budget Function: General Science, Space, and Technology (0250).

The National Aeronautics and Space Administration (NASA) requested $185 million to supplement its approved fiscal year 1979 research and development appropriation of $3,292 million. NASA estimated that the first shuttle launch date of November 1979 would be delayed by 6 or more months if the request were denied. NASA stated that the additional funding was needed because of technical problems encountered in the development, manufacturing, and testing of Shuttle systems; the need for design changes and weight reductions; and the requirements of prime contractors and subcontractors for increased effort to fabricate hardware and conduct test activities. This report covers the following issues: justification by NASA for the $185 million supplemental request; rationale in arriving at the $400 million to $600 million cost increase should the request be denied; the rationale behind the $787 million additional costs should the request be denied; and alternatives to granting the $185 million request.

Findings/Conclusions: The Shuttle development schedule has been "success oriented," which means it could be met only if no major technical problems were encountered. Even if NASA is given the funds, unforseen problems could place the Shuttle program in the same or a more serious situation than exists today. Accordingly, there is no assurance that additional reprogramming or supplemental request actions will not be required in the future.

The Congress granted NASA the $185 million. In addition, the Administration amended NASA's fiscal year 1980 budget request by adding $220 million to the Shuttle program. Further, in October 1979, the NASA Administrator testified that the fiscal year 1981 budget would be accompanied by a fiscal year 1980 supplemental request of several hundred million dollars for Shuttle development. The NASA Administrator also testified that the Shuttle production cost estimates have escalated 20 percent in the past year. *(PSAD-79-59, 3-16-79)*

Appropriations

National Aeronautics and Space Administration—research and development, construction of facilities, research and program management

Appropriations Committee Issues

When evaluating NASA's fiscal year 1981 budget request and fiscal year 1980 supplemental budget request, the committees should assure themselves that NASA's cost estimates are realistic.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Contractor Pension Plan Costs: More Control Could Save Department of Defense Millions

Budget Function: National Defense: Department of Defense - Procurement & Contracts (058).
Legislative Authority: Employee Retirement Income Security Act of 1974. P.L. 91-379. Internal Revenue Code of 1954, as amended.

The Government incurred pension plan costs that were inequitable and too high because the Department of Defense permitted actuarial assumptions or unjustified changes in actuarial cost methods.
Findings/Conclusions: Government controls and surveillance over contractors' pension plan practices were not adequate considering the costs involved. Establishing effective controls and surveillance over these practices could save the Government millions of dollars. Department of Defense auditing and contracting activities also lacked personnel with actuarial skills to evaluate pension plan costs. Properly implementing the existing requirements of the Cost Accounting Standards Board and the proposed standard on pension plan costs should prevent the increased costs.
Recommendations: The Secretary of Defense should have the Defense Acquisition Regulation (DAR) (formerly Armed Services Procurement Regulation) revised to require that pension plan costs charged to the Government (1) are equitably distributed between Government and commercial work when different actuarial cost methods are used, (2) reflect allocation of pension fund assets in proportion to contributions, and (3) are allocated by using assumptions based on division or cost center experience instead of company-wide experience. The DAR should also be revised to require that any changes in the policies and procedures affecting allocation of pension plan costs be completely disclosed.

The Department of Defense has promised some action to help prevent overpayments of pension plan costs. The Defense Contract Administrative Services (DCAS) has (1) increased by one its insurance pension staff, (2) contracted with an actuary to act as a consultant to its staff on pension matters, and (3) monitored the contractor pension fund with a large excess fund balance as reported by GAO. DCAS still relies upon on-the-job training for improving its staff's expertise and still maintains the same level of review as in the past with the exception of the use of a consultant. Therefore, GAO still believes that the actions promised and taken are not enough. GAO continues to believe that additional staffing with actuarial skills and more in-depth reviews of pension plan costs are required to (1) perform the pension reviews now being requested by the Departments of the Air Force and Energy, (2) deal with the increasing complexity of the pension area, and (3) detect and recover overpayments to contractors. In a letter of August 2, 1977 to the Chairman, Senate Committee on Government Operations, Defense stated that, in its opinion, the problems stated in the report were unlikely to reoccur since development of the Employee Retirement Income Security Act (ERISA) of 1974 and Cost Accounting Standards 412 and 413 of the Cost Accounting Standards Board. Moreover, the Defense Acquisition Regulation is continually modified and incorporates these standards. We believe that the enactment of ERISA and the promulgation of Cost Accounting Standards dealing with contractor pension plan accounting practices will not prevent all the problems noted in the report. *(PSAD-77-100, 5-19-77)*

Appropriations

Procurement—Army, Navy, Air Force, National Aeronautics and Space Administration
Operations and maintenance—Army, Navy, Air Force

Appropriations Committee Issues

Some type of surveillance by Government representatives with specialized knowledge is needed to assure that the Government is not allocated excessive pension costs.

OFFICE OF MANAGEMENT AND BUDGET

Energy-Saving Strategies for Federal Procurement

Budget Function: Energy: Energy Conservation (0272).
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Executive Order 11912.

Several procurement strategies exist which can be aimed at reducing energy use, but Federal agencies are not using many of them. It has been 3 years since the Energy Policy and Conservation Act (EPCA) was passed, and the Office of Federal Procurement Policy (OFPP) and procuring agencies have neglected to take meaningful action in response to the legislation.
Findings/Conclusions: The Department of Defense and the General Services Administration (GSA) have amended their procurement regulations with a general energy conservation policy statement. There is no evidence that further action has been taken beyond this in response to the OFPP policy letter recommending the insertion of such a statement. The Senate report on EPCA indicated that GSA and other appropriate Federal agencies were expected to analyze the impact of including energy efficiency as one of the criteria for decisionmaking in the Federal procurement process. This analysis was to form the basis for the development of standards to increase energy efficiency for equipment purchased by the Federal Government. Energy conservation is not being given full recognition in procurement policies. The OFPP policy letter and the resulting changes to the procurement regulations are important steps, but further action is needed. General policies will have to be followed by specific procedures before the Federal procurement process can be made more energy conscious.
Recommendations: The Director of the Office of Management and Budget should have OFPP emphasize the potential for saving energy through the procurement process by immediately revising its policy letter to explicitly identify the types of actions and strategies that can be used; require procuring agencies to determine which strategies should be implemented, based on the type of item to be procured; develop specific procedures and issue guidelines on when and how to apply energy-efficient techniques; and ensure that procurement officials are informed that they are to implement those techniques. OFPP should actively follow up on agency actions to make certain that energy does indeed become a major consideration in the procurement process.

The Office of Federal Procurement Policy maintained that the policy requiring consideration of energy conservation and effiency in the procurement process is simple, clear and understandable, and that no revision to the policy, as stated in the OFPP policy letter and in the procurement regulations, is necessary. OFPP did note, however, that it was working with executive agencies to ensure that management is aware of the consideration to be afforded energy-saving products and of their responsibility with respect thereto. *(EMD-79-68, 6-19-79)*

Appropriations

Executive Office of the President

Appropriations Committee Issues

The Committee should consider whether OMB, through its office of Federal Procurement Policy, is providing Federal agencies with policy guidance sufficient to develop uniform and consistent procurement as envisioned by EPCA.

OFFICE OF MANAGEMENT AND BUDGET

Federal Civilian Audit Organizations Have Often Been Unsuccessful in Obtaining Additional Staff

Budget Function: Financial Management and Information Systems: Internal Audit (1103).
Legislative Authority: Accounting and Auditing Act. Inspector General Act of 1978. F.M.C. A-73.

A strong Federal internal audit capability has long been supported by GAO. A continuing concern has been the adequacy of internal audit staff resources. The report discusses the efforts that have been made by the major Federal agencies to increase their audit resources.

Findings/Conclusions: The total audit staff of the 22 audit organizations reviewed increased from 3,399 in fiscal year 1974 to 4,153 at the end of fiscal year 1978. However, almost all of the additional personnel were gained by just 6 of the organizations. About 60 percent of the total additional positions requested by the organizations was disapproved by their agencies and, in turn, the Office of Management and Budget (OMB) approved only 51 percent of the total audit positions requested by the 15 agencies. Thus far, OMB has not provided the guidance on audit staffing to Federal agencies that was recommended in a previous report. Both the agencies and OMB have been responsible for keeping the staffing levels of Federal audit organizations at relatively low levels. While GAO fully supports the goal of an efficient, streamlined work force, it is believed that Federal agencies and OMB should consider that audit organizations often produce savings to the Government that exceed the cost of their operation.

Recommendations: The recommendation was repeated that the Director of OMB should develop guidelines to assist Federal agency management in determining the appropriateness of the size of their audit staffs. These guidelines should also address the question of the division of efforts between external and internal audits. Congress should inquire about the adequacy and effectiveness of Federal internal audit staffs at agency oversight and appropriation hearings. *(FGMSD-79-43, 7-27-79)*

Appropriations

Various appropriations that include funds for internal audits

Appropriations Committee Issues

The Federal internal audit capability would be strengthened if OMB developed guidelines to assist agencies in determining the appropriateness of the size of their audit staffs and if agencies provided information about the adequacy of their internal audit staff at appropriate hearings.

OFFICE OF MANAGEMENT AND BUDGET

Federal Seed Money: More Careful Selection and Application Needed

Budget Function: General Government: Executive Direction and Management (0802).
Legislative Authority: OMB Circular A-95.

The Federal Government uses seed money programs to help State and local governments initiate projects and services that they might not provide on their own. The projects are started with the presumption that Federal funding can end and be replaced with State, local, and other funding sources to continue the projects. In fiscal year 1977 such programs accounted for about $2 billion in Federal assistance and funded emergency medical services, community mental health centers (CMHC), vocational rehabilitation training services, urban rat control, alcoholism and drug abuse rehabilitation, rural health initiatives, rural public transportation, childhood lead-based paint poisoning prevention, law enforcement, and boating safety programs. The process of selecting programs to receive Federal seed money could not be clearly identified, and the programs appear to have started somewhat randomly. The Congress has chosen this approach for some programs, and Federal executive agencies have applied it by administrative action for others.

Findings/Conclusions: Seed money programs have generated some self-sustaining projects. However, some projects were reduced or discontinued when Federal support ended, as was the case for 81 percent of the projects in two of the programs. Many other projects have been funded longer than initially planned because Federal officials fear they would otherwise be reduced or discontinued. Almost all of these projects were still being federally funded at the time of the review, and officials at 16 of the projects said that the projects would be reduced or discontinued if funding ended. Some State and local officials said they felt trapped by seed money programs, while others referred to it as a form of "blackmail," feeling pressured by special interest groups to use available Federal seed money which create State or local funding commitment. As a result States and localities have increased their efforts to control incoming Federal funds, and many said they were taking steps to become more informed about future effects of accepting Federal funds. Furthermore, State and local governments have not planned to assume the costs of projects for which Federal funds are phasing out, since the projects were not channeled through them. The Office of Management and Budget project notification and review process offers a way to deal with these problems by providing a means for early contact between applicants for Federal assistance and parties that might be affected by the planned activities. Affected parties can comment and perhaps effect changes before the application is completed.

Recommendations: The Director of the Office of Management and Budget should strengthen seed money program implementation by requiring Federal agencies and grantees to begin with clear agreements on the length and amount of Federal funding. The Director also should require the applicant to identify potential future funding sources through the grant application process and the A-95 process. Preliminary agreement on the need for proposed projects should be reached with the potential funding sources before the award of the grant. When the seed money approach has been implemented by the administrative action of Federal executive agencies, the Congress should, as part of its normal oversight processes, see that the approach is appropriate. When the seed money approach is used in new programs, the Congress should clearly express Federal funding intentions and emphasize the need for cost assumption planning. Cost assumption planning cannot be expected to result in the continuation of all seed money projects, but it should enhance the prospects for continuing worthwhile projects.

OMB said it would consider ways to work with Federal agencies to provide appropriate information to applicants and clearinghouses. *(GGD-78-78, 6-22-79)*

Appropriations

All Federal Agencies—civil and defense

Appropriations Committee Issues

Programs converted to the seed money approach by administrative action should be reviewed by Congress for appropriateness in achieving program objectives. Congress should require all Federal agency programs to express Federal funding intentions clearly and emphasize the need for cost assumption planning by grantees.

OFFICE OF MANAGEMENT AND BUDGET

Grant Auditing: A Maze of Inconsistency, Gaps, and Duplication That Needs Overhauling

Budget Function: Financial Management and Information Systems (1100).
Legislative Authority: Accounting and Auditing Act of 1950. Intergovernmental Cooperation Act of 1968. Executive Order 11647. P.L. 93-647. OMB Circular A-73. OMB Circular A-111.

Federal grants will total about $85 billion in fiscal year 1979. The Government relies on audit as the basic control to see that these funds are spent as the Congress intended and to prevent unauthorized expenditures and loss of funds from fraud and abuse. The ideal in auditing grant programs is to have a single audit of a recipient that would be acceptable to all the funding organizations. Such an audit would be made periodically when needed, and would assure that the recipient is complying with the terms of the grants and that financial records and controls are adequate. Funding organizations would then be free to perform additional audits of economy and efficiency and program results.

Findings/Conclusions: This ideal is far from being achieved. In general, agencies audit only their own grants, and do not completely review grant recipients' financial controls or grant management practices. The auditors are unlikely to detect improper charges or transfers of funds and equipment to the grant. Moreover, the agencies do not audit many grants while repeatedly auditing other grants with minimal results. This approach costs time and money through gaps in coverage and duplication of effort. Through a review of the audit experience of 73 grant recipients during fiscal years 1974 through 1977, it was found that 80 percent of the Federal funds was not audited. Of the 73 recipients, only 56 were considered to have been audited, and 51 of these received audits which provided only partial or no insight into whether funds were properly spent. Only one recipient received a single comprehensive audit. The number of times a recipient was audited ranged from no audits to 50. The Government needs to expand audit coverage of grant recipients through the use of coordinated single audits which would eliminate duplication and reduce auditing of many compliance items while providing a better look at the grantee's overall performance.

Recommendations: The Director of the Office of Management and Budget (OMB) should: (1) designate cognizant Federal agencies for making single audits of multifunded recipients (responsibility for auditing specific types of recipients, such as hospitals and colleges, could be divided among several agencies); (2) hold periodic meetings with grant administering agencies to insure complete and successful implementation of the cognizant approach; (3) direct cognizant agencies to use a standard audit guide such as the one developed by GAO, OMB, and the International Audit Forum, or a suitable replacement, in auditing multifunded recipients; (4) develop a nationwide system to identify Federal funding that grant recipients may receive; and (5) stipulate that to be reimbursed with grant funds, non-Federal audits must follow Federal audit guidelines. The heads of Federal departments and agencies administering grants should establish procedures to insure that grantees under their cognizance have required audits that include steps necessary to satisfy Federal as well as their own needs. They should also assure that their auditors make maximum use of audits arranged by non-Federal agencies and only do whatever additional work may be necessary to see that grant funds are spent for the intended purpose and are otherwise safeguarded, and assure continuous liaison with non-Federal audit staffs with common interest to minimize the amount of audit effort required and to learn of problem areas. The Congress should amend the Intergovernmental Cooperation Act of 1968 to prescribe standard audit requirements applicable to all Federal grants. The amendment should rescind existing laws for regularly scheduled audits of individual grants by particular organizations and allow Federal agencies flexibility in judging audit need. The amendment should designate a responsible time interval within which grant recipients must be audited.

The agencies agreed in principle with the findings and recommendations of the report. OMB has been working with Federal, State, and local agencies to simplify the way grant audits are made. OMB published in the "Federal Register" a proposed revision to its Cirular A-102, "Uniform Requirements for Grants to State and local governments." The revision is an attachment that would implement the "single audit concept" which is recommended in the report. The House Committee on Government Operations Subcommittee on Legislation and National Security conducted hearings during July 30 and 31, 1979, on the issues of this report.

The Subcommittee plans to issue its own report in the near future. *(FGMSD-79-37, 6-15-79)*

Appropriations

Various appropriations that include funds for internal audits

Appropriations Committee Issues

Poor conditions in grant auditing exist largely because each agency audits its own grants rather than coordinating its efforts with other agencies to obtain comprehensive financial and compliance audits of the grant recipient. Conditions are aggravated by the inconsistency in Federal laws and agency regulations along with the inefficient use and possible shortage of audit resources.

OFFICE OF MANAGEMENT AND BUDGET

Improving Federal Agency Efficiency through the Use of Productivity Data in the Budget Process

Budget Function: General Government: Legislative Functions (801).

A survey of the use of productivity data in the budget process covered 13 labor-intensive agencies with a total payroll of about $8 billion.

Findings/Conclusions: Although productivity data are available in most agencies, its use by agencies, the Office of Management and Budget (OMB), and the Congress has been limited. The basic reason for agencies not making more use of the data was a lack of incentives. Many agency executives felt that productivity-related improvements often resulted in penalties such as arbitrary reductions in staffing and budget; and that OMB and the Congress were insensitive to innovative proposals for increasing productivity.

Recommendations: Appropriations committees can stimulate productivity improvements by encouraging agencies to use productivity data in their budget requests through questions which would elicit information, provide incentives for productivity measurement and reporting, and lead to improved productivity. Legislative oversight committees and appropriations subcommittees can further encourage use of productivity data by: requesting it to support requests for staffing increases; requesting statements on the status of productivity improvement programs, work measurement systems, and the extent to which budgets are based on productivity data; creating an atmosphere of positive reinforcement for using such data through budgetary and organizational incentives; and encouraging agencies to identify major productivity improvements possible through investment in capital equipment. *(FGMSD-78-33, 5-10-78)*

Appropriations

All Federal Agencies

Appropriations Committee Issues

The committees should consider requesting agencies to submit productivity data as part of their budget submissions.

OFFICE OF MANAGEMENT AND BUDGET

More Effective Action Is Needed on Auditors' Findings: Millions Can Be Collected or Saved

Budget Function: Financial Management and Information Systems (1002).
Legislative Authority: Comprehensive Employment and Training Act of 1973 (P.L. 93-203; 87 Stat. 850; 29 U.S.C. 841). Emergency Employment Act of 1971 (P.L. 92-54; 85 Stat. 146; 42 U.S.C. 4871). Federal Claims Collection Act (31 U.S.C. 951). Elementary and Secondary Education Act. 4 C.F.R. 102. B-163922 (1978). OMB Circular A-73. GAO Policy and Procedures Manual, title III, sec. 40.

Under various programs, the Government relies on audit as the basic tool for preventing unauthorized expenditures and seeing that the intent of the Congress is carried out. GAO and the Office of Management and Budget (OMB) have formulated requirements for managers to take prompt action to decide what should be done and to complete corrective measures, as necessary, on auditors' findings.
Findings/Conclusions: The lack of a good system for resolving auditors' findings could be very costly. An examination disclosed that $4.3 billion in audit findings contained in nearly 14,000 audit reports of 34 agencies had not been resolved. About 80% of this amount involved potential recoveries from grantees and contractors, and the remainder involved potential savings in operating costs. Some of the findings were unresolved for as long as 10 years. Under the present system, the officer who has the final word on settlement of audit findings is usually an administrator of the program that was audited. These officials have given resolution of audit findings low priority, often decide not to pursue recoveries without adequate explanation or legal advice, and often do not aggressively seek collection or savings needed for final resolution. Few agencies have adequate systems for tracking and resolving audit findings, and many agencies have not followed OMB policy to establish timeframes for responding to audit recommendations.
Recommendations: Agencies having audit staffs should establish the following system for resolving audit findings: require agency auditors to keep accurate records of findings until a final disposition has been made; give program administrators 6 months to reach decisions on the amount due from grantees or contractors as the result of audit findings and require written decisions signed by the program administrator to justify not seeking collection; assign responsibility to an official independent of the program administrator for deciding whether to make recoveries on findings not decided on within the 6-month period and require justification of such decisions; require such officials to issue quarterly reports to the agency head on the status of findings; establish accounting and collection controls for amounts due as a result of audit findings; and if the agency decides against collection, take action to resolve causes which resulted in the debt.

The agencies agreed that significant problems exist and are taking action to improve their audit resolution systems. OMB published in the "Federal Register" a proposed revision to Government-wide audit requirements, Circular A-73, "Audit of Federal Operations and Programs." The revision strengthens the audit followup provisions of the Circular in response to the recommendations of our report. OMB has met with the agencies involved and required reports on their progress to improve audit resolutions. The House Government Operations Subcommittee on Legislation and National Security conducted two days of hearings (March 21 and 22) on the issues of the report. The Subcommittee supported our findings and recommendations and issued its own report on June 18, 1979. *(FGMSD-79-3, 10-25-78)*

Appropriations

Various appropriations that include funds for internal audits

Appropriations Committee Issues

The lack of a good system to resolve auditors' findings promptly and properly could be costing the executive department and agencies hundreds of millions annually—most of which grantees and contractors are keeping although they are not entitled to the funds under applicable laws and regulations. Among other controls, agencies should require documentation and legal concurrence on decisions not to pursue recovery of amounts due the Government as a result of audit findings, and provide for an independent official to pursue the resolution of findings if the designated program official does not complete action within six months.

OFFICE OF MANAGEMENT AND BUDGET

Review of Overtime Practices at a Number of Federal Agencies

Budget Function: General Government: Central Personnel Management (0805).

A review of overtime practices of Federal agencies indicates that there is a need for agency management to better monitor the use of overtime and internal audit groups to constantly monitor the agencies' payroll systems, as well as program activities, to ensure that internal controls are in place and properly implemented.

Findings/Conclusions: Abuse of overtime seems to be widespread due to shortcomings in overtime management and certain deficiencies in agency accounting system controls. These include: (1) improper or missing authorizations for overtime; (2) lack of adequate batch controls, record counts, and control totals which permit unauthorized changes in information affecting employees' pay; and (3) failure to provide feedback to supervisors on overtime paid to employees which allows improper overtime to remain undetected.

Recommendations: In view of these weaknesses, GAO recommends that the Director of the Office of Management and Budget (OMB): (1) require agencies to analyze and report to OMB on the use of overtime and the routine procedures and accounting system controls for monitoring overtime usage to avoid abuse; (2) require agencies to justify overtime in the budget process which should include justification on whether the work is actually needed and whether all reasonable alternatives have been considered; and (3) actively pursue the commitment made to the House Subcommittee on Compensation and Employee Benefits to have all unapproved accounting systems submitted to GAO for approval.

OMB issued a memorandum to the heads of executive departments and establishments asking that agencies analyze the use of overtime and be certain it is justified, explore all reasonable alternatives, and assure adequate control procedures including testing. In addition, OMB put more emphasis on overtime in its May 25, 1979, A-11 budget instructions to agencies. On August 16, 1979, OMB staff were instructed to monitor agency control over the use of overtime and, in the review of budget estimates, be certain that requested overtime is justified. *(FPCD-79-20, 12-21-78)*

Appropriations

Requests for funds for salaries and expenses from all departments and agencies having employees paid overtime

Appropriations Committee Issues

Departments and agencies, under the monitoring of OMB and Congress, should establish and maintain appropriate controls over the use of and justification for overtime.

OFFICE OF PERSONNEL MANAGEMENT

Annual Adjustments—The Key to Federal Executive Pay

Budget Function: General Government: Central Personnel Management (0805).
Legislative Authority: Executive Salary Cost-of-Living Adjustment Act (P.L. 94-82). Federal Salary Act of 1967 (P.L. 90-206). Civil Service Reform Act of 1978 (P.L. 95-454). Legislative Branch Appropriation Act, 1977 (P.L. 94-440).

Top Federal executives paid under the Executive Schedule are supposed to receive the annual comparability salary adjustments given to General Schedule employees, but these executives have been denied all but one such adjustment. Quadrennial adjustments of executive salaries have also often been denied. This has been partially due to a linkage between Congressional and Executive Level II salaries. Executive Schedule salaries have increased an average of only 28 percent since 1969, as compared with increases of 87 percent in the General Schedule, and even higher for some top positions in the private sector. Salaries for Federal executives are much lower than those received by many executives in private industry, large labor unions, Government-related organizations, and educational institutions.

Findings/Conclusions: Since the Executive Level V pay rate serves as a ceiling limit for pay rates of the General Schedule and other statutory pay systems, salaries for about 12,400 employees in the top levels of these schedules are now restricted. The top two steps of GS-15, the top seven steps of GS-16, all GS-17s and 18s, Executive Level V, and equivalent positions receive the same salary despite wide differences in their levels of responsibility and performance. This situation leads to morale and retention problems. The Senior Executive Service may help temporarily to alleviate some problems for top career executives by placing most GS-16 through GS-18 positions into a separate pay system. The President sets the pay rates for the Senior Executive Service levels. The basic pay range for SES could be narrowed, however, if annual comparability increases are given to the General Schedule but not to the Executive Schedule.

Recommendations: Congress should allow the annual adjustments under the Executive Salary Cost-of-Living Adjustment Act of 1975 to take effect. This law provides that positions under the jurisdiction of the Quadrennial Commission are to receive an annual "cost-of-living" salary adjustment equal to the average of the rates by which GS salaries are increased for annual comparability purposes. In addition, Congress should discontinue the practice of linking Congressional and Executive Level II salaries. *(FPCD-79-31, 5-17-79)*

Appropriations

Various Agencies—salaries and expenses

Appropriations Committee Issues

Congressional support is needed to allow annual salary adjustments for Federal executives to take effect.

OFFICE OF PERSONNEL MANAGEMENT

Changes to the Federal Employees Group Life Insurance Program Are Needed

Budget Function: Income Security: Federal Employee Retirement and Disability (602).
Legislative Authority: Chapter 87, title 5, U.S. Code.

A comparative analysis was made of life insurance and other death benefit programs available to Federal employees and retirees with similar programs in the non-Federal sector.

Finding/Conclusions: Death benefits for Federal employees are available from several sources, including the Federal Employees' Group Life Insurance Program, various retirement programs, and workers' compensation. As a package these are generally comparable with benefits provided by larger non-Federal employers; however, benefits are less for younger employees and retirees over age 65. Federal employees also pay more for their benefits than do their non-Federal counterparts.

Recommendations: Changes should be made to the method of funding and the benefit structure of the Federal life insurance program to make coverage attractive and equitable. The Congress should reevaluate the funding requirements and should consider making basic changes to the structure of the program. Possible changes which should be considered include: prefund only those liabilities arising from benefits payable to retired employees; revise present legislation to provide that the Government pay the interest on the program's unfunded liability if the present funding method is retained; use Government contribution as payment in full for a portion of the coverage for all employees; continue premium payments to age 65 rather than terminating at retirement; and provide greater amounts of optional insurance coverage to employees.

The Civil Service Commission (now the Office of Personnel Management) expressed concern about the low level of participation in the program by younger employees and generally agreed that changes to make the program more attractive should be considered. The Commission agreed that other funding approaches could be used. Effective September 1, 1978, the Civil Service Commission, implementing one of GAO's recommendations, reduced the FEGLI premium by almost 30 percent. Legislation which would incorporate many of GAO's recommended changes to FEGLI's benefit structure has been introduced, but not acted upon, in both the 95th and 96th Congress. *(FPCD-77-19, 5-6-77)*

Appropriations

Office of Personnel Management—salaries and expenses

Appropriations Committee Issues

The premium reduction was a good first step in revamping the Federal Employees' Group Life Insurance Program, but other changes in the program's funding requirements and policy which would require congressional action could further reduce the premiums. Elimination of unnecessary premium taxes and risk charges under the program could result in an annual savings of more than $7.2 million.

OFFICE OF PERSONNEL MANAGEMENT

Civil Service Commission Should Correct Weaknesses in Its Automatic Data Processing Policies and Practices

Budget Function: General Government: Central Personnel Management (0805).

The Civil Service Commission (CSC) is becoming increasingly reliant on automatic data processing (ADP) support to carry out its missions.

Findings/Conclusions: Weaknesses in CSC's ADP management were noted in policy matters, program documentation, security planning, and contingency planning.

Recommendations: The CSC or its successor, the Office of Personnel Management, should establish a comprehensive, uniform ADP policy; expand the current program documentation standard to include all ADP production programs; and strengthen ADP security planning.

The Office of Personnel Management has developed a specific agenda for bringing OPM into compliance with GAO's recommendations. *(FPCD-78-94, 11-20-78)*

Appropriations

Office of Personnel Management—salaries and expenses

Appropriations Committee Issues

ADP costs might be reduced and performance improved through more effective program controls.

OFFICE OF PERSONNEL MANAGEMENT

Disability Provisions of Federal and District of Columbia Employee Retirement Systems Need Reform

Budget Function: Income Security: Federal Employee Retirement and Disability (602).
Legislative Authority: Affairs, Congress Chapter 83, title 5, United States Code; title 4, sections 501 to 539 and title 31, sections 701 to 746, D.C. Code.

Previous reports have discussed shortcomings in the disability provisions of Federal and District of Columbia retirement programs. Action on recommendations made in prior reports is still needed.

Findings/Conclusions: The number of retirees receiving civil service disability annuities more than doubled from 1970 to 1977. The Office of Personnel Management's (OPM) interpretation of entitlement to disability retirement is based on an employee's ability to perform specific functions, and employees are not obligated to accept reassignment. Within the civil service retirement system, earlier and more generous retirement benefits are authorized for Federal law enforcement and firefighter personnel. The costs of providing early retirement benefits under the special retirement policy are over 50 percent greater than they would be for regular optional retirement. Seven retirement systems cover most Federal personnel and there is wide variation in the disability provisions of these systems. The District of Columbia police and fireman's retirement system permits members to retire on disability for service-connected disability or after 5 years for other disabilities. Optional retirement benefits under this system are among the best in the country, but most of the personnel have retired under the system's aggravation clause.

Recommendations: The Congress should: enact legislation that will encourage retention of potentially productive employees under the civil service system; revise this system's definition of economic recovery to preclude disability retirees from retaining annuities if they are earning more than the current pay for their former jobs; study and legislate a resolution to the issue of using Federal tax returns to verify reported income; reevaluate the need to continue the special retirement policy, and if it is needed, reevaluate eligibility criteria, mandatory retirement provision, and the benefit structure; establish an overall Federal retirement policy; and enact legislation making new Federal personnel in positions now covered by D.C. systems subject to civil service systems, revising eligibility criteria and benefits for disability retirements under the D.C. police and firemen's retirement system, and precluding retirees from benefiting from cost-of-living increases that occurred while they were employed. OPM should encourage job reassignment, discontinue its policy of advising employees to use extended sick leave before filing for disability retirement, require more information on annuitants' current job duties, develop means to verify reported income, and analyze the adequacy of annuities for those severely disabled.

This report summarized previously issued reports, and formal agency comments were not obtained. OPM agrees that the disability program needs changes and has proposed several legislative reforms to the Congress. These reforms address some but not all our open recommendations. The Senate Committee on Governmental Affairs plans to hold hearings on these reforms in late fall 1979. *(FPCD-78-48, 7-10-78)*

Appropriations

Office of Personnel Management—salaries and expenses
District of Columbia—operating expenses

Appropriations Committee Issues

A reevaluation of the disability retirement policy is needed to protect the financial stability and integrity of the civil service and District of Columbia employee retirement systems.

Affected agencies should be required to reassign potential disability retirees to vacant positions within the same occupational class when the individual is capable of performing that job.

OFFICE OF PERSONNEL MANAGEMENT

Federal and District of Columbia Employees Need To Be in Separate Pay and Benefit Systems

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).
Legislative Authority: District of Columbia Self-Governmental Reorganization Act (P.L. 93-198); P.L. 93-407; P.L. 94-533; Title 4, District of Columbia Code (1973).

The pay and fringe benefits of Federal and District of Columbia employees are interrelated. Most District employees are covered by Federal pay and retirement systems, and some Federal law enforcement personnel participate in the District's pay and retirement systems for its police and firemen.

Findings/Conclusions: Each Government should control the nature, level, and costs of its employees' compensation. The Federal law enforcement personnel participating in the District's pay and retirement system receive higher pay and have much better retirement benefits than comparable Federal civil service employees. The District's retirement system is more costly than that of the Federal Government, but participating employees contribute less than their Federal counterparts. The Federal protective services employees' compensation should be equitable and consistent with that provided to other Federal law enforcement personnel. The District should establish its own employee compensation system so that compensation is consistent with local management objectives and affordable for District residents.

Recommendations: The Mayor and City Council should establish new pay and fringe benefit systems for District employees now subject to Federal civil service systems. Congress should: amend the District of Columbia Home Rule Act to provide that the District government establish its own pay and benefit policies and systems for District employees now covered by Federal systems; require the Civil Service Commission (now the Office of Personnel Management), Office of Management and Budget, and the District government to study and report on the desirability of transferring District employees covered by the Federal retirement system to a District administered and controlled retirement system or retaining them in the Federal system; make all new Federal law enforcement personnel subject to civil service pay and retirement systems; and require a study on the desirability and feasibility of transferring existing Federal employees now covered by the District's retirement system to the Federal civil service retirement system.

The then existing Civil Service Commission, Office of Management and Budget, and Departments of the Treasury and the Interior agreed that Federal personnel should be covered by Federal pay and retirement systems and are studying the matter. The District of Columbia is considering new systems for District employees but believes that its existing employees should be permitted to retain their vested Federal benefits. Legislation (H.R. 6536) was subsequently passed by the 95th Congress but vetoed by the President that would have established an actuarially sound means of funding District retirement systems, provided Federal funds to assist the District in meeting the costs of its retirement programs, and changed certain retirement benefit features to less costly ones. That legislation would have applied only to District personnel and not affected the 1500 Federal law enforcement personnel now covered by the District's retirement system. A similar bill (S. 1037) was recently passed by the 96th Congress and sent to a conference committee. *(FPCD-77-71, 1-12-78)*

Appropriations

Office of Personnel Management—salaries and expenses
District of Columbia Government—Federal payment to District of Columbia
Office of Management and Budget—salaries and expenses

Appropriations Committee Issues

The 1500 Federal personnel covered by the District's programs receive higher pay for the same levels of work and have much better retirement benefits than their Federal civil service counterparts. The higher levels of compensation inflate already high Federal personnel costs and create serious inequities within the Federal work force. Also, Federal and District employees who retire under the District's system and are subsequently employed in a Federal or District position covered by civil service are permitted to receive both their full retirement annuity and the position's full salary. Such dual payments are inequitable and costly.

OFFICE OF PERSONNEL MANAGEMENT

Inadequate Recordkeeping on Official Time Used for Representational Functions

Budget Function: General Government: Central Personnel Management (0805).
Legislative Authority: Civil Service Reform Act of 1978. Legislative Reorganization Act of 1970. Executive Order 11491. F.P.M. Supp. 711-1. Freedom of Information Act.

In a recent survey of several labor-management relations activities in the Office of Personnel Management (OPM), the Department of Transportation (DOT), the Department of Health, Education, and Welfare (HEW), and the Department of Labor (DOL), GAO examined how the agencies accounted for and monitored the amount of official time employees spent on representational functions in 26 agency units with recognized labor organizations (unions). About 1.2 million of all nonpostal Federal civilian employees are organized and covered by about 3,000 collective bargaining agreements. The amount of official time authorized for Federal employees to perform representational functions is not known.

Findings/Conclusions: It was found that over 70 percent of these units do not keep records on this time, although Federal regulations require them to do so. OPM will implement recordkeeping requirements when negotiations on a union contract are completed. Although HEW has no plans to issue a written requirement, it had previously given verbal instructions that the Federal regulations requirement be followed. Official time spent by employees representing recognized labor organizations in collective bargaining negotiations is not included under representational functions subject to the recordkeeping requirement. Although agencies are not required to keep records on official time used for these negotiations, 21 of the 26 did. Nearly all the agency officials believed that records should be required for this function to determine the cost of negotiations and to provide management with a complete record of official time employees use for union activities.

Recommendations: The Director of OPM should: improve the definitions of representational function by eliminating the uncertainty caused by different interpretations; revise the recordkeeping requirement to include all official time used for collective bargaining negotiations; direct agency compliance with the recordkeeping requirement; require agencies to prepare reports on all official time authorized for this purpose; and require annual reports from agencies on time used for this purpose. *(FPCD-79-77, 9-17-79)*

Appropriations

Office of Personnel Management—salaries and expenses

Appropriations Committee Issues

The Committee needs to clearly account for time spent by Federal employees receiving Federal pay to those activities which are not directly related to their primary job classification.

OFFICE OF PERSONNEL MANAGEMENT

Lack of Action on Proposals To Resolve Longstanding Problems in Investigations of Federal Employees

Budget Function: Central Personnel Management (0805).

Following a December 1977 report on proposals to resolve problems in investigations of Federal employees, recommendations were made to Congress and the Office of Personnel Management (OPM) which showed that the authority for investigations is out of date and has been eroded by more recent laws and court decisions. OPM does not have adequate classification criteria for agencies to determine the proper investigation. The national agency check with inquiry investigation is inadequate for employees with sensitive duties and too extensive for most employees. OPM has inadequate controls for disseminating information to protect individual rights. Concern has been expressed about the lack of action taken to resolve the problems identified.

Findings/Conclusions: Even though GAO, Congress, and OPM agree that the current investigation program has serious problems, few improvements have been made. OPM does not plan to make significant changes to the existing program unless it is directed to do so and is provided the needed resources. This follow-up reemphasized the failure of the current program to adequately protect either the Government or individual rights.

Recommendations: OPM should provide clear criteria for determining the extent of investigations, make sure investigative coverage is proper, establish controls to protect individuals' privacy, and obtain approval to retain the security resource file on organizations. Congress should consolidate into one law the authority to investigate and judge the suitability of Federal employees, including the potential of employees in sensitive positions to impair national security. *(FPCD-79-92, 9-25-79)*

Appropriations

Office of Personnel Management—salaries and expenses
Department of Treasury—operation and maintenance

Appropriations Committee Issues

Costs of personnel investigations could be reduced with improved management of the investigation process.

OFFICE OF PERSONNEL MANAGEMENT

Most Federal Employees on the Job 40 Hours or More Weekly: Tighter Controls Among Proposals for Those Who Work Less

Budget Function: General Government: Central Personnel Management (0805).
Legislative Authority: Civil Service Reform Act of 1978. Fair Labor Standards Act of 1938. Federal Employees' Pay Act of 1945 (5 U.S.C. 6101). 5 C.F.R. 630.206. H.R. 1784 (96th Cong.). B-179810 (1976). B-190011 (1977).

In order to determine the extent of compliance with Federal workday requirements, a study plan was devised using two approaches: a questionnaire was sent to a random sample of 3,500 civilian employees from seven of the largest Federal agencies; and interviews with 238 personnel officers, managers, and union representatives were conducted at 29 locations. Response rates for the questionnaire were above 80 percent. GAO studied only the time spent at the workplace, and not the productive use of that time.

Findings/Conclusions: Of the questionnaire respondents, 75 to 83 percent worked at least 40 hours per week, 18 to 27 percent worked 41 to 70 hours, and 17 to 26 percent worked 33.5 to 39.9 hours. Extended lunchbreaks appeared to be the most frequent abuse, particularly in urban locations where eating facilities were often congested. Supervisors generally did not place high priority on monitoring work hours for the following reasons: because they trusted employees to follow policy, because they believed most employees worked 40 hours a week and made up any lost time, and because they believed deadlines were met. Two major issues that appeared to be emerging were: the length of the workweek and its effect on employment and productivity; and the focus of Government control.

Recommendations: The Director of the Office of Personnel Management should: obtain government-wide information on all agencies' official and unofficial policies and practices on scheduled work hours, lunch, and breaks; compare and evaluate those policies and practices; identify the need for additional guidance; and issue necessary guidance and require necessary changes. As one of the research and demonstration projects authorized in the Civil Service Reform Act, the Director should design an experiment to test the use of performance measures rather than hours at the workplace as the basis on which personnel are paid. This experiment should also test the effects of tight versus lenient controls. In considering any legislation to reduce the workweek, Congress should relate Federal work-hour decreases to changes in overall productivity or other measures of performance or fringe benefit tradeoffs. To do this, better data from work measurement, productivity, and cost systems would be needed. In addition, a total compensation comparability policy would need to be established by Congress. Results of this research and demonstration project should be used to evaluate the need for changes in legislation.

OPM stated that they generally agree with all of the report recommendations and that they would attempt to implement them when possible. *(FPCD-79-24, 5-21-79)*

Appropriations

Office of Personnel Management

Appropriations Committee Issues

OPM needs to monitor work hour policies and provide guidance and direction to agencies to ensure that both employees and the Federal government are treated equitably.

OFFICE OF PERSONNEL MANAGEMENT

Personnel Restrictions and Cutbacks in Executive Agencies: Need for Caution

Budget Function: General Government: Central Personnel Management (805).

For the Federal Government to be effective, its programs and activities must be effectively implemented. Sound implementation can be weakened by too many employees, resulting in costly nonproductivity, or by too few, resulting in an unmanageable workload. Over the past several years, GAO has issued many reports illustrating the problems caused by insufficient staff. These problems, affecting a wide range of Government programs, include work backlogs, ineffective implementation of legislative mandates, excessive use of overtime and consultants, and, in several cases, criminal abuses.

Findings/Conclusions: Staff shortages are sometimes the result of agency mismanagement. However, some programs are inadequately staffed for reasons over which the agency has little or no control. Insufficient funding can prevent an agency from hiring the employees it needs, and personnel ceilings can have similar restrictive effects. Mechanisms for controlling personnel resources are needed; however, other elements such as travel, equipment, working space, and supplies must also be carefully analyzed for their effect on program management.

Recommendations: Congress should carefully assess the impact of personnel ceilings and cutbacks if it is to avoid reducing staff at the expense of effectively administered programs. *(FPCD-77-85, 2-9-78)*

Appropriations

Office of Personnel Management—salaries and expenses

Appropriations Committee Issues

Action taken to hold down or reduce the size of the Federal work force can have adverse effects on the achievement of Federal program goals.

OFFICE OF PERSONNEL MANAGEMENT

Policy of Paying Cost-of-Living Allowances to Federal Employees in Nonforeign Areas Should Be Changed

Budget Function: Central Personnel Management 0805.
Legislative Authority: 5 U.S.C. 5941 (a)(1)(1970).

GAO reported to the Congress that the cost-of-living allowance paid to certain employees in Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands, is no longer an appropriate means of compensation. The allowance was authorized by a 1948 law to reimburse Federal white-collar employees in nonforeign areas outside the continental United States when their living costs were substantially higher than those in the Washington, D.C. area. The report questioned the need for continuation of the allowance based on the following reasons.

—Nonforeign areas have undergone major social, economic, and political change since the law was enacted authorizing the allowance.

—A Federal pay-setting policy of comparability with the private sector has been enacted and placed in operation. The cost-of-living allowance is inconsistent with this principle.

—The allowance is discriminatory because it is not given in other areas of the United States where the cost of living is high. Conversely, pay is not adjusted downward in cost-of-living areas.

GAO recommended that the allowance be eliminated. A more equitable means of compensation—special pay rates based on private sector pay rates—could be used, if warranted, to overcome any recruitment and retention problems caused by higher private sector pay in these areas. The report also pointed out that, as administered by the Civil Service Commission, the allowance overcompensates nonforeign area employees for interarea cost-of-living differences. Until such time as the provision of law authorizing the allowance may be repealed, the Commission should make the following changes to better achieve the legislative intent—compensating for interarea cost-of-living differences:

—apply the cost-of-living differential percentage to employees' spendable income rather than base pay; this would eliminate the financial gain for such items as Federal income taxes and retirement contributions, which are not included in the interarea comparisons but which cost the same regardless of place of employment;

—in computing the allowance, consider marital status, family size, income level, and State and local income taxes, which affect employees' living costs; and

—establish regional rather than flat area-wide allowance rates to recognize any intra-area cost-of-living differences which may exist.

The Commission (now the Office of Personnel Management) expanded its living cost surveys to include additional locations in Hawaii, Puerto Rico, and Alaska and, in November 1976, established separate allowance rates reflecting interarea living cost differences.

By mandate of Executive Order 12070, June 30, 1978, OPM re-evaluated the entire cost-of-living allowance program for nonforeign areas and submitted its report to the President. *(FPCD-75-161, 2-12-76)*

Appropriations

Office of Personnel Management—salaries and expenses

Appropriations Committee Issues

OPM should improve its administration of the cost-of-living allowance in nonforeign areas to better achieve the legislative intent of the program.

OFFICE OF PERSONNEL MANAGEMENT

Special Retirement Policy for Federal Law Enforcement and Firefighter Personnel Needs Reevaluation

Budget Function: Income Security: Federal Employee Retirement and Disability (602).
Legislative Authority: P.L. 80-168. P.L. 80-879. P.L. 84-854. P.L. 92-382. P.L. 93-350. 5 U.S.C. 8331-39.

The adequacy, effectiveness, and reasonableness of the Government's policy of providing earlier and more generous retirement benefits to Federal law enforcement and firefighter personnel were investigated.

Findings/Conclusions: The law currently authorizes these special retirement benefits for about 52,000 Federal employees. The purpose of the special retirement law is to improve the quality of law enforcement and firefighting services by helping to maintain a young, vigorous work force. The more generous benefits are provided to make earlier retirement economically feasible. The Special retirement policy is an expensive method of marginally reducing the age of retirement. Covered employees are not retiring much earlier than employees under regular civil service retirement provisions.

Recommendations: The Congress should reevaluate the need for special, early retirement. If it is considered necessary to compensate certain personnel for the hazard and stress commonly associated with these occupations, that compensation should be reflected in pay, not in retirement benefits. Employees who cannot perform satisfactorily before the optional retirement age should be reassigned to less demanding duties or, as a last resort, retired under existing disability programs. If the special retirement policy continues, the Congress should amend the law to require additional retirement contributions by employing agencies and reevaluate the eligibility criteria, the mandatory retirement provision, and the benefit structure.

The Civil Service Commission (now Office of Personnel Management) agreed that the policy needs to be reevaluated. Operating agencies and employee unions generally disagreed. The Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, held a series of oversight hearings between September 1977 and December 1977 on the report. GAO, Civil Service Commission, law enforcement agencies and employee/retiree organizations participated in the hearings. Subcommittee staff advised us that legislation may be introduced with the 96th Congress, to amend certain aspects of the existing policy. *(FPCD-76-97, 2-24-77)*

Appropriations

Office of Personnel Management—salaries and expenses

Appropriations Committee Issues

The continued need for the special, early retirement benefits is questionable. The special, early benefits cost considerably more than regular civil service benefits—about 61 percent more according to the then existing Civil Service Commission. Covered employees and employing agencies each contribute 7.5 percent of base pay toward these benefits, but their normal cost (as a percentage of pay) is estimated to be about 21 percent ignoring inflation and about 45 percent considering inflation. As a minimum, employing agencies' contributions should be raised to cover these costs, thereby eliminating the hidden treasury subsidies.

OFFICE OF PERSONNEL MANAGEMENT

INCENTIVE AWARD BRANCH

Does the Federal Incentive Awards Program Improve Productivity?

Budget Function: General Government: Central Personnel Management (0805).
Legislative Authority: Civil Service Reform Act of 1978. Government Employees' Incentive Awards Act of 1954. Federal Salary Reform Act of 1962 (P.L. 87-793; 5 U.S.C. 5336). F.P.M., ch. 451. F.P.M., ch. 273.

The Federal Government uses incentive awards and quality step increases (QSI) to encourage employees to improve their work performance and, consequently, Government operations, by recognizing work exceeding normal performance requirements.

Findings/Conclusions: A questionnaire sent to Federal employees revealed that many felt unmotivated by their agencies' incentive programs and believed that the workers most deserving of cash awards were often passed over. Other comments identified the failure of awards programs to increase productivity and the feeling that improvements in efficiency were not recognized with awards. An analysis of incentive awards programs revealed that some workers receiving awards were rated as below-average performers. These problems exist because agency programs overlook the following basic components: linkage to agency goals, systems for setting work expectations and measuring performance, motivation of managers to use awards programs, timely and relevant awards separated from the basic salary rate, and an annual evaluation of program results. Most employees questioned believed that an improved incentives system would improve their performance. In most agencies surveyed, GAO found an excessive use of the QSI as the most commonly granted form of cash recognition, rather than the generally preferable promotion. The Civil Service Reform Act of 1978 helps associate incentive awards and employee performance, although the Act provides only the framework for change; the responsibility for accomplishment lies with supervisors and managers.

Recommendations: The Director, Office of Personnel Management, should revise Chapter 451 of the Federal Personnel Manual to require the review and approval of agency incentive award plans, provide that agencies take necessary corrective actions if plans do not comply with Office guidelines, establish appropriate award scales for different grade levels, and offer alternatives to conventional cash and honorary awards. Congress should require the Director of the Office of Personnel Management to ensure the granting of QSIs in accordance with the Federal Personnel Manual and demonstrate that this has been accomplished. If this cannot be demonstrated, the Director should be required to terminate quality step increases altogether and merge funds set aside for this purpose with incentive awards program funds for employees not covered by the Senior Executive Service and Merit Pay provisions of the Civil Service Reform Act.

OPM stated that the report correctly identified areas that are essential to the effectiveness of agencies' programs. They also stated that the report contains several recommendations that should improve administration of the program. Since the report was issued, OPM has revised its Federal Personnel Manual regarding incentive awards. These revisions largely reflect the recommendations made in the report. *(FGMSD-79-9, 3-15-79)*

Appropriations

Office of Personnel Management—salaries and expenses

Appropriations Committee Issues

Revisions have been made to the Federal Personnel Manual to improve the effectiveness of the Federal Incentive Awards Program. It is now necessary for OPM to monitor these revisions and ensure agency compliance.

SMALL BUSINESS ADMINISTRATION

Effectiveness of Federal Effort Providing Management Services and Technical Assistance to Small Business Concerns (Review of the Small Business Administration's Management Assistance Program)

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

The Small Business Administration's (SBA's) management assistance program was surveyed at the San Francisco District Office to evaluate the quality of the assistance rendered in helping persons to succeed as business owners.

Findings/Conclusions: The survey was terminated because sufficient financial data on management assistance clients were not on file although borrowers' financial statements are required under the loan agreements signed by the business owners. Because it has not obtained financial information from its management assistance clients, SBA lacks the means to evaluate its management assistance efforts and the needs of its clients for follow-on assistance. Until more financial information is obtained and analyzed in a systematic manner, the management assistance program cannot achieve its full potential. SBA should pursue the collection and analysis of the business data necessary to identify management needs of clients and to measure the effectiveness of assistance provided.

SBA agreed that there is a need for more and better financial data on agency clients as well as for improved program evaluation techniques. *(CED-78-64, 3-15-78)*

Appropriations

Small Business Administration—salaries and expenses

Appropriations Committee Issues

Financial information needs to be collected and analyzed by SBA to determine whether this program is effective.

SMALL BUSINESS ADMINISTRATION

Efforts To Improve Management of the Small Business Administration Have Been Unsatisfactory—More Aggressive Action Needed

Budget Function: Community and Regional Development: Area and Regional Development (0452).
Legislative Authority: Small Business Act (15 U.S.C. 636(A)). Small Business Investment Act of 1958 (15 U.S.C. 661). Small Business Amendments of 1974 (P.L. 93-386).

The Small Business Administration (SBA) has been unsuccessful in carrying out many GAO recommendations to correct problems in its programs and activities. Key programs and activities dealing with personnel, financial, and management control functions of the agency continue to need improvement.
Findings/Conclusions: SBA Continues to produce unsound loans under the business loan program because its approval and servicing procedures are not followed. The agency's monitoring of the local development companies' activities continues to be insufficient. Investment policies of small business investment companies have not changed appreciably since prior review by GAO. Some employees making or influencing decisions on assistance do not file statements of employment and financial interests, even though the agency issued rules and regulations on the matter. Although the agency has issued new procedures in some cases and reminded employees to follow existing procedures in others, most of the problems previously reported to Congress still exist.
Recommendations: The Administrator, SBA, should review SBA's actions to implement GAO's prior recommendations, and take the steps necessary to make sure that effective corrective actions are taken on those recommendations which have not been fully carried out. In future oversight hearings on the local development company program, the Senate Select Committee on Small Business and the House Committee on Small Business should review the SBA March 1977 policy change which eliminated the requirement that owners of small businesses who have sufficient personal resources fund at least part of the loan. With this change, the agency is not a lender of last resort, as is the case in other small business loan programs. In addition, these committees should closely monitor the agency's progress in correcting problems.

The Administrator, SBA, agreed and directed that a review and evaluation be made of all recommendations made in GAO reports issued since 1975, including those under Public Law 93-386. *(CED-79-103, 8-21-79)*

Appropriations

Small Business Administration—Business Loan and Investment Fund
Small Business Administration—salaries and expenses
Small Business Administration—operating expenses

Appropriations Committee Issues

The Committee should determine how well SBA's top management has acted to ensure that GAO's prior recommendations are effectively implemented.

SMALL BUSINESS ADMINISTRATION

Questionable Effectiveness of the 8(a) Procurement Program

Budget Function: Other Advancement and Regulation of Commerce (403).
Legislative Authority: Small Business Act of 1953, Section 8(a).

GAO reported to the Congress that the Small Business Administration (SBA) had achieved minimal success in helping disadvantaged firms become self-sufficient and competitive under the 8(a) procurement program. From 1968 to August 1974, only 31 firms successfully completed the program. In addition, 73 of the 110 firms GAO evaluated had not reached self-sufficiency. A major reason for this lack of success was SBA's inability to control the supply of contracts from Federal Agencies.

Findings/Conclusions: SBA encouraged nondisadvantaged businesses (sponsors) to provide management services, training and capital to 8(a) firms. However, the sponsors often maintain control of the 8(a) firms, which appears to be inconsistent with developing their self-sufficiency. While SBA emphasized that the performance of the 8(a) firms must be closely monitored and management systems are important tools, no regular monitoring has been done nor has management assistance been provided. Some applicants, whose need for assistance appeared questionable, had been admitted to the program on the basis of social disadvantage.

Recommendations: The Administrator, SBA should: reconsider SBA's position of maintaining 1,500 active firms in its program and periodically adjusting the number of firms for the level of contracts that can be made available; establish a system to monitor a sponsor's compliance with the terms of the sponsorship arrangement as approved by SBA—management agreements establishing a sponsor's services and fees would be especially helpful; require field offices to consider all factors in the standard operating procedures when determining the need for 8(a) assistance and document the connection between an applicant's social or economic disadvantage and his inability to compete effectively in the business world; establish adequate internal controls to insure that 8(a) firms are provided management assistance.

We were informed by SBA that they are adjusting the number of firms to be supported to about 1,300. Their revised operating procedures make the regional directors responsible for monitoring and evaluating their district offices activities in the performance and conduct of the 8(a) program activities. SBA further commented that their procedures require field offices to consider all of the suggested factors in determining the need for 8(a) assistance, and the need for management assistance for most 8(a) firms is well defined and understood by their field offices. *(GGD-75-57, 4-16-75)*

Appropriations

Small Business Administration—operating expenses

Appropriations Committee Issues

SBA's 8(a) program, which depends for administrative support on congressional appropriations, could be improved and the development of minority businesses participating in the program fostered, if SBA determined how many businesses the program can assist effectively, considering the available contract supply, and if the number of businesses were periodically adjusted in accordance with changes in this supply.

SMALL BUSINESS ADMINISTRATION

Should Lenders Assume More Responsibility in the Small Business Administration 7(a) Loan Program?

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).
Legislative Authority: Small Business Act (15 U.S.C. 636 (a)). Emergency Livestock Credit Act of 1974 (P.L. 93-357, as amended). Rural Development Act of 1972 (7 U.S.C. 1932). Indian Financing Act of 1974 (25 U.S.C. 1451). Public Works and Economic Development Act of 1965. 42 U.S.C. 3121. 38 U.S.C. 1801. Veteran Housing Loan Program (38 U.S.C. 1801).

Under the 7(a) loan program, the Small Business Administration (SBA) makes or guarantees loans to small businesses to finance plant construction, conversion, or expansion; to purchase equipment, facilities, machinery, supplies, and materials; and to supply working capital. The feasibility of transferring responsibility for approving, servicing, and liquidating 7(a) guaranteed loans from the SBA to the private lenders participating in the program is being investigated by the Congress.

Findings/Conclusions: There was no consensus among the private lenders interviewed concerning the feasibility of transferring more 7(a) responsibilities to private lenders. Concerns expressed by officials of private lending institutions, the SBA, or the American Bankers Association regarding transferring 7(a) loan responsibilities to private lenders included: (1) current legislation does not permit SBA to delegate responsibility for committing Federal funds to private lenders; (2) there is a potential for abuse and conflict of interest in permitting private lenders to make decisions on loans guaranteed by the Federal Government; (3) eligibility requirements of the 7(a) loan program change frequently; (4) the Federal Government may lose its priority in bankruptcy proceedings if nongovernmental agencies conduct liquidations; (5) private lender personnel are changing constantly and are unable to develop expertise in the 7(a) program; and (6) there may be increased administrative burden and cost to private lenders because of additional responsibilities. *(CED-78-88, 4-4-78)*

Appropriations

Small Business Administration—Business Loan and Investment Fund

Appropriations Committee Issues

The Committee should examine the extent to which SBA could transfer more loan responsibilities to private lenders.

SMALL BUSINESS ADMINISTRATION

The Small Business Investment Company Program: Whom Does It Benefit? Is Continued Federal Participation Warranted?

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).
Legislative Authority: Small Business Investment Act of 1958, as amended (15 U.S.C. 661). Federal Financing Bank Act of 1973.

The Small Business Investment Company (SBIC) program was intended to stimulate and supplement the flow of private-equity capital and long-term loans to small businesses (independently operated, generally with assets not exceeding $9 million) for growth, expansion, and modernization. The Government makes long-term loans to SBICs which are regulated and licensed by the Small Business Administration (SBA), charging interest at approximately its cost of borrowing, about 7% or 8%.

Findings/Conclusions: In spite of the Government's large financial commitment to the program, only a select group of small businesses is being serviced. As of March 31, 1976, 277 SBICs had outstanding investments of about $569 million and about $467 million in Federal loans outstanding. Equity-oriented SBICs consider investments according to risk and growth potential and set rigid investment criteria, while loan-oriented SBICs are primarily concerned with the borrower's ability to repay loans. The following factors restrict the usefulness of the program: it is smaller than it was in its formative years in number of investment companies and annual financings; few businesses get equity-type financing because of the preference of SBICs for larger small businesses with growth potential; such businesses can receive financing from private industry; private companies sometimes financed the same businesses as SBICs, usually with larger investments; much of the equity capital provided has come from bank-dominated SBICs—many of the companies have not used the loan funds, and SBICs often serve the same clientele as those of the SBA's 7(a) business loan program which has better terms for loans.

Recommendations: The Congress should require the Administrator of SBA to fully justify the role, if any, that the SBIC program should play in meeting the financing needs of small businesses, including a determination of: size and type of small businesses that are financed by the private venture capital industry and its ability to meet equity-financing needs, whether the SBIC program is the proper vehicle to meet the needs of small businesses, and whether continued funding of loan-oriented SBICs is warranted.

SBA disagreed in many respects with GAO's analysis of the program. SBA stated that a thorough study of the program using outside consultants might provide a third opinion on where the program has been, is today, and should be headed. *(CED-78-45, 3-3-78)*

Appropriations

Small Business Administration—Business Loan and Investment Fund

Appropriations Committee Issues

When evaluating SBA's budget requests, the Committees should examine the issue of whether the program should be continued.

SMALL BUSINESS ADMINISTRATION

What Is a Small Business? The Small Business Administration Needs to Reexamine Its Answer

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).
Legislative Authority: Small Business Act, as amended (15 U.S.C. 632).

The Small Business Administration's (SBA's) size standards define which businesses are small and, therefore, eligible for Federal small business assistance programs. SBA regulations state that, since smaller concerns often are forced to compete with middle-sized, as compared with very large, concerns, size standards should be established as low as is reasonably possible. Also, these standards should be limited to that segment of each industry that is "struggling to become or remain competitive."

Findings/Conclusions: The present loan and procurement size standards for most industries were established 15 or more years ago and have not been reviewed periodically to determine their continuing validity. SBA records do not indicate how size standards established before 1971 were arrived at. Analyses supporting 10 of the 64 standards established since 1971 do not demonstrate that the standards were set in conformance with agency regulations. Because the SBA has not accumulated data on the size of businesses that have bid both successfully and unsuccessfully on set-aside and unrestricted contracts, it does not know the size of firms in many industries which need set-aside protection. The current size standards often define as "small" a high percentage of an industry's businesses. The size standards appear to have little effect on the size of businesses which receive section 7(a) loans.

Recommendations: The Administrator of the SBA should reexamine the standards to ensure that agency assistance is directed where it will best preserve free competitive enterprise and protect the interests of small businesses. This review should include: (1) determining, in accordance with regulations, the size of businesses in each industry that are struggling to become or remain competitive, and (2) by collecting data on the size of bidders on set-aside and unrestricted contracts, determining the size of businesses which need set-aside protection. *(CED-78-149, 8-9-78)*

Appropriations

Small Business Administration—operating expenses

Appropriations Committee Issues

SBA should ensure that size standards, established for many industries and most of its programs, are set so that agency assistance is directed where it will best preserve free competitive enterprise and protect the interests of small businesses.

TENNESSEE VALLEY AUTHORITY

Electric Energy Options Hold Great Promise for the Tennessee Valley Authority

Budget Function: Energy Supply (0271).
Legislative Authority: Tennessee Valley Authority Act. 16 U.S.C. 831. National Defense Act of 1916. 50 U.S.C. 79. Energy Policy and Conservation Act. Energy Conservation and Production Act of 1976. H. Rept. 73-130. U.S. Constitution, art. I, sec. 8.

Since its creation in 1933, the Tennessee Valley Authority (TVA) has evolved into the largest steam coal consumer and electric power producer in the Nation. If present plans are completed, it will also be the largest producer of nuclear power. This report, which is the first major review of the TVA power program since 1959, assesses TVA's energy-related problems in terms of numerous national policies related to energy conservation, demand management, expanded use of coal, growth of nuclear power, increased use of renewable resources, and maintenance of environmental quality.

Findings/Conclusions: TVA needs different programs and priorities if it is to reflect national energy goals and continue its role as an energy leader and yardstick.

Recommendations: In order to improve the TVA planning and decision-making process and to provide criteria by which TVA can be better evaluated, TVA should: (1) prepare a long-range comprehensive plan (minimum of 25 years) with specific short-term goals to be presented to the President and the Congress; (2) prepare several 25-year electricity demand projections emphasizing energy conservation and the use of renewable resources; (3) collect more detailed information on all users and uses of electricity; and (4) undertake a variety of energy supply and demand alternatives which should be included in the comprehensive plan. The Congress should revise the TVA charter to charge the authority with leading electricity-management plans and programs development, encouraging energy conservation and efficient production and use of energy, encouraging renewable resources use, and assuring adequate public involvement in energy planning and policymaking.

The TVA Chairman indicated that many of the programs recommended by GAO have been either started or were planned during 1978. TVA is also pursuing other initiatives in its power program. GAO supports these efforts and expects TVA's efforts, together with this report, to benefit both the region and the Nation in helping to solve energy-related problems. The type of programs which TVA has implemented or expanded upon include: load management, cogeneration, conservation measures, and solar hot water. *(EMD-78-91, 11-29-78)*

Appropriations

The Tennessee Valley Authority's power program does not receive appropriations. The system is financed through power revenues and borrowing authority. Their budget is presented to the Subcommittee on Public Works of the Senate and House Appropriations Committees.

Appropriations Committee Issues

The recommendations in this report are to make legislative changes in the charter of the Tennessee Valley Authority. TVA responsibilities would be expanded with such changes and, thus, more expenditures would be required. In certain instances the new responsibilities recommended for TVA would require appropriated money.

VETERANS ADMINISTRATION

GI Bill Benefits for Flight and Correspondence Training Should Be Discontinued

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (0702).
Legislative Authority: Title 38, United States Code.

Legislation was proposed by the Veterans Administration (VA) to Congress to terminate GI bill benefits for flight and correspondence training programs. VA contends that, because these two programs have not achieved their intended purpose, they did not lead to continuing substantial employment for most trainees, and because of the potential for abuse within the programs, they should be terminated.

Findings/Conclusions: Hundreds of millions of dollars in VA education assistance has been paid to veterans enrolled in flight training programs since the current GI bill was amended in 1967 to include such training. A random sample of veterans who completed their flight training from 1972 through 1976 disclosed that only about 16 percent had full-time jobs directly related to this training. In addition, the number of veterans who have already received flight training under the GI bill substantially exceeds the number of pilot jobs presently available or expected to be available through 1985. The overall completion rate for correspondence courses is less than 50 percent. Employment survey reports do not show whether most veterans obtained training-related employment or to what extent such employment represents the veteran's primary vocational pursuit and major source of occupational income. This is because the reports cover all students, and most students do not appear to be veterans; related employment is not limited to full-time jobs; and only a small percentage of students beginning correspondence courses are actually included in the computation of the employment rate. The GAO review supported VA assertions that flight and correspondence training programs have not achieved their intended purpose of providing continuing substantial employment for most trainees.

Recommendations: Congress should adopt the VA legislative proposal to terminate GI bill benefits for flight and correspondence training. However, if these programs are not eliminated, other legislative action should be taken to modify and clarify the 50-percent job placement rule to include: a minimum acceptable completion rate for vocational objective courses; require that 50 percent of the veterans and other eligible persons who complete vocational objective courses obtain employment in the occupational category for which training was received; and require that such employment constitute the veteran's primary vocational pursuit and major source of occupational income.

The Administrator of Veterans Affairs stated in an October 19, 1979, letter to the Director, Office of Management and Budget, that VA agrees with GAO's findings and concurs in GAO's recommendations to the Congress. *(HRD-79-115, 8-24-79)*

Appropriations

Readjustment benefits—Veterans Administration

Appropriations Committee Issues

VA estimates that termination of GI bill benefits for flight and correspondence training programs beginning with fiscal year 1980 would save about $217 million over the next 5 years. The Congressional Budget Office estimates that if the Congress adopts GAO's alternative recommendation to tighten eligibility criteria and administrative controls over flight and correspondence training programs, the fiscal year 1980 cost savings in budget authority and outlays would total about $31 million. Similar savings, in declining amounts, would also accrue in future years.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Better Services at Reduced Costs Through an Improved "Personal Care" Program Recommended for Veterans

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703).

As part of outpatient care for veterans, the Veterans Administration (VA) operates a community care program in which veterans live in residences other than their own under VA supervision. Within this program, the personal care residence (PCR) program functions as an alternative to long-term institutionalization of psychiatric, medical, and surgical patients. In the PCR (or foster home), a sponsor provides or arranges for personal care functions, and the veteran pays for his living arrangements. In fiscal year 1977, about 20,000 veterans lived in such homes.

Findings/Conclusions: The concept of the personal care program is practicable. The medical and psychiatric conditions of veterans improve after placement in PCRs, and costs of such care are reduced. Thousands of veterans in VA facilities could be cared for in PCRs but remain in the other facilities because of such factors as insufficient funds, lack of suitable community facilities, patient or family resistance to VA's outplacement efforts, and lack of a formal personal care program. VA has made some progress toward use of the program, but more needs to be done to expand its use and assure adequate services and facilities for veterans in PCRs. Ineffective program management at VA's central office and at the hospitals has resulted in some programs which do not assure that suitable veterans are placed in homes and that adequate services and facilities are provided.

Recommendations: The Administrator of Veterans Affairs should direct his actions toward: improving overall personal care program management, expanding the use of this alternative, and improving program operations to assure quality services and facilities for veterans in PCRs. The Congress should provide specific legislative authority for the PCR program and authorize VA to participate in paying the cost of indigent patients' personal care when other fund sources are not available.

VA stated that it was unable to fully respond to our recommendations because the program has limited legislative sanction in that it is based on VA's broad authority to provide hospital, nursing care, and medical services on an inpatient and outpatient basis to eligible veterans. VA stated that while this is sufficient for them to plan for the outplacement of veterans, to refer them to homes which meet VA criteria, and to provide outpatient care, it falls short of permitting VA to establish or enforce any personal care home standards once a veteran has been placed, or to impose a rate-setting structure on personal care home sponsors. However, VA concurred with most of our recommendations, assuming that the program would continue under the limited authority cited above. VA stated that it is not in favor of legislation affecting the personal care home program until an adequate data base has been developed so that a thorough analysis of all program aspects could be made. Such a study is now in progress. Congress has not taken action on our recommendations to date. *(HRD-78-107, 6-6-78)*

Appropriations

Veterans Administration—medical care

Appropriations Committee Issues

The Subcommittee needs to monitor the VA study and determine if legislation changes should be made to limit VA to expand its program.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Inappropriate Number of Acute Care Beds Planned by VA for New Hospitals

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703).
Legislative Authority: National Health Planning and Resources Development Act of 1974 (P.L. 93-641).

The Veterans Administration (VA) is planning four replacement hospitals as part of its construction program. The VA relied on historical patient workload data trends projected to 1985 from each of the existing facilities in making its estimates of future bed requirements. However, historical data on patient use of existing facilities are not considered a good indicator of future needs if lower cost alternatives to acute care are not readily available to VA in sufficient quantities. Without access to such alternatives as intermediate care and nursing home care, VA hospital patients would tend to remain longer than necessary in acute care beds, and historical data on patient use would be artificially inflated.

Findings/Conclusions: To suggest a way to overcome these problems, a new model was developed which analyzed past practices and determined what different degrees of care should have been provided. The model is designed to analyze computerized medical records of each patient discharged from the existing VA hospital and to determine how long, on an average, such a patient would have remained in an acute care bed section of a non-Federal community hospital. The model does not suggest that VA hospital beds are used for patients without medical problems but that their problems often do not require the resources associated with acute care beds for the full period of their medical treatment. The VA's method of projecting admissions and average length of stay should be changed because it does not adequately discern between acute and other types of care or show expected changes in the age mix of eligible veterans.

Recommendations: The Congress should require that the VA justify all new and replacement hospitals, in terms of priority, on the basis of a clear and explicit set of objective criteria before funding is approved. This was the second GAO report on sizing of VA hospitals. In a May 20, 1977, report, GAO recommended that VA adopt the GAO planning methodology in estimating the size and mix of beds for replacement VA hospitals. The size estimates obtained from the model should be reported to the Congress in hospital construction proposals, and any beds requested in addition to those determined by the model should be justified separately by VA. As a result of discussions in July 1977 held among VA, GAO, and members of the staff of both the Subcommittee on HUD-Independent Agencies, and the Senate Committee on Veterans Affairs, it was agreed that VA would carefully assess the GAO model in developing estimates for hospital bed needs. It was further agreed that where the estimates derived from the GAO model did not agree with the VA estimates based on its own estimating techniques, VA would report to the Congress a detailed justification for the differences between its and GAO conclusions. This agreement, which is to be used in future hospital size estimates, was confirmed in July 1977 during floor debate between the Chairmen of the Senate Veterans Affairs Committee, and the Senate Subcommittee on HUD-Independent Agencies. It was also agreed that GAO and VA would work together to develop a mutually acceptable model.

VA is now attempting to develop a new data base, but progress in coming up with a new model has been slow. The Senate Appropriations Subcommittee on HUD-Independent Agencies in its August, 1978, report stated that the Committee believes that VA has had ample opportunity to reach a resolution of its disagreements with GAO and expects the agency to develop a final model, in cooperation with GAO, by the beginning of the next fiscal year. The model should then be used by VA in developing its budget estimates for all future major hospital construction projects, including any projects currently being considered for funding in fiscal year 1980. *(HRD-78-102, 5-17-78)*

Appropriations

Veterans Administration—medical care

Appropriations Committee Issues

The Subcommittee should continue to monitor VA's activities in developing a sizing model and once developed, direct VA to use the model in developing its

budget estimates for all future major hospital construction projects.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Recruitment and Retention of Veterans Administration Health Care Workers Are Not Major Problems

Budget Function: Health: Health Care Services (551).
Legislative Authority: (89 Stat. 669; P.L. 94-123). B-131808 (1957). 38 U.S.C. 73. 5 U.S.C. 5301. 5 U.S.C. 5333.

Certain health care occupations have a large number of employees, critical responsibilities, and relatively high turnover rates. These occupations were chosen for review in an analysis of recruitment and retention problems of health care personnel, other than dentists and physicians, in the Department of Medicine and Surgery with respect to basic pay and premium and overtime pay rates: registered nurses; licensed vocational practical nurses; nursing assistants; physical therapists; occupational therapists; medical technologists; radiology technicians (diagnostic); pharmacists; nuclear medicine technicians; and inhalation therapy technicians.

Findings/Conclusions: The VA does not have widespread problems in recruiting and retaining health care workers: VA hospital workers' salaries generally were comparable to or higher than those in the non-Federal facilities; most workers who quit VA did not cite pay as the main reason; current workers were generally satisfied with their salaries; and turnover rates for VA workers were usually lower than for similar non-Federal workers. Recruitment problems were caused by: shortages of personnel in certain occupations; and isolated locations of some VA hospitals. Retention problems were caused by employees leaving the area, with family responsibilities, seeking self-development, and leaving for personal reasons. Morale problems have been created by the differences between the pay systems used to employ hospital workers, primarily between the Federal Wage System, under which many unskilled workers are hired, and the Department of Medicine and Surgery systems, under which college-trained, skilled workers are often hired. Workers under the former system earn much more.

Recommendations: The Congress should not enact special pay legislation to deal only with VA hospital workers. The problems should not be dealt with piecemeal. The recommendations of the President's Panel on Federal Compensation and in GAO's prior reports regarding pay setting and adjusting (multischedules and determining pay by locality for many Federal employees and eliminating the legislative restraints to achieving comparability with the non-Federal sector) have merit and should be implemented.

Recommendations were to the Congress; therefore, VA did not reply and no action was recommended for the agency. No Congressional action has been taken to date. *(HRD-77-57, 3-31-77)*

Appropriations

Veterans Administration—medical care

Appropriations Committees Issue

Special pay legislation should not be enacted to deal only with VA hospital workers.

WATER RESOURCES COUNCIL

Improvements Needed by the Water Resources Council and River Basin Commissions To Achieve the Objectives of the Water Resources Planning Act of 1965

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: Water Resources Planning Act of 1965.

Twelve years after the passage of the Water Resources Planning Act of 1965, only limited progress had been made in carrying out its purposes. None of the river basin commissions, for example, had completed a comprehensive water plan for its entire region. Although the Water Resources Council is required to review these plans, it still had not determined how it would conduct the review, nor had it reviewed the partial plans that it had received.

Recommendations: The Chairman of the Water Resources Council and the chairmen of the river basin commissions should jointly prepare guidelines for the preparation and review of comprehensive, coordinated joint plans and priority reports and for the clarification of the working relationship among the Council, river basin commissions, the States, and their members. At a minimum, the guidelines should include: a description of the essential elements to be included in regional plans; a format so that plans may be compared among regions; and a procedure detailing how these plans will be reviewed, processed, and used at the various levels of government. The Chairman of the Council should encourage the Director of the Council and individual members of the Council of Representatives to take a more aggressive role in bringing unresolved matters to the attention of the Council of Members for resolution.

The Water Resources Council abolished the Council of Representatives in October 1978. The council also is establishing task forces to review planning procedures, plan utilization, and regional plan review processes. The task forces are expected to complete their work by June 18, 1980. *(CED-78-1, 10-31-77)*

Appropriations

Water Resources Council—water resources planning

Appropriations Committee Issues

The Committee should determine the Council's progress in implementing revised planning procedures and review processes.

VARIOUS DEPARTMENTS AND AGENCIES

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS
DEPARTMENT OF JUSTICE
FEDERAL JUDICIAL CENTER
JUDICIAL CONFERENCE OF THE UNITED STATES

Speedy Trial Act--Its Impact on the Judicial System Still Unknown

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752).
Legislative Authority: Speedy Trial Act of 1974.

Federal law requires that a Federal criminal case be processed within the established time frames totaling 100 days. Generally, cases not processed within this period, as extended by allowable delays, must be dismissed with or without prejudice. To allow district courts to move smoothly toward the 100-day limit, legislation provided a 4-year phase-in period during which time specific steps were to become effective gradually.

Findings/Conclusions: The district courts did not develop sufficient data to identify the reasons for implementation problems. During the phase-in period, the courts relied on limited data and subjective judgments of court officials, judges, and U.S. attorneys rather than on a systematic evaluation of empirical data to document the problems in meeting the timeframes. As a result, limited evidence exists for suggesting either procedural or legislative timeframe changes. Nonetheless, the Judicial Conference, the Administrative Office of the U.S. Courts, and the Department of Justice have taken the position that Congress should lengthen the timeframe cumulatively from 100 to 180 days. However, there is no assurance that the action called for is necessary and that it would have the desired effect.

Recommendations: The Judicial Conference of the United States, in cooperation with the Administrative Office of the U.S. Courts and the Judicial Councils should: develop data on a representative basis that clearly shows why cases are not being processed within the 100-day arrest-to-trial timeframe; assess the cause, severity, and impact of these problems to formulate and justify rule changes, additional resources, or amendments, and quantify the problems and identify the various alternatives at the district court level which could be used to overcome these problems; and periodically report the problems to Congress with legislation and improvements needed. Congress should establish a viable alternative which would be to modify legislation to require the courts to use the permanent 100-day timeframe and postpone the implemention of the dismissal sanction for 18 to 24 months.

The Administrative Office of the U.S. Courts, the Federal Judicial Center and Department of Justice all disagreed with GAO's conclusion that there was insufficient data available to consider proposed amendments to the Speedy Trial Act. All three agencies contend that data now available provide a substantial enough basis for formulating and considering recommendations for remedial action by Congress before July 1, 1979. All three agencies have suggested that the timeframes be extended from 100 to 180 days. On August 2, 1979, Congress passed the Speedy Trial Act Amendment of 1979 (P.L. 96-43) which included postponing the dismissal sanction for 12 months—until July 1, 1980. In addition, the amendments require Justice to submit a report to Congress concerning the impacts of implementing the Speedy Trial Act. Each U.S. District court is required to submit a plan regarding disposition of cases within its jurisdiction during the 6-, and subsequent 12-, calendar-month periods after enactment of this Act. *(GGD-79-55, 5-2-79)*

Appropriations

Department of Justice
Administrative Office of the United States Courts

Appropriations Committee Issues

Congress will need to determine whether the dismissal sanctions can be implemented after July 1, 1980, or whether the timeframes need to be modified. Is the Judicial Conference, in cooperation with the Administrative Office of the U.S. Courts and Judicial Councils,

able to determine why cases are not being processed within the 100-day timeframe? Are they able to assess the cause, severity, and impact of these problems to formulate and justify changes, additional resources, or amendments?

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL AERONAUTICS BOARD
FEDERAL MARITIME COMMISSION
FEDERAL TRADE COMMISSION
INTERSTATE COMMERCE COMMISSION

Protecting Consumer Rights in the Tour Industry: Who Is Responsible?

Budget Function: Transportation: Ground Transportation (0404).
Legislative Authority: Airline Deregulation Act of 1978. Federal Trade Commission Act (15 U.S.C. 45(a)(2)). P.L. 89-777.

In 1977, American households took an estimated 312 million trips, of which 18.7 million were package tours. It is estimated that at least $4 billion was spent on these package tours. The growing number of complaints received by Federal agencies attests to the fact that the consumer rights of travelers taking package tours are not adequately protected. A Federal Trade Commission (FTC) investigation of the industry revealed that as many as 800,000 travelers a year may encounter problems with the tour they purchase. In early 1976 the FTC initiated an investigation of the package tour industry. During the investigation, FTC received about 3,000 complaints from travelers. Complaint files of subpoenaed tour operators were also checked.

Findings/Conclusions: FTC estimated that the most common unpleasant experience of traveling consumers is the failure to receive one or more advertised items. Almost all tour operators have a high incidence of complaints involving the notification or lack thereof of changes in tours. Another problem is the traveler's inability to ascertain easily from the brochure who the tour operator is and who is liable if something goes wrong. FTC uncovered only one operator who did not have an extremely broadly phrased limitation of liability clause, typically inserted in the fine print of the brochure. FTC found that almost invariably operators limit their liability for the failure of third parties to fulfill their contractual obligations. In a significant number of cases, operators attempt to exculpate themselves from their own negligent acts. GAO concluded that greater controls to protect the touring public are needed, but realized that this may be difficult to achieve under the current disjointed Federal regulatory structure. Although FTC is responsible for preventing unfair practices in industry, the various transportation regulatory agencies, such as the Civil Aeronautics Board, Interstate Commerce Commission, and the Federal Maritime Commission, are responsible for regulating the modal aspects of tours. FTC is precluded from exercising jurisdiction over transportation carriers, and the responsibility of the regulatory transportation agencies is unclear. A regulatory gap has resulted.

Recommendations: After receiving authority from the Congress, the Chairman of the FTC should focus on the following: (1) requiring greater affirmative disclosure of basic tour information in brochures and contracts; (2) modifying the typical liability limitation clause in contracts to strike out language which is clearly unconscionable and unenforceable; (3) requiring that travelers be promptly notified of important changes in a package tour and that they be given the option to cancel without penalty; and (4) making it easier for travelers to sue the tour operator in the jurisdiction where they purchased the tour package. This could be accomplished by requiring tour operators to designate travel agents which sell their tours as their agents for accepting service of process. Congress should enact legislation providing FTC with primary responsibility for preventing unfair and deceptive practices concerning ground or nontransportation parts of package tours. This can be accomplished by further amending the Federal Trade Commission Act to add the following to section 5(a)(2): "provided, however, that nothing in this subsection shall exclude from its coverage carriers, or others, insofar as ground or nontransportation parts of package tours are concerned." In addition, the Congress should direct FTC to assist the tour operator industry in gradually implementing a consumer protection trust fund.

No Action has been taken to implement report recommendations. *(CED-79-108, 7-23-79)*

Appropriations

Civil Aeronautics Board—salaries and expenses
Federal Trade Commission—salaries and expenses
Federal Mairitme Commission—salaries and expenses
Interstate Commerce Commission—salaries and expenses

Appropriations Committee Issues

The Committee should be concerned that the efficient use of funds is not being achieved under the present fragmented regulatory responsibility.

VARIOUS DEPARTMENTS AND AGENCIES

COMMUNITY SERVICES ADMINISTRATION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Federal Domestic Food Assistance Programs: A Time for Assessment and Change

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).
Legislative Authority: Community Services Act of 1974 (42 U.S.C. 2921 et seq.). Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-113). National School Lunch Act, as amended (42 U.S.C. 1751 et seq.). Child Nutrition Act of 1966, as amended (42 U.S.C. 1771 et seq.). Older Americans Act of 1965, as amended (42 U.S.C. 3045 et seq.). Act of August 24, 1935, as amended (7 U.S.C. 612c). Agricultural Adjustment Act of 1949, as amended (7 U.S.C. 1431). Economic Opportunity Act of 1964, as amended (42 U.S.C. 2701 et seq.). Social Security Act of 1935, as amended (42 U.S.C. 601 et seq.). Social Security Amendments of 1972 (P.L. 92-603, title III, 86 Stat. 1465). Economic Opportunity Act of 1964, as amended (P.L. 88-452, 78 Stat. 508).

Thirteen major Federal domestic programs, costing several billion dollars annually, provide food or food-related assistance to needy Americans. The programs are administered by the Department of Agriculture; the Department of Health, Education, and Welfare (HEW); and the Community Services Administration (CSA).
Findings/Conclusions: These programs have helped many people obtain more adequate diets. However, the large and accelerating costs of the programs, their piecemeal authorization and administration, and proposals for comprehensive welfare reform have created a need and opportunity to examine the programs' interrelationships and effectiveness. Multiple participation in the programs, which is sanctioned in legislation, has created a situation in which benefits often exceed amounts average American families of comparable size spend for food. In addition, food stamp allotments—the total value of food stamps a household could receive—alone covered 82% to 164% of the thrifty food plan diet. If adjustments to the allotments were made based on the ages and sexes of household members, about $570 million less in benefits would be paid out annually. The extent of food benefit gaps and overlaps cannot be measured precisely because of inadequate data collection. If needed studies show that some program participants do not receive adequate benefits, their benefit levels could be increased by using the savings resulting from individualizing food stamp allotments and eliminating program overlaps. Problems also result from varying eligibility criteria and procedures, lack of a uniform definition of "needy," and inadequate program coordination. There is also a lack of adequate data to determine the proper level of benefits, interrelationships of the programs, and the nutritional effectiveness of the programs.

Recommendations: The Secretaries of Agriculture and HEW and the Director, CSA, should: determine the extent of benefit overlaps and gaps among the programs; develop and carry out a way to measure Americans' nutritional status in order to evaluate the effectiveness of food assistance efforts; propose consistent income and asset eligibility requirements and procedures and study their effects on program participation, costs, and work incentives; establish demonstration projects to test procedures for individualized food stamp allotments; study the feasibility of considering benefits from one program when determining eligibility and benefits in other programs, and consolidating administrative aspects of certain programs at the local level; explore alternatives to food delivery systems in the women, infants, and children program; make sure that persons in need of specific benefits from one program are referred to other programs; and study ways to encourage the exchange of information among local administrators to identify potential and ineligible recipients. The Congress should, on the basis of the executive branch's study, adopt a definition of "needy," establish consistent criteria and procedures to determine who is eligible for food assistance, eliminate duplicate benefits, and require a single State/local agency to be responsible for food program administration. The Congress should also approve a national policy on how much food assistance should be provided to needy Americans, consolidate Federal food programs, and authorize individualized food stamp allotments nationwide if they are shown to be administratively feasible.

The Community Services Administration said that it agreed with the recommendations to reduce duplication and increase the efficiency of Federal feeding pro-

grams, but cautioned that great care must be taken to avoid reducing the total level of nutrition to the poor. The Departments of Agriculture and Health, Education, and Welfare disagreed with several of the principal recommendations. However, due to the large amounts of benefit overlaps involved, further consideration by the Departments is warranted. *(CED-78-113, 6-13-78)*

Appropriations

Department of Agriculture, Food and Nutrition Service—food stamp program, special milk program, child nutrition programs, special supplemental food program, food donations program, elderly feeding, program
Department of Health, Education, and Welfare, Social Security Administration—supplemental security income program and assistance payments program; Office of Human Development—human development services

Appropriations Committee Issues

When considering these programs' annual appropriation levels, the Committees should give consideration to the gaps and overlaps existing in these programs and to the possibility that individualizing food stamp benefits based on age and sex could result in more equitable distribution of benefits and/or lower costs.

COMMUNITY SERVICES ADMINISTRATION
DEPARTMENT OF ENERGY

Evaluation of Four Energy Conservation Programs: Fiscal Year 1977

Budget Function: Energy: Energy Conservation (0272).
Legislative Authority: Energy Conservation and Production Act, title IV, P.L. 94-385. Department of Energy Organization Act. 42 U.S.C. 715. Energy Policy and Conservation Act. 42 U.S.C. 6201. Economic Opportunity Act of 1964. P.L. 88-452. Community Services Act of 1974. Comprehensive Employment and Training Act. P.L. 93-644. OMB Circular A-102. Federal Management Circular 74-7.

Title IV of the Energy Conservation and Production Act authorized four programs to encourage and facilitate the implementation of energy conservation measures and renewable-resource energy measures in dwelling units, nonresidential buildings, and industrial plants. The authorized programs are: supplemental State energy conservation plans, weatherization assistance for low-income persons, energy conservation and renewable-resource obligation guarantees, and national energy conservation and renewable-resource demonstration for existing dwelling units.

Findings/Conclusions: The renewable-resource obligation guarantees program is a discretionary program designed to guarantee the outstanding principal amount of an obligation, the purpose of which is to finance the installation or implementation of an energy conservation or renewable-resource energy measure in any existing building or plant. The program has not been implemented. As of September 30, 1977, 55 jurisdictions were participating in State base programs, and 22 were participating in the supplemental programs for energy conservation. At the end of fiscal year 1977, Federal program expenditures were $6.8 million for the base and $3.7 million for the supplemental programs. Administration and operation of the State programs need to be improved in the areas of assessing program impact, accounting of funds, monitoring compliance, and providing technical assistance. Two Federal low-income weatherization programs have nearly identical purposes, methods of funding, and weatherizing measures. Both lack centralized control and authority.

Recommendations: The Secretary of Energy should test the guarantees program and proceed with a demonstration program sufficient to evaluate alternative financial incentives. With regard to the State energy conservation program, the Secretary of Energy should: require States to report on an annual basis the actual energy savings achieved, review and certify the States' accounting systems, review with States the Federal requirements concerning the use of Federal funds, require all States to use the monitoring system developed by the Department of Energy, and make sure that energy progress is reported consistently. The Congress should transfer the responsibility for administering the Community Services' Administration weatherization program to the Energy Department in order to centralize control and authority. The Secretary of Energy and Director of the Community Services Administration should each establish an interim limit of $400 of Federal funds to be used for weatherization materials per dwelling unit.

Concerning the obligation guarantees program, DOE said they would await the results of a third study of the program's possible impact before deciding whether to go ahead with this program. Concerning the financial incentives demonstration program, DOE said it was proceeding to study how such a program might be carried out. *(EMD-78-81, 11-21-78)*

Appropriations

Department of Interior and related agencies

Appropriations Committee Issues

As required by law, DOE should implement, at a minimum, a pilot program to test various forms of financial incentives.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF TRANSPORTATION
ENVIRONMENTAL PROTECTION AGENCY

Preserving America's Farmland--A Goal the Federal Government Should Support

Budget Function: Agriculture: Agricultural Research and Services (0352).
Legislative Authority: Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913). National Environmental Policy Act of 1969 (42 U.S.C. 4321). National Housing Act (12 U.S.C. 1701). Rural Development Act of 1972 (7 U.S.C. 1010a). Soil and Water Resources Conservation Act of 1977 (P.L. 95-192; 91 Stat. 1407). Surface Mining Control and Reclamation Act of 1977 (P.L. 95-87; 91 Stat. 445).

Farmland is essential to the Nation's abundant agricultural production which has not only fed U.S. citizens well, but has been a positive contributor to the balance of payments and to humanitarian commitments to developing countries. In 1975 about 338 million acres of all rural land, including 221 million acres of cropland, were in the Department of Agriculture's (USDA) top two land capability classes. Land losses for urbanization and other nonfarming purposes, estimated at 3 to 5 million acres a year, coupled with the leveling off of agricultural productivity, pose serious questions about the Nation's ability to maintain its role as an economical food producer and exporter. Since the 1973-74 grain purchases by the Soviet Union which eliminated surpluses and sharply increased commodity prices, there has been a growing concern about the loss of farmland. Opinions vary, however, on how much farmland is being lost, its impact on the Nation's future, and what role the Federal Government should play to protect it. Emerging evidence suggests that technology may not continue to increase productivity at past levels and compensate for the loss of prime and other farmland. Governmental control of land use traditionally rests with State and local governments, and over the years some have adopted or considered various approaches to curtail farmland conversions such as preferential tax assessments, zoning, variable capital gains taxes, and sales and tranfers of development rights. The Federal Government's role in retaining farmland is still evolving and Congress has recognized the importance of prime farmland, but has not yet enacted a policy which is comprehensive. Some bills, introduced in Congress but not enacted would have established a national farmland policy and described Federal responsibilities in advancing that policy, including Federal support for State and local farmland preservation efforts.

Findings/Conclusions: Replacement or expansion of land in the farmland base involves significant tradeoffs and limitations on water, energy, environment, and cost. The proportion of agricultural production dependent on energy- and cost-intensive irrigation systems is rapidly increasing. Preserving farmland has been given little consideration or low priority and has usually been outweighed by other interests in Federal projects. Furthermore, Federal or federally assisted projects often result in the direct and/or indirect taking of prime and other farmland. One problem may be the conflict between the information regarding the importance of preserving prime farmland which is furnished to agencies, and USDA publications which cite large potential cropland reserves and production capabilities. State and local methods to preserve the land have had limited impact on its loss, and none of the methods used are likely to insure that land will be kept in agricultural production. There is insufficient data and a lack of uniform criteria to help Federal agencies evaluate the impact of losing farmland and to balance this loss against other national interests, including food production and food prices. A widely publicized national policy identifying the national interest in and goals for protecting and retaining farmland could: (1) guide and support land-use planning and decisions by the Federal, State, and local governments; (2) encourage intergovernmental coordination and cooperation in managing the land; and (3) promote public investment patterns that will minimize adverse impacts on farmland.

Recommendations: The Secretary of Agriculture should: (1) develop additional data on, and make analyses of, the significance of losing prime and other farmland; (2) insure, through periodic reviews, that all

USDA agencies evaluate the loss of prime and other farmland in their project approval processes in consonance with the Secretary's October 1978 land-use policy statement; and (3) require that additional analyses be made of the USDA potential cropland estimates in terms of how much land is likely to be converted considering current land use, production tradeoffs, development problems and costs, and other economic values, such as changes in the relationship of production and development costs to commodity prices. The results of these analyses should be published. The Secretary of Agriculture and the Chairman of the Council on Environmental Quality should undertake a joint effort to develop criteria to guide Federal departments and agencies in determining and evaluating the impact of their proposed projects and actions that affect prime and other farmland losses with other national interests. The Chairman of the Council on Environmental Quality should instruct Federal departments and agencies to include in their environmental impact statements and other environmental review documents a discussion of their analyses relating to the criteria recommended above. The Congress should: (1) formulate a national policy on protecting and retaining farmland; (2) set a national goal as to the amount and class of farmland that should be preserved; (3) periodically assess the impact of farmland losses on the established goal; and (4) delineate the Federal Government's role in guiding and helping State and local efforts to retain farmland. If the Congress decides to provide Federal support to States and political subdivisions to carry out farmland preservation programs as proposed in bills now before the Congress, it should specifically set out the criteria which such programs have to meet. These criteria should provide, among other things, that agricultural areas be geographically defined and preferably correspond to areas that contain the most prime farmland, and that agricultural use and prime farmland be clearly and specifically defined.

Agriculture said that the report clearly identified the need for actions by all levels of government and that it; agreed with GAO's recommendations; shared GAO's view on the need for further, more detailed analysis of land potentially available for crop production; and was joining with the Council on Environmental Quality in the leadership of an interagency study of agricultural lands. The study will, among other things, evaluate the role of Federal agencies in agricultural land conversion, assess State and local government efforts to retain agricultural lands, and identify ways in which these efforts could be made more effective. Federal agencies whose programs and actions affect agricultural land are to be represented on the study's interagency coordinating committee. *(CED-79-109, 9-20-79)*

Appropriations

Department of Agriculture, Soil Conservation Service and the Economics, Statistics, and Cooperatives Service

Appropriations Committee Issues

Before Federal assistance is provided for preserving America's farmland, the Congress needs to establish a national policy, goals, and monitoring system, and determine the Federal role in supporting preservation efforts. Then, before any Federal support is given, State and local preservation programs should include criteria (1) defining agriculture use and prime farmland and (2) establishing certain minimal requirements as discussed in GAO's report.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF THE INTERIOR
ENVIRONMENTAL PROTECTION AGENCY
GENERAL SERVICES ADMINISTRATION
VETERANS ADMINISTRATION

Municipal and Industrial Water Conservation: The Federal Government Could Do More

Budget Function: Natural Resources, Environment, and Energy (300).
Legislative Authority: Water Resources Planning Act of 1965. Water Supply Act of 1958, as amended. Clean Water Act of 1977.

An adequate supply of water is essential to the needs of the Nation's citizens and industries. While the development of some new water supplies may be needed to meet the needs of a growing population, making more efficient use of existing water supplies can help meet these needs.

Findings/Conclusions: Conserving municipal and industrial water supplies frees additional supplies for other purposes; prevents or delays construction of costly water supply and treatment facilities; decreases the amount of energy needed for pumping, treating, and heating water; and reduces the required capacity of future wastewater treatment facilities. No centralized data bank or clearinghouse on water conservation exists; such a clearinghouse could serve a useful purpose in providing water conservation information.

Recommendations: The Chairman of the Water Resources Council should take the lead in establishing an interagency task force of the Federal and non-Federal agencies involved in water supply activities which would jointly develop Federal objectives, policies, and action plans for a clearinghouse for water conservation practices involving municipal and industrial water supplies. The task force would also ascertain the current technology, additional research needed, Federal incentives needed, priorities, and additional legislative authority needed for implementing effective water conservation practices. Unless the findings of the task force clearly justify a different approach, the Council should request the necessary authority from the Congress to make the clearinghouse activity operational. Federal agencies, including the Department of Housing and Urban Development, the Bureau of Reclamation, the Soil Conservation Service, the Corps of Engineers, General Services Administration, and the Department of Defense, should encourage water conservation techniques in programs they administer.

In May 1978, the Water Resources Council voted to delay establishing a water conservation task force until the President came forward with his water policy. The policy, issued in June 1978, directs GSA to encourage water conservation at Federal facilities and directs Interior, Agriculture and HUD to increase farmers' and urban dwellers' technical assistance programs for water conservation purposes. In July 1978, the Director, WRC, said the Council will reevaluate the need for a clearinghouse after the President's directives are finalized, and in November 1979 the presidential policy implementation efforts had not yet been completed. *(CED-78-66, 4-3-78)*

Appropriations

Department of Housing and Urban Development— Independent Agencies
Department of the Interior

Appropriations Committee Issues

In reviewing the WRC appropriations request, the Committee should determine whether significant funding is available for WRC to operate a water conservation clearinghouse. Also, the adequacy of the water conservation measures implemented by the Federal agencies to encourage water conservation techniques should be considered when reviewing appropriations.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Increased Productivity Can Lead to Lower Costs at Federal Hydroelectric Plants

Budget Function: General Government: Executive Direction and Management (0802).

Based on production cost data from the Federal Energy Regulatory Commission, a comparison was made of the operations of Federal and private sector hydroelectric power plants. As the basis of comparison, GAO selected 6 Federal systems, consisting of 95 plants, and 5 comparable private systems, consisting of 47 plants. The large Federal plants were not included because there were no comparable private plants. The review focused on plants operated by the Army Corps of Engineers and the Bureau of Reclamation.

Findings/Conclusions: Although operation and maintenance costs for individual plants varied considerably, production costs of the private plants were less than those of Federal systems—$2.72 per kilowatt-hour versus $3.29 per kilowatt-hour, based on plant capacity. Based on 1973 to 1975 data, the Federal hydroelectric systems had about 48 percent more employees per plant than private systems. Assuming that Federal plants could have operated with comparable staffing levels, the Government plants would have needed 447 fewer employees. Delays in the design or installation of automation and remote control in 17 Corps and Bureau projects have prevented the Government from saving potentially $1.5 million. Close control of maintenance costs can also yield savings at hydroelectric plants. Neither the Corps nor the Bureau has a uniform maintenance management information system that allows managers to evaluate maintenance performance effectively.

Recommendations: The Secretaries of the Army and the Interior should direct the Corps of Engineers and the Bureau of Reclamation to complete the automation and conversion to remote control of those hydroelectric plants where such changes have been evaluated and are both feasible and cost effective. Budget justifications for automated and remote controlled projects should be evaluated where feasible. Uniform maintenance management information systems for use by all organizational levels in operating and maintaining hydroelectric plants should be established. The operation and maintenance costs of hydroelectric power plants should be evaluated, taking into consideration the staffing disparity between the public and private sectors. Further, consideration should be given to reassigning or retraining personnel and eliminating personnel through attrition in plants that are automated or remote controlled. Also, the PAGE 2 validity of cost allocations for the current joint activity (for example, flood control and recreation) needs to be assessed.

In response to the report, the Corps of Engineers and the Bureau of Reclamation advised that they were implementing the recommendations in the report and that they essentially concurred with its findings, conclusion, and recommendations. *(FGMSD-79-15, 5-29-79)*

Appropriations

Department of the Interior—Bureau of Reclamation.
Department of the Army, Corps of Engineers (Civil Functions)

Appropriations Committee Issues

The Committee should assure that the Corps of Engineers and the Bureau of Reclamation have implemented the recommendations of this report.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation

DEPARTMENT OF AGRICULTURE
Forest Service
Soil Conservation Service
Federal Coordinating Council for Science, Engineering, and Technology

Improving the Safety of Our Nation's Dams—Progress and Issues

Budget Function: Natural Resources and Environment: Water Resources (0301).
Legislative Authority: National Dam Inspection Act (P.L. 92-367). Reclamation Safety of Dams Act of 1978 (P.L. 95-578). P.L. 95-96. S. Rept. 95-830. S. Rept. 95-834. S. 1253. S. 1254.

The Corps of Engineers inspected about 1,800 non-Federal dams during 1978 in an effort to discover potentially hazardous conditions that threaten dam safety. Many deficiencies were noted, and remedial measures were recommended to dam owners and States. There is a need to improve the nation's Federal dams, and guidelines are being developed to help coordinate the dam safety efforts of Federal agencies.
Findings/Conclusions: The key safety issues to be resolved concern non-Federal dams. The cooperation of dam owners and willingness of the States to continue efforts begun by the Corps non-Federal dam inspection program are needed; however, many dam owners lack the financial resources, willingness, or understanding to take recommended remedial measures and the States do not have legislative authority, funds, or trained personnel to conduct their own programs. The study of five selected States showed that, although some States have improved their programs, many of the improvements, such as hiring additional personnel and providing training, are dependent upon financing by the Corps of Engineers and may not continue when the financial assistance program ends in 1981.
Recommendations: The Secretary of the Army should direct the Chief, Corps of Engineers, to: collect and analyze sufficient information to determine an appropriate long-term Federal role in non-Federal dam safety and make that information available to the Congress; monitor on a continuing basis State and dam owner actions to increase non-Federal dam safety; and verify and update the 1975 inventory of non-Federal dams after clarifying definitions of hazard categories. The Secretary of the Interior should direct the Commissioner of Reclamation and the Secretary of the Army should direct the Chief of Engineers to incorporate in agency regulations those existing policies intended to increase dam safety. The Federal dam safety guidelines may benefit the States in many respects, and the Chairman of the Federal Coordinating Council for Science, Engineering, and Technology should furnish approved Federal dam safety guidelines to State governments for use as a model for non-Federal dam safety. Congress should direct the Corps of Engineers to propose legislation defining an appropriate long-term Federal role in non-Federal dam safety. This would include a logical extension of the dam inspection program and would provide a method to gather the information needed so that Congress may consider a national dam safety program.

Agencies generally agreed and are taking actions to implement our recommendations. *(CED-79-30, 3-8-79)*

Appropriations

Department of the Army, Corps of Engineers— general civil construction
Department of the Interior, Bureau of Reclamation— construction and rehabilitation

Appropriations Committee Issues

The adequacy of the corrective actions by the agencies should be considered when reviewing appropriation requests for Federal water resource projects.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation

Improved Project Authorizations and Agency Practices Can Increase Congressional Control of Water Resources Projects

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: Flood Control Act of 1965. Water Resources Development Act of 1974. Water Resources Development Act of 1976. Colorado River Basin Salinity Control Act, title I.

The Congress has used two separate authorization methods to control the development of funding of water resources projects—the two-phase authorization for the Corps of Engineers and an authorization ceiling for the Bureau of Reclamation. The two-phase authorization was begun in 1974 to give the Congress increased control over the design of water resources projects and the changes which occur during project planning by providing the Congress with a second look during the planning phase before authorization of construction.

Findings/Conclusions: Each of the authorization methods provides some benefits to the Congress, but neither is adequate by itself to provide effective control over planning and developing the projects. No Corps projects have been through the two-phase process because of delays by the Secretary of the Army and the Office of Management and Budget in reviewing Corps planning documents. Although the Corps must state that a project is without substantial controversy to allow a continuation of planning, no criteria for defining this term have been established. The Corps has not adequately notified the Congress of changes to projects and the reasons for them. It has exceeded estimated costs by significant amounts for noninflationary items without notifying the authorization committees and has credited inflation for too much of increased costs. Benefits of the authorization ceiling are that it serves as an early indicator of problems, limits Federal expenditures, and controls the nature and scope of projects. Current problems in establishing the authorization ceiling are that it is established too early in the planning process for adequate data to be available, and the Bureau sometimes overstates the ceilings.

Recommendations: The Secretary of the Army should direct the Corps of Engineers to: develop criteria which would identify a project as having substantial controversy, including in the criteria a recognition that opposition by the State or local sponsor qualifies as controversy; and require that post-authorization change reports be provided to the appropriate authorization committees when cost increases for noninflationary items are significant and assure that causes of cost increases are properly identified. The Secretary of the Interior should direct the Bureau of Reclamation to: limit the noncontract portion of the ceiling represented by Federal salaries to increases caused by Federal classified pay raises, limit the land ceiling increases to those caused by inflation, exclude from the indexing system all expended funds on an annual basis, and improve the review process to assure compliance with Bureau regulations and guidelines. If the Congress believes that additional control over projects is warranted, an alternative method should be used that includes an improved two-phase authorization coupled with an authorization ceiling.

The Bureau generally agreed with our recommendations to improve project cost information and has revised its procedures to update land costs, eliminate annual expenditures, and improve the review process. The Bureau also agrees wth our alternative proposal for authorizing water resources projects. The Corps disagreed in both cases. *(CED-78-123, 7-11-78)*

Appropriations

Department of the Interior, Bureau of Reclamation—general investigation and construction and rehabilitation

Appropriations Committee Issues

GAO's suggestion to improve the two-phase authorization together with the establishment of an authorized cost ceiling would provide the authorization committees with better control over water resources projects. The Appropriations Committees should evaluate the effect of this change, if implemented, on the appropriations process.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation
TENNESSEE VALLEY AUTHORITY

Power Production at Federal Dams Could Be Increased by Modernizing Turbines and Generators

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Existing Federal hydroelectric plants could increase power production by modernizing turbines to increase efficiencies and capacities and by modernizing generators to increase capacities.

Findings/Conclusions: Increasing hydroelectric power production will increase the Nation's energy supply, displace consumption of nonrenewable fuels by fossil-fuel powerplants, reduce pollution, increase Federal revenues, and displace or delay construction of alternate power sources. Detailed analysis at each powerplant is needed to determine what modernization improvements might be made and if they would be cost effective. At present, the agencies do not have a system to make sure that opportunities are identified and acted upon.

Recommendations: The Secretaries of the Interior and the Army and the Chairman of the Board of the Tennessee Valley Authority should: identify opportunities to improve hydropower production through equipment modernization, implement those that are economically justified, and consider making changes before the end of the equipment's useful life; include in the economic analysis the value of oil or coal consumption displaced and, either directly or indirectly, the value of maintenance costs reduced by installing new equipment; include feasible turbine and generator modernization in their overall hydroelectric power expansion plans; and develop systems to make sure that future technological improvements are recognized and considered for implementation in existing systems.

The Bureau, Corps, and TVA agreed in concept that efficiencies and capacities may be increased at some plants. TVA officials agreed that it would be worthwhile to make a preliminary study which showed the potential for 584 megawatts of increased capacity. The Corps believes that opportunities for improvements are slight at its dams. *(CED-77-22, 3-16-77)*

Appropriations

Corps of Engineers—general investigation
Department of the Interior, Bureau of Reclamation—general investigations and construction and rehabilitation
Tennessee Valley Authority—power program

Appropriations Committees Issues

The extent of equipment modernization has not yet been identified by TVA or the Corps. The Bureau has identified potential increases in a preliminary study and is studying this in detail to support authorization for funding. In addition, the Corps is doing a 3-year national hydro study to identify total hydro potential including modernization. The potential cost of modernization cannot be made until the potentials have been identified.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
ENVIRONMENTAL PROTECTION AGENCY

Colorado River Basin Water Problems: How To Reduce Their Impact

Budget Function: Natural Resources and Environment: Water Resources (0301).
Legislative Authority: Boulder Canyon Project Act (43 U.S.C. 617). Clean Water Act of 1977 (P.L. 95-217). Colorado River Basin Project Act (43 U.S.C. 1501; P.L. 90-537; 82 Stat. 885). Colorado River Basin Salinity Control Act (43 U.S.C. 1571; P.L. 93-320). Colorado River Compact Act. Colorado River Storage Project Act (43 U.S.C. 620). Federal Water Pollution Control Act Amendments of 1972 (33 U.S.C 1251; P.L. 92-500). Upper Colorado River Basin Compact. Arizona v. California, 373 U.S. 546 (1963). Arizona v. California, 376 U.S. 340 (1964).

Unless Federal, State, and local governments begin to work together, the Colorado River Basin, an area embracing parts of seven Southwestern States, will not be able to cope with a probable water shortage soon after the year 2000.

Findings/Conclusions: Considerable disagreement exists among concerned officials, engineers, and researchers about future annual river flows, while questions on the severity and timing of the water shortage remain unanswered. Most plans and programs of the Bureau of Reclamation appear to be based on optimistic estimates of the annual water supply. Programs for water salvage and augmentation have been canceled or have had limited success due to environmental consideration, while many conservation programs are failing because of legal and economic constraints. Indian and Federal reserved water rights have not been quantified or settled satisfactorily. Procedures for operating basin reservoirs during a shortage are incomplete because the basin States cannot agree on the approach to be taken or the necessity for agreement at this time. Long-term solutions that consider all alternatives will be impossible if the basin water managers wait until a shortage occurs. Much uncertainty exists about the effectiveness and efficiency of the basin's salinity control program. Due to a lack of pre-evaluation, the current project-by-project approach has led to water development which has greatly increased salinity.

Recommendations: Congress should establish a task force made up of the principal State and Federal executive agencies and the basin and water user representatives to study the problems and barriers involved in forming a central planning authority and to recommend the appropriate form of management and decisionmaking structure for the basin and the rules and regulations under which it will operate. Federal funding for construction of the upstream salinity control projects and the Yuma Desalting Complex should be deferred temporarily until the Bureau has considered other viable and/or less costly alternatives, balancing water resource development with salinity control to produce an effective and efficient basinwide program. The intent of legislation concerning the national obligation for drainage water replacement should be clarified. The Secretary of the Interior should direct the Bureau to develop: a series of water management plans, coordinated with all the basin's water managers, which reflect various supply estimates and present a number of alternative actions; and a comprehensive plan specifying the conservation, water salvage, and augmentation techniques that will be used to prevent or minimize the effects of shortages, identifying and suggesting solutions for factors that will interfere with plan implementation. The Secretary should amend reservoir operating criteria by stating the conditions under which he will declare a water supply shortage, the amounts to be released during a shortage, the storage levels to be maintained in low-flow years, and the amount of water each subbasin must provide for the Mexican water treaty commitment.

Interior generally agreed with GAO's recommendations but indicated that implementation of some recommendations may be delayed pending concurrence and cooperation of the Colorado River Basin States. *(CED-79-11, 5-4-79)*

Appropriations

Department of the Interior, Bureau of Reclamation—construction and rehabilitation

Appropriations Committee Issues

The Committee should ascertain the reasonableness of the Bureau's actions and plans for satisfying the concerns expressed in the GAO report.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

ENVIRONMENTAL PROTECTION AGENCY

Metropolitan Chicago's Combined Water Cleanup and Flood Control Program

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500). Clean Water Act of 1977 (P.L. 95-217). Flood Control Act of 1936 (P.L. 74-738).

The Tunnel and Reservoir Plan (TARP) and associated projects in the Chicago, Illinois, area are part of a total water cleanup and flood control program estimated to cost about $8 billion.

Findings/Conclusions: The Environmental Protection Agency (EPA), which contributes about 75 percent of project costs, has already funded $667 million for construction of water pollution aspects. EPA funds will probably be available to complete the combined sewer overflow facilities but, with the current authorization, funds may not be available for the remaining wastewater treatment plant improvements. The Congress has not yet approved funding for the Corps of Engineers to construct flood damage reduction features. The Corps prepared a preliminary study to determine appropriate Federal interest in flood control aspects of projects, and the Congress conditionally authorized $12 million for a study of advanced engineering and design. The completion of all segments of the program is in doubt because of delays, high and escalating costs, and funding uncertainty. Partial completion will cost a significant amount without realizing all benefits of installed facilities. No one Federal agency has oversight responsibility.

Recommendations: If funds are appropriated for the Corps study, the Secretary of the Army should require the Corps to develop alternatives for solving flood control problems and to compare benefits at various funding levels. The Congress should: establish a national policy defining the extent of Federal assistance to be provided to urban areas for such multipurpose projects; designate one agency to be responsible for the project and similar multiagency projects; require the designated agency to submit to the Congress periodic status reports; and consider whether some reduction or flexibility in water quality goals would be acceptable in the interest of economy. The Administrator, EPA, should coordinate funding from all sources before beginning future construction of projects of this nature.

The Department of the Army and EPA concurred in the message of the report and the recommendations. EPA supports the establishment of a national policy defining the extent of Federal participation in large multiagency projects. OMB commented that direct Federal management in this project was not appropriate and did not consider it a Federal construction project. *(PSAD-78-94, 5-24-78)*

Appropriations

Environmental Protection Agency
Department of the Army, Corps of Engineers

Appropriations Committee Issues

All issues identified in the report are unresolved.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
ENVIRONMENTAL PROTECTION AGENCY
INTERNAL REVENUE SERVICE
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
OFFICE OF MANAGEMENT AND BUDGET
UNITED STATES INFORMATION AGENCY

OMB Needs to Intensify Its Work Measurement Effort

Budget Function: General Government: Central Personnel Management (805).
Legislative Authority: OMB Bulletin 77-9. OMB Circular A-11.

The Office of Management and Budget (OMB) has directed Federal agencies to use work measurement systems, when available, in preparing their fiscal year 1979 Zero Base Budget (ZBB) submissions. Without reliable work measurement systems, budget reviewers cannot review, evaluate, and set ZBB priorities from well-supported staffing requirements. Therefore, agencies may be employing too many or too few employees to support their missions. A review was conducted of five agencies which OMB designated as having the best ZBB submissions—the Environmental Protection Agency, the Army Corps of Engineers, the United States Information Agency, the Internal Revenue Service, and the National Aeronautics and Space Administration.

Findings/Conclusions: The agencies reviewed varied considerably in their use of work measurement systems to determine staffing requirements. The general attitude among these agencies was that the use of work measurement systems to support staffing requirements is not mandatory. They have not received any specific guidance from OMB identifying those areas which are susceptible to work measurement. Since they do not believe that establishment of work measurement systems would be cost effective, these agencies generally do not have any immediate plans to develop such systems.

Recommendations: The Director of OMB should: identify areas where work measurement systems are applicable and cost effective and enforce their use, clearly specify the functions or elements of agency responsibilities where use of work measurement systems to support staffing requirements is optional, provide agencies with assistance in developing work measurement systems and enforce their use as planning tools, and monitor the reliability of agency work measurement systems.

OMB said the President has decided that the operating responsibilities for work measurement should be assigned to line agencies while OMB should concern itself with policy formulation and coordination. The President had also decided that the Office of Personnel Management established under the Civil Service Reform Act would provide guidance to agencies on the use of work measurement. *(FPCD-78-63, 7-24-78)*

Appropriations

Army Corps of Engineers (Civil)—operation and maintenance, general
Various Program Appropriations for Civil Agencies

Appropriations Committee Issues

Agency work force planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY

Premium Pay for Federal Inspectors at U.S. Ports-of-Entry

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751).
Legislative Authority: 19 U.S.C. 267. 8 U.S.C. 1353(a). 7 U.S.C. 2260. 42 U.S.C. 267.

Four Federal agencies—U.S. Customs Service, Department of the Treasury; Immigration and Naturalization Service, Department of Justice; the Animal and Plant Health Inspection Service, Department of Agriculture; and the Public Health Service, Department of Health, Education, and Welfare—perform inspectional services at U.S. ports of entry. The premium pay laws and regulations of the four agencies contain different provisions for compensating inspectors. In addition, the amount of premium pay reimbursed to the Government by parties-in-interest (airlines, shipowners, etc.) varies among agencies.

Findings/Conclusions: As a result of the different premium pay laws and regulations, inspectors of different agencies working about the same number of overtime hours are paid for varying numbers of hours. Also, although the Government is reimbursed by parties-in-interest for most of the premium pay for Customs and Agriculture inspectors, the Government is not reimbursed for a large share of such pay for Public Health Service and Immigration inspectors.

Recommendations: Congress should enact one premium pay law to apply to the four agencies' inspection services at ports of entry. Also, Congress should enact legislation (1) establishing a uniform policy on charges to be made to parties-in-interest for inspections at ports of entry and (2) requiring the establishment of specific days and hours at each port of entry during which the full cost, including overhead, of inspections performed by any of the four agencies would be charged to the parties-in-interest.

All the agencies agreed on the need for uniform legislation but had varying views on how it could best be accomplished. *(GGD-74-91, 2-14-75)*

Appropriations

Department of Agriculture, Animal and Plant Inspection Service
Department of Health, Education, and Welfare, Center for Disease Control—preventive health services
Department of Justice, Immigration and Naturalization Service—salaries and expenses
Department of the Treasury, U.S. Customs Service—salaries and expenses

Appropriations Committee Issues

1. Inequitable premium pay for Federal inspectors at U.S. ports of entry.
2. Lack of uniform policy on charges made to parties-in-interest for inspectors at ports of entry. In this connection, a public law enacted on July 12, 1976, Airport and Airway Development Act Amendments of 1976, affected the charges to parties-in-interest. This law provides that the cost of any required Federal inspection or quarantine service at airports of entry or other places of inspection as a consequence of operation of aircraft performed during regularly established hours of service on Sundays and holidays shall not be reimbursed by the owners or operators of such aircraft. Also, the new law prohibits administrative overhead costs associated with inspections at airports from being assessed against the parties-in-interest.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY

More Can Be Done To Speed the Entry of International Travelers

Budget Function: General Government: Other General Government (0806).
Legislative Authority: Customs Procedural Reform and Simplification Act of 1978 (P.L. 95-410).

Travelers complain that they must wait for hours for inspection when entering the United States. Immigration, Customs, and Agriculture have agreed to adopt a "one-stop" inspection process, which should reduce delays in the time-consuming clearance process. In the one-stop system, one inspector carrying out the functions of all agencies would screen individuals to separate the few travelers requiring detailed inspection from the majority that do not.

Findings/Conclusions: The one-stop procedure will be more effective if inspection policies are changed so that passengers undergo primary inspections before they claim their baggage and hand baggage is examined on a selective basis. The U.S. approach to one-stop inspection is based solely on the willingness of the agencies to cooperate; this has been a problem in the past. If lack of cooperation causes the current effort to implement one-stop inspections to fail, there are alternatives which should be considered.

Recommendations: Customs and Immigration should conduct primary inspections before travelers claim their checked baggage. Inspectors should selectivily inspect travelers and their possessions for agricultural products. *(GGD-79-84, 8-30-79)*

Appropriations

Department of the Treasury, U.S. Customs Service—salaries and expenses
Department of Agriculture, Animal and Plant Health Inspection Service—salaries and expenses

Appropriations Committee Issues

The Customs Service should allow the primary inspection of interational travelers before the travelers claim their checked baggage. The Animal and Plant Health Inspection Service should eliminate its policy of inspecting all hand-carried baggage.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LABOR

Food Stamp Work Requirements: Ineffective Paperwork or Effective Tool?

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).
Legislative Authority: Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-1130).Social Security Act, as amended (42 U.S.C. 602). Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)). P.L. 91-671 (84 Stat. 2049).

Since 1971, able-bodied adults who receive food stamps and are not exempted by law have been required to register for and accept employment. These requirements were intended to affect the program in two ways: by finding recipients jobs so that they would no longer need assistance and by denying stamps to those who are able but unwilling to work.

Findings/Conclusions: The food stamp program's work registration requirements have not achieved the intended results. A selection of 1,061 cases from applications approved during January 1976 found 620 recipients who were required to register for work. Of the 620, only 3 obtained jobs and only 233 were registered at local employment offices. The remaining 384 recipients were not registered because: food stamp offices failed to have them fill out work registration forms, food stamp offices had not sent the completed forms to employment service offices, employment service offices had not distributed the forms to appropriate local offices, and forms had not reached the local employment service offices for various other reasons. Present procedures for evaluating work registration activities are not adequate because: they do not provide information on the percentage of recipients who have not registered, or indicate whether the employment offices are receiving work registration forms and using them.

Recommendations: The Secretaries of Agriculture and Labor should require: better information to be gathered on the effectiveness of the food stamp work requirements; closer monitoring of State and local activities implementing these requirements; and stronger action to correct identified problems, including finding out why required procedures are not being followed and what can be done to insure that they are followed.

Agriculture agreed that the food stamp work requirements need strengthening and said it planned to take actions to this end in implementing the Food Stamp Act of 1977. Labor also agreed with the recommendations and planned to implement them. Although some preliminary actions have been initiated to deal with some of the recommendations, work requirements have been given a low priority and little if anything has been accomplished to improve the requirements' effectiveness. *(CED-78-60, 4-24-78)*

Appropriations

Department of Agriculture, Food and Nutrition Service—food stamp program

Department of Labor, Employment Service—grants to States for unemployment insurance and employment services

Appropriations Committee Issues

Because the work requirements are designed to reduce the need for program benefits, the Committees should inquire into Department efforts to improve their effectiveness.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
DEPARTMENT OF THE INTERIOR
DEPARTMENT OF STATE

Enewetak Atoll—Cleaning Up Nuclear Contamination

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

In 1972, the United States announced it was prepared to release Enewetak Atoll to the Trust Territory of the Pacific Islands assuming it would eventually be cleaned up and resettled. This project is underway and is expected to be completed in 1980 at a cost of $100 million to $105 million.

Findings/Conclusions: If the United States accomplishes all its objectives for cleaning up the Atoll, the Enewetak people must not either knowingly or unintentionally violate U.S. recommended living pattern restrictions to avoid over exposure to radiation. As the time for resettlement approaches, the people are less willing to defer, perhaps for as long as 100 years, establishing residences on Enewetak's second largest island until certain radioactive elements no longer pose a radiation hazard. Unsettled test-related issues which remain could result in difficulties for the United States if not resolved soon. These issues include loss of land, loss of land use, loss of cash crops, radiological monitoring, and the possibility that recommended living pattern restrictions will not be observed. Significant radiological aspects of the project have not been independently assessed.

Recommendations: The Office of Micronesian Status Negotiations should make every effort to arrive at an agreement with the Marshall Islands Political Status Commission and the people of Enewetak concerning nuclear test-related issues yet unsolved, such as: lost land or land use; lost cash crops found to be unacceptably contaminated with radioactive elements; specific responsibility of the United States should the people of Enewetak chose not to observe recommended living pattern restrictions; the courses of action to be taken should the people of Enewetak receive excessive doses of radiation; and the future status of the entombed radioactivity-contaminated soil and debris on the islands and how future monitoring and inspection will be accomplished. The Secretary of the Interior should initiate an independent technical assessment of the Enewetak cleanup project.

The Office of Micronesia Status Negotiations is considering the concerns set forth in the report in the ongoing negotiations with the Micronesians. The Department of Interior is now considering the prospect of having independent experts assess Energy's radiological support data of the Enewetek cleanup project. *(PSAD-79-54, 5-8-79)*

Appropriations

Defense Agencies—military construction

Appropriations Committee Issues

The Committee should monitor the progress of the negotiations.

Appropriations Committee Issues

Several problems limit the reliability and usefulness of Federal published food price statistics. Food price statistics have long been of interest to the farmers, consumers, industry, Congress, and the executive branch. They have been widely used as indicators of the performance of the food production and marketing industries and of consumer spending for food. The Committees should inquire into the Departments' efforts to increase their statistics' reliability and usefulness.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET

Effect of the Department of Labor's Resource Allocation Formula on Efforts To Place Food Stamp Recipients in Jobs

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).
Legislative Authority: Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (91 Stat. 958). Wagner-Peyser Act of 1933 (29 U.S.C. 49). Federal Unemployment Tax Act (26 U.S.C. 3301 et seq.). Comprehensive Employment and Training Act (29 U.S.C. 801 et seq.).

In response to a request, GAO studied the likely impact of the Department of Labor's (DOL) resource allocation formula on efforts by State employment service agencies to place food stamp recipients in jobs. DOL used the resource allocation formula to distribute Federal funds to State employment agencies based on their relative funding needs and day-to-day performance. A new allocation system is being developed for use starting in fiscal year 1980.

Findings/Conclusions: The formula's effect on State agencies' efforts to place food stamp recipients in jobs was not clear. However, the following aspects of employment service operations and funding arrangements could have discouraged such efforts: (1) the formula's basic design encouraged efforts to place in jobs those persons easiest to place; (2) the formula did not contain an explicit incentive for placing food stamp recipients in jobs; and (3) administering the food stamp work requirement was not a major employment service activity. The Congress and the executive branch will need to decide on a special preference for food stamp recipients. DOL gets $28 million a year from the Department of Agriculture for food stamp work registration activities, but the services these funds are to cover are not clearly defined.

Recommendations: The Director of the Office of Management and Budget should take the lead in completing an agreement between the Departments of Labor and Agriculture for effectively administering the food stamp work requirements. The agreement should include specific descriptions of the services that are unique to food stamp recipients and are to be paid for by the funds Agriculture transfers to DOL, and the amount to be transferred should be based on the estimated cost of such services.

The Departments of Agriculture and Labor are working toward a new agreement for administration of the work registration requirements. However, the agreement has not been finalized and regulations to implement it have not been proposed. *(CED-79-79, 8-15-79)*

Appropriations

Department of Agriculture, Food and Nutrition Service—food stamp program and food program administration

Appropriations Committee Issues

The Committees should inquire into this delay in implementing the work registration and job search provisions of the 1977 Food Stamp Act.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
SMALL BUSINESS ADMINISTRATION
VETERANS ADMINISTRATION

Federal Agencies Should Use Good Measures of Performance To Hold Managers Accountable

Budget Function: General Government: Central Fiscal Operations (0803).
Legislative Authority: Budget and Accounting Act of 1921. Civil Service Reform Act of 1978. 5 U.S.C. 305. OMB Circular A-11. OMB Circular A-44. OMB Circular A-64. OMB Circular A-113. B-180257 (1974). B-133339 (1976).

The Congress, the Civil Service Commission, and others have expressed concern about the need to hold Federal Government managers accountable for the efficient use of people and other resources. The Civil Service Reform Act of 1978 was enacted to make broad improvements in the civil service system, but the Act cannot be fully effective unless agencies implement it with performance measurement systems.

Findings/Conclusions: A major problem is the lack of reliable data on performance. Quantified data from work measurement, productivity, and cost systems need to be developed to compare performance with established goals as a basis for evaluating the effectiveness of managers. Most agencies either have not developed such systems or have not effectively used them. The Forest Service and the Small Business Administration had no work measurement systems; the Department of Veterans Benefits of the Veterans Administration had a system, but it was not used to assess managers' accountability for efficiency; and the Department of Housing and Urban Development and the Postal Service had weaknesses in their work measurement systems that prevented full realization of potential benefits. The following institutional barriers must be overcome: an arbitrary personnel ceiling process, managers' perceptions that penalties rather than rewards tend to result from more efficient performance, problems with the civil service personnel management systems, and political actions which frustrate efforts to improve productivity.

Recommendations: The Chairman of the Civil Service Commission and his successor, the Director of the Office of Personnel Management, should implement the Civil Service Reform Act by preparing guidance for agencies to measure managers' and other employees' performance with objective quantified data. The guidance should stress: minimum data needed for appraisals, costs of collecting this data by various methods of differing reliability and benefit, the need to avoid duplication of other systems, and the assurance of privacy in collecting data on individuals. The Director of the Office of Management and Budget should revise OMB Circular A-11 to place greater insistence on the use of unit costs, workload measures, and productivity standards for staff requests. The Office of Personnel Management should implement the Civil Service Reform Act of 1978 by preparing guidance for the agencies to measure managers' and other employees' performance with objective, quantified data. Inasmuch as the development of performance measurement systems is vital to this purpose, the guidance should stress:

—the minimum data needed for appraisals;
—the costs of collecting this data by various methods of differing reliability and benefit;
—the need to avoid duplication or contradiction of parts of other, existing systems; and
—the assurance of privacy in collecting data on individuals. The Office of Management and Budget should revise Circular A-11 to stress to agencies the importance of using unit cost and other work measurement data to justify the personnel estimates in their budget submissions.

OMB said that they would look at the relevant sections of Circular A-11 to see how they can be strengthened in the areas of GAO's concern. The Office of Personnel Management has not yet provided the recommended guidance. *(FPCD-78-26, 11-22-78)*

Appropriations

Various program appropriations for civil agencies

Appropriations Committee Issues

Agency work force planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY

Efforts To Improve Management of U.S. Foreign Aid--Changes Made and Changes Needed

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151).

The Agency for International Development (AID) has improved the management of its worldwide programs, but its efforts should be intensified to assure that the U.S. economic development assistance objectives are effectively achieved.

Findings/Conclusions: AID has improved its process for drawing up and evaluating its annual operating expense budget prior to submission to the Congress. However, the question of proper grade levels for Bureau controllers and the size and makeup of their staffs needs to be resolved. Although AID has taken several steps to improve property management, frequent staff turnovers and vacancies hamper the ability of the missions to comply with the new regulations. The most serious problem is lack of control by management over nonexpendable property. AID is improving internal controls over outstanding travel advances. AID is placing greater emphasis on awarding grants and contracts on a competitive basis and giving more consideration to firms owned by minorities and women. The AID policy to review annually the economic status of countries with significant outstanding loans balances with potential renegotiation for accelerated loan repayment in mind has not been carried out aggressively. Neither has AID developed adequate criteria for identifying countries economically capable of accelerating repayment of outstanding concessional loans.

Recommendations: GAO recommended several administrative management changes to control costs and improve efficiency. Chief among these was that AID officials closely monitor and promote the accelerated loan repayment policy.

AID responded favorably to the report and cited actions taken or planned on each recommendation. However, AID was not confident that all the improvements could be made due to staff shortages and widespread geographic responsibilities. *(ID-79-14, 3-29-79)*

Appropriations

Foreign assistance and related programs

Appropriations Committee Issues

Continuous monitoring of the Accelerated Loan Repayment Policy implementation is needed to meet its objectives in a more timely manner.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR
ENVIRONMENTAL PROTECTION AGENCY

Better Federal Coordination Needed To Promote More Efficient Farm Irrigation

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: The Reclamation Act of 1902.

In some areas of the country, demands for water are approaching and, in some cases, exceeding supplies. As a result, suppliers and users of water are coming to realize that this resource needs to be protected through better management. Since agriculture irrigation is the largest user of water, accounting for about 83 percent of the water consumed in the United States, this is one area where good water management is imperative.

Findings/Conclusions: Of the 8,541.6 billion gallons of water delivered to farms by the Bureau of Reclamation in 1973, less than one-half was productively used by the crops. Overirrigation limits crop production by removing valuable nutrients from the soil, increases farming costs by increasing maintenance, pumping, and drainage requirements, and contributes to water pollution by washing salts from the soil into streams and rivers and reducing streamflow and oxygen levels necessary for aquatic life. GAO reported to the Congress that, although the adverse effects of overirrigating are well documented, Federal agencies did not have comprehensive data to measure the severity of damages from overirrigating or to identify to what extent various factors such as low-cost water or inaccurate estimates of when and how much water to use contribute to the problem.

Recommendations: GAO recommended that the Secretaries of the Interior and Agriculture and the Administrator of the Environmental Protection Agency undertake a coordinated effort to:

—develop more complete data on the problems of inefficient irrigation;
—determine the extent to which specific factors contribute to the problem; and
—determine what Federal actions should be taken to alleviate the inefficient practice and the Federal agency, or agencies, best structured to administer such a role.

The interagency task force was established and its final report was released in October 1979. The report recommended that governors of the individual States take the lead in initiating and maintaining a cooperative program through Federal, State, local, and private entities to bring about improvement in irrigation water use and management. Although it was estimated that up to $5 billion would be required over the next three decades, no specific Federal actions were prescribed. *(RED-76-116, 6-22-76)*

Appropriations

Department of the Interior, Bureau of Reclamation—construction and rehabilitation and operation and maintenance

Appropriations Committee Issues

More efficient use of existing water supplies should receive proper attention from agencies responsible for the construction and operation of water supply facilities. Prior to appropriating monies for more projects, the Committees should evaluate the efforts being made by Federal agencies to improve water use efficiencies of existing structures.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation

ENVIRONMENTAL PROTECTION AGENCY

More and Better Uses Could Be Made of Billions of Gallons of Water by Improving Irrigation Delivery Systems

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: Reclamation Act of 1902. Rehabilitation and Betterment Act of 1949, as amended. Small Reclamation Projects Acts of 1956, as amended. Distribution System Loans Act of 1955, as amended.

Agricultural irrigation uses 83% of water consumed in the United States. Large amounts of water transported to farms are misused annually because of inefficient delivery systems which seep water.

Findings/Conclusions: The seepage problem exists throughout the West and causes a loss of water for beneficial purposes. Federal projects supply water to only about one-fifth of the total irrigated western lands, and, therefore, cooperation among State, local and Federal agencies is necessary to lessen seepage. In 1975, the Bureau of Reclamation reported a loss of 2,600 billion gallons of water during delivery, primarily through seepage. Federal agency programs related to this problem are not specifically designed or administered to effectively deal with it. Since the Department of the Interior accounts for 90% of Federal financial involvement in projects involving irrigation, it should take the lead in promoting better management practices in this area. A program for improved water conveyance systems should be designed to: improve the accuracy of reported seepage data; consider overall basin-wide effects of conveyance system improvements, including more definitive criteria for selecting the systems to improve; and identify and resolve institutional and legal constraints hampering improvements to water conveyance systems.

Recommendations: The Secretary of the Interior should take the lead in identifying all aspects of the water conveyance system problem and devising a comprehensive action program to improve system efficiency. The Department should direct the interagency task force which is being established to consider solutions to inefficient irrigation practices to also consider solutions to inefficient conveyance systems, including the development of coordinated Federal, State and local objectives, policies, and action plans.

The interagency task force was established, and its final report was released in October 1979. The report recommended that the governors of the individual States should take the lead in initiating and maintaining a cooperative program through Federal, State, local, and private entities to bring about improvement in irrigation water use and management. Although it was estimated that up to $5 billion would be required over the next three decades, no specific Federal actions were prescribed. *(CED-77-117, 9-2-77)*

Appropriations

Department of the Interior, Bureau of Reclamation—construction and rehabilitation operation and maintenance

Appropriations Committee Issues

More efficient use of existing water supplies should receive proper attention from agencies responsible for the construction and operation of water supply facilities. Prior to appropriating monies for more projects, the Committees should evaluate the efforts being made by Federal agencies to improve water use efficiencies of existing structures.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
Forest Service

DEPARTMENT OF TRANSPORTATION
Federal Highway Administration

Federal Interests Should Receive More Consideration Under the Forest Highway Program

Budget Function: Commerce and Transportation: Ground Transportation (404).
Legislative Authority: Federal Aid Highway Act of 1970 (P.L. 91-605; 84 Stat. 1713; 84 Stat. 1737; 23 U.S.C. 101(a)). Federal Aid Road Act of 1916. Federal Highway Act of 1921. 23 U.S.C. 244(b). 23 U.S.C. 205(b). 23 C.F.R. 660 et seq.

The forest highway program, as currently administered by the Federal Highway Administration (FHWA) and the Forest Service, is not meeting the Forest Service's needs for managing the national forest resources.

Findings/Conclusions: Forest highways total about 22,000 miles and are of special Federal interest because they link the national forests to the Federal-aid highway system. The Congress, in establishing the forest highway program, expressed a special interest in providing access to Government-owned national resources as well as for the benefits of communities in or near national forest boundaries. Incremental administrative and legislative changes in the forest highway program between 1970 and 1977 have changed the program's focus from Federal control to State control and have lessened the Forest Service's input. As a result, forest highway funds were devoted to roads of primary importance to the States and had little or no relation to national forest transportation needs.

Recommendations: The Secretaries of Agriculture and Transportation should direct the FHWA and the Forest Service to jointly develop and issue specific criteria for selecting projects meriting forest highway funding and should jointly develop proposed legislation to permit those forest roads that were formerly considered forest highways to be eligible for funding under the forest highway program. The Surface Transportation Assistance Act of 1978, amended the definition of forest highways to permit the development of roads which connect forest development roads to other Federal-aid highways, whether or not such roads are on a Federal-aid system. The act also amended related definitions.

The FHWA and Forest Service have jointly developed project selection criteria which will result in assigning more weight or higher priority to those projects vital to the protection, development, management, and utilization of the national forests and their resources. These criteria will be issued in the form of joint regulations by the FHWA and the Forest Service. *(CED-77-130, 12-13-77)*

Appropriations

Department of Transportation, Federal Highway Administration—Federal-aid highways
Department of Agriculture, Forest Service

Appropriations Committee Issues

Committee interest and concern are needed to assure the implementation of criteria for selecting projects that will meet national forest transportation needs.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
DEPARTMENT OF THE INTERIOR
DEPARTMENT OF STATE

Enewetak Atoll—Cleaning Up Nuclear Contamination

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

In 1972, the United States announced it was prepared to release Enewetak Atoll to the Trust Territory of the Pacific Islands assuming it would eventually be cleaned up and resettled. This project is underway and is expected to be completed in 1980 at a cost of $100 million to $105 million.

Findings/Conclusions: If the United States accomplishes all its objectives for cleaning up the Atoll, the Enewetak people must not either knowingly or unintentionally violate U.S. recommended living pattern restrictions to avoid over exposure to radiation. As the time for resettlement approaches, the people are less willing to defer, perhaps for as long as 100 years, establishing residences on Enewetak's second largest island until certain radioactive elements no longer pose a radiation hazard. Unsettled test-related issues which remain could result in difficulties for the United States if not resolved soon. These issues include loss of land, loss of land use, loss of cash crops, radiological monitoring, and the possibility that recommended living pattern restrictions will not be observed. Significant radiological aspects of the project have not been independently assessed.

Recommendations: The Office of Micronesian Status Negotiations should make every effort to arrive at an agreement with the Marshall Islands Political Status Commission and the people of Enewetak concerning nuclear test-related issues yet unsolved, such as: lost land or land use; lost cash crops found to be unacceptably contaminated with radioactive elements; specific responsibility of the United States should the people of Enewetak chose not to observe recommended living pattern restrictions; the courses of action to be taken should the people of Enewetak receive excessive doses of radiation; and the future status of the entombed radioactivity-contaminated soil and debris on the islands and how future monitoring and inspection will be accomplished. The Secretary of the Interior should initiate an independent technical assessment of the Enewetak cleanup project.

The Office of Micronesia Status Negotiations is considering the concerns set forth in the report in the ongoing negotiations with the Micronesians. The Department of Interior is now considering the prospect of having independent experts assess Energy's radiological support data of the Enewetek cleanup project. *(PSAD-79-54, 5-8-79)*

Appropriations

Defense Agencies—military construction

Appropriations Committee Issues

The Committee should monitor the progress of the negotiations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
NATIONAL SCIENCE FOUNDATION
OFFICE OF MANAGEMENT AND BUDGET

Indirect Costs of Health Research—How They Are Computed, What Actions Are Needed

Budget Function: Health: Health Research and Education (0552).

Congressional concern has been voiced at the large proportion of health research funds spent for indirect costs, wide range in indirect-cost rates among institutions, methods used to determine such rates, and Federal audit and negotiation process. Questions have also been raised as to whether Federal limits on indirect costs reimbursement should be reinstated.

Findings/Conclusions: Federally sponsored health research has increased from $1.6 million in 1973 to an estimated $2.7 billion in 1978. Indirect costs associated with this research are taking a greater share of each research dollar. Comparing indirect cost rates among institutions is not meaningful for measuring the relative efficiency of research activities. Many factors, such as the age and type of facilities used, the type of research performed, and a host of other considerations, cause wide variations in indirect cost rates. Various sets of Federal guidelines have been promulgated which set forth cost principles and negotiation instructions to be used for reporting and recovering research costs under grants and contracts. Governmentwide guidelines have been issued for educational institutions and for State and local governments.

Recommendations: The Director of the Office of Management and Budget (OMB) should require that there be consistent presentation of principles in the guideline for educational institutions, the guideline for State and local governments, and the proposed guideline for nonprofit research institutions. OMB should work with the Department of Health, Education, and Welfare (HEW) to encourage that the principles in its guidelines for hospitals are brought into conformity with OMB guidelines. The Secretary of Defense should require that the Defense Acquisition Regulation incorporate the cost principles in HEW's guidelines for nonprofit research institutions and hospitals. The Secretaries of Defense and HEW, either separately or jointly, should analyze current practices for auditing indirect cost proposals related to research grants and contracts to identify the benefits derived. If Congress should desire to further limit Federal participation in research project expenditures beyond the present legislative restriction, this should be achieved through some formal ceiling on Federal reimbursement, rather than by limiting reimbursement on just the indirect cost portion of research.

Agency officials generally agreed with GAO's conclusions and recommendations. *(HRD-79-67, 7-27-79)*

Appropriations

Department of Health, Education, and Welfare, National Institutes of Health
National Science Foundation
Department of Defense

Appropriations Committee Issues

If Congress should desire to further limit Federal participation in research project expenditures beyond the present legislative restriction, this should be achieved through some formal ceiling on Federal reimbursement, rather than by limiting reimbursement on just the indirect cost portion of research.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF MANAGEMENT AND BUDGET
VETERANS ADMINISTRATION

Federal Hospitals Could Improve Certain Cancer Treatment Capability by Sharing

Budget Function: Health: Health Planning and Construction (0554).
Legislative Authority: Heart Desease, Cancer, and Stroke Amendments of 1965 (42 U.S.C. 299). Comprehensive Health Planning and Public Health Service Amendments of 1966 (42 U.S.C. 246). National Health Planning and Resources Development Act of 1974 (P.L. 93-641; 42 U.S.C. 300). Economy Act (31 U.S.C. 686). 38 U.S.C. 5053. 42 U.S.C. 254a. 10 U.S.C. 2301. 10 U.S.C. 1079. 10 U.S.C 1074. 38 U.S.C. 213. 38 U.S.C. 628. 38 U.S.C. 613.

The Department of Defense (DOD) and certain other Federal agencies provide cancer care in the form of surgery, chemotherapy, and radiation therapy, to eligible beneficiaries.
Findings/Conclusions: Radiation therapy is used in treating about 60 percent of eligible cancer patients. In 1977 there were 45 radiation therapy facilities in the Federal sector. Thirty-six of them did not meet the existing utilization standards of about 6,000 treatments per unit a year established by DOD and the Department of Health, Education, and Welfare (HEW). Some 8 of the 36 facilities provided less than half the treatments set forth in the standards. The Veterans Administration (VA) established a utilization standard of about 2,850 treatments per year for a radiation therapy unit. In the United States, 23 geographic locations have a high potential for sharing Federal radiation therapy facilities. Facilities in 20 of these locations were underused, and at each of the locations there were also other Federal hospitals in the same geographic area that did not have the capability to provide radiation therapy.
Recommendations: DOD and HEW should: (1) direct the Federal Health Resources Sharing Committee to include in its planned work on cancer treatment facilities, a comprehensive evaluation of the sharing opportunities at the 23 geographic locations and develop, if possible, a single radiation therapy utilization criteria for all Federal facilities; (2) share the radiation therapy capability at the locations determined by the Sharing Committee to have potential; (3) defer the acquisition of new or upgraded radiation therapy equipment until the sharing potential at the 23 geographic locations is fully evaluated; and (4) withdraw acquisition plans for radiation therapy equipment at locations where good quality radiation therapy can be provided through sharing with existing equipment. DOD should also: (1) determine the need for DOD policy guidance on cancer care and take steps to assure that both the policy and cancer treatment provided consistently reflects appropriate and up-to-date health care standards; and (2) assure that the Army, Navy, and Air Force make every effort to assign cancer treatment specialists to those medical centers considered to be cancer treatment facilities.

DOD, HEW, and VA agreed with our recommendations. A Cancer Treatment Facility Subcommittee established by the Federal Health Resources Sharing Committee has begun to assess the sharing opportunities between the 73 Federal medical centers in the 23 geographical locations highlighted in this report. Efforts have also been started to develop a single radiation therapy utilization criteria for all Federal facilities. *(HRD-79-42, 2-7-79)*

Appropriations

Department of Defense
Department of Health, Education, and Welfare
Veterans Administration

Appropriations Committee Issues

Budget requests for new Federal radiation therapy capability should include justifications of the need for the capability in the context of both (1) expected ability to meet utilization standards established by HEW and (2) the potential for sharing existing radiation therapy capability at facilities near to the one for which the new capability is planned.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF STATE
OFFICE OF PERSONNEL MANAGEMENT

Cost-of-Living Adjustments for New Federal Retirees: More Rational and Less Costly Processes Are Needed

Budget Function: Income Security: Federal Employee Retirement and Disability (602).
Legislative Authority: Federal Employees Compensation Act. P.L. 89-205. P.L. 93-136; 5 U.S.C. 8340; 10 U.S.C. 1401; 22 U.S.C. 1121.

To protect the purchasing power of retirement income, the annuities of Federal employees under the various retirement systems are automatically adjusted each March 1 and September 1 for the increase in the consumer price index during the preceding 6-month period ending December 31 and June 30, respectively. Since, by law, cost-of-living adjustments are applicable to all annuities payable on the effective date of the increase, retiring Federal employees benefit from cost-of-living increases which occurred while they were still employed. They can receive a higher starting annuity which reflects the preceding annuity cost-of-living adjustment and, depending on the timing of their retirement, may be eligible for an additional adjustment immediately. Such increases escalate the already high costs of Federal retirement by inflating the basic annuity upon which succeeding adjustments are applied and can encourage valuable, experienced employees to retire.

Findings/Conclusions: The existing process overcompensates retiring employees by providing annuity increases based on changes in the consumer price index which occurred before their retirement. Eliminating the added enrichment of compensating retiring Federal employees and new Federal retirees for living cost increases which occur while they are still in an active status would still fully protect the purchasing power of retirement annuities. Federal annuity cost-of-living adjustment processes, which fully protect the purchasing power of retirement income as living costs rise, would still be more liberal than those of essentially all non-Federal pension systems. Few non-Federal plans have automatic adjustment provisions and those which do generally limit the amount of increase that can be granted in any 1 year. A more rational method of computing adjustments of new retirees would be to prorate their adjustments to reflect only the cost-of-living increases that occur after they retire. Proration of the annuity adjustments of new retirees would be much less costly than the existing process; over $800 million in annuity payments could be saved over the remaining lifespans of civil service employees retiring in 1978.

Recommendations: Congress should enact legislation making the cost-of-living adjustment processes of the Civil Service, uniformed services, foreign service, Central Intelligence Agency, and Federal Reserve Board retirement systems more rational and less costly by: (1) repealing the provisions of existing law which permit retiring employees and new retirees to receive higher starting annuities because of changes in the consumer price index before their retirement; and (2) providing that new retirees' cost-of-living adjustments be prorated to reflect only consumer price index increases after their retirement.

The Civil Service Commission, now the Office of Personnel Management (OPM), informed the Chairmen of the House and Senate Appropriations Committees, Senate Governmental Affairs Committee, House Post Office and Civil Service Committee, and House Government Operations Committee that it agrees—the cost-of-living adjustment processes should be made more rational and less costly. OPM and the Office of Management and Budget are considering GAO's recommendations as well as other alternatives to the existing process. As soon as an administration position is formulated, a legislative proposal will be submitted to the Congress. *(FPCD-78-2, 11-17-77)*

Appropriations

Office of Personnel Management—salaries and expenses
Department of Defense—salaries and expenses

Appropriations Committee Issues

The Congress should enact legislation that permits

cost-of-living adjustments to be made to Federal retirement annuities only for cost-of-living increases occurring after employees retire from Federal services.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF STATE
OFFICE OF PERSONNEL MANAGEMENT

Cost-of-Living Adjustment Processes for Federal Annuities Need to be Changed

Budget Functions: Income Security; Federal Employee Retirement and Disability (0602).
Legislative Authority: 5 U.S.C. 8340; 10 U.S.C. 1401; 22 U.S.C. 1121.

By law, the annuities of Federal retirees and survivors under the various retirement systems are automatically adjusted whenever the consumer price index increases at least 3 percent and remains at that higher level for 3 consecutive months. Annuitants receive cost-of-living adjustments equal to the highest CPI percentage increase during the 3-month period, plus 1 percent. Annuity increases are applicable to all annuities payable on the effective date of the increase.
Findings/Conclusion: The cost-of-living adjustment processes for Federal retirement annuities have resulted in annuities increasing faster that the cost of living and Federal white-collar pay rates. Annuity adjustments between November 1969 and March 1976 totaled 72 percent, but the consumer price index on which the adjustments were based increased only 56 percent and white-collar rates increased by 58 percent. This was caused by the extra 1-percent increases annuitants receive each time their annuities are adjusted for increases in the cost-of-living. The Federal annuity adjustment process is more liberal than that of non-Federal and other Federal income security programs. Also, existing law permits new retirees to benefit from increases in the cost-of-living that occur while they are still actively employed. This inflates the basic starting annuity, encourages valuable employees to retire, and escalates the cost of retirement. The policy of granting adjustments each time the consumer price index increases by 3 percent is inconsistent with the processes under other non-Federal and Federal pension systems and probably triggers adjustments more often than the Congress intended.
Recommendations: Congress should make the annuity adjustment formula and related provisions of Federal retirement systems more equitable and more consistent with those of non-Federal and Federal pension programs by (1) repealing the 1-percent add-on feature, (2) regularizing the process by repealing the current triggering mechanism and providing for annual adjustments based on the actual percentage rise in the consumer price index during the preceding year, (3) repealing the provisions that permit new retirees to receive higher starting annuities because of cost-of-living increases before their retirement and prorating their initial adjustments to reflect only cost-of-living increases after their date of retirement.

The Congress subsequently repealed the 1-percent add-on feature and provided for a new regularized system of semi-annual, instead of annual, adjustments each March 1 and September 1 based on the percentage increase in the consumer price index during the preceding 6-month period ending December 31 and June 30, respectively (P.L. 94-440). No action has been taken on our recommendation to prorate new retirees adjustments. *(FPCD-76-80, 7-27-76)*

Appropriations:

Office of Personnel Management—salaries and expenses
Department of Defense—salaries and expenses
Department of State—salaries and expenses

Appropriations Committee Issues:

With double-digit inflation, cost-of-living adjustments are escalating retirement outlays and the already high unfunded liabilities of Federal retirement systems. The House and Senate 1980 Budget Resolution mandated a $200 million reduction in outlays for Federal civilian and military retirement. Initially, this reduction was predicated on changing from twice-a-year to once-a-year annuity adjustments. A new policy of annual adjustments would reduce outlays, still fully protect annuitants purchasing power, and be more consistent with the social security process and with the processes used for adjusting the pay of active Federal employees. A policy of prorating new retirees adjustments to reflect cost-of-living increases after their date of retirement would also be less costly and more rational.

DEPARTMENT OF DEFENSE
DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

Should NAVSTAR Be Used for Civil Navigation? FAA Should Improve Its Efforts To Decide

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

NAVSTAR is a global satellite-based navigation system which the Department of Defense (DOD) plans to implement in the mid-1980s. The system is being designed to provide highly accurate position information anywhere in the world. The Federal Aviation Administration (FAA) is pursuing a program to determine whether NAVSTAR could become the primary civil air navigation system.

Findings/Conclusions: Area navigation could save the civil aviation community some $780 million annually by 1984. Until mid-1978 it was widely assumed that DOD would always permit free access by the civil community to NAVSTAR's benefits. FAA must make it clear to DOD what accuracies would be needed, not simply for enroute navigation, but for the whole range of flight conditions. NAVSTAR receiver costs will be a critical factor in whether a high percentage of the 180,000 general aviation aircraft owners accept NAVSTAR. The FAA needs to place a high priority on updating a cost study of alternative navigation systems. The initial study by FAA appears to overstate the cost of NAVSTAR to its users because FAA did not consider the large number of potential marine and land users if NAVSTAR is made available to the civil community.

Recommendations: The Secretary of Transportation should direct the Administrator of FAA to intensify and redirect certain efforts on the NAVSTAR program; work more closely with DOD in defining civil aviation requirements for en route navigation, area navigation, and separation assurance; redirect some of its technical efforts; and continue to reevaluate the cost of NAVSTAR, as compared to current systems, in light of the potential benefits. Whether the question of the dilution of the accuracy of the NAVSTAR C/A signal is adjudicated by DOD or a higher authority, the Secretary should ensure that careful consideration is given to the many benefits which NAVSTAR could provide to the civil community.

Concerning the recommendation that the FAA work more closely with DOD to define navigation requirements for civil aviation, the FAA, Coast Guard, and DOD are completing a Federal Navigation Plan which promises to define navigation requirements for civil aviation. The FAA, in accordance with the second recommendation, has stopped work on an alternate NAVSTAR signal. The FAA, and others, are preparing cost comparisons of the various navigation systems. Lastly, the FAA has been discussing the effects of NAVSTAR accuracy denial or dilution with DOD and others. *(LCD-79-104, 4-30-79)*

Appropriations

Department of Defense and Federal Aviation Administration—research and development

Appropriations Committee Issues

Although NAVSTAR has the potential for satisfying most civil navigation needs, the FAA has only recently recognized that NAVSTAR may be able to replace its VORTAC navigation system. Accordingly, the Defense and Transportation Subcommittees should monitor DOD's NAVSTAR development program and FAA's NAVSTAR evaluation efforts, respectively, to ensure that civil navigation needs are adequately considered in a timely manner.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
OFFICE OF PROCUREMENT POLICY

Special Procurement Procedures Helped Prevent Wage Busting Under Federal Service Contract in the Cape Canaveral Area

Budget Function: General Government: Other General Government (058); National Defense: Department of Defense - Procurement and Contracts (806).
Legislative Authority: Service Contract of 1965, as amended (41 U.S.C. 351; P.L. 94-489). Classification Act (5 U.S.C. 5102(c)). Fair Labor Standards Act as amended (29 U.S.C. 201). H. Rept. 89-948. H.R. 314 (95th Cong.). H.R. 4276 (95th Cong.). H.R. 4393 (95th Cong.). H.R. 4873 (95th Cong.). H.R. 5373 (95th Cong.). H.R. 5514 (95th Cong.). H.R. 7388 (95th Cong.). S. Rept. 89-798. S. 969 (95th Cong.). P. L. 92-473.

The Service Contract Act of 1965 protects all employees of service contractors from wage busting (lowering of wages and benefits by contractors in efforts to become low bidders) except bona fide executive, administrative, and professional employees. To discourage wage busting for professional employees, the National Aeronautics and Space Administration (NASA) and the Air Force designed special procurement procedures which were used for recompetition on three major contracts.

Findings/Conclusions: In a review of wages and fringe benefits of 881 of 1,034 employees not covered by the Act, no cases of wage busting were found on two of the three contracts, and only two cases were identified on the remaining contract. In the two cases, the contractor paid salaries requested on job applications, and there was no indication of intent by the contractor to wage bust. The procurement procedures influenced contractors to submit proposals based on paying wages and fringe benefits comparable to those paid under the prior contracts, and these factors affected the proposal evaluations. The special procurement procedures demonstrate that a policy directed towards discouraging wage busting is a viable alternative to proposed legislation that would include professional employees under the Act.

Recommendations: The Administrator for Federal Procurement Policy should establish a government-wide policy to discourage wage busting of professional employees not covered by the Act and require Federal agencies to include appropriate implementing language in their procurement regulations and service contracts. The Secretary of Defense and the Administrator of NASA should amend their procurement regulations to discourage wage busting of employees not covered by the Act on waiting for a Government-wide policy.

As a result of our recommendations, the Office of Federal Procurement Policy (OFPP). issued Policy Letter Number 78-1, "Preventing 'Wage Busting' for Professionals: Procedures for Evaluating Contractor Proposals for Service Contracts," which stated that it is the declared policy of the Federal Government that all service employees, including professional employees, employed by contractors providing services to the U.S. Government, be fairly and properly compensated. The policy letter said Federal procurement procedures shall be developed to assure equitable compensation for all such employees. The letter also provided appropriate language for inclusion in all future solicitations whenever professional employees are expected to be needed to perform the services. The new policy, effective April 1, 1978, is to be implemented through regulatory guidance issued under both the Defense Acquisition Regulation and Federal Procurement Regulations. Also as a result of our recommendations, DOD advised us in June 1978 that the Air Force has been directed to develop guidance, for DOD activities, to discourage wage busting of professional service employees. In addition, NASA in July 1978, amended its procurement regulation to include procedures to implement the requirements in OFPP Policy Letter Number 78-2. We believe the new Government-wide policy and procedures to be implemented by NASA and DOD should prevent wage busting of professional contract employees and alleviate labor instability, loss of morale, and undermined mission performance that comes from the fact or fear of wage busting. In addition, the new policy should not unduly increase the

costs of service contracts, impact on the professional salary structure, or create additional administrative burdens on the agencies. *(HRD-78-49, 2-28-78)*

Appropriations

Department of Defense—salaries and expenses.
National Aeronautics and Space Administration—salaries and expenses
Office of Federal Procurement Policy—salaries and expenses

Appropriations Committee Issues

Administratively implemented special procurement procedures are an effective alternative to proposed legislation dealing with the wage busting issue such as H.R. 314 which was introduced in the 95th Congress.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF THE INTERIOR
OFFICE OF MANAGEMENT AND BUDGET

Policy Needed To Guide Natural Gas Regulation on Federal Lands

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978 (43 U.S.C. 1801). Natural Gas Policy Act of 1978 (P.L. 95-621; 92 Stat. 3351). Department of Energy Organization Act (42 U.S.C. 7101). Natural Gas Act (15 U.S.C. 717). Outer Continental Shelf Lands Act (43 U.S.C. 1331). 30 C.F.R. 250.12(d)(1). 30 C.F.R. 250.35. 30 C.F.R. 250.33.

The management by the Department of the Interior of the exploration, development, and production of natural gas from Federal lands in the Outer Continental Shelf (OCS) was studied. The Gulf of Mexico was chosen for the study because this region, which supplies almost all of the natural gas obtained from OCS areas, supplies about 18 percent of the Nation's natural gas consumption.

Findings/Conclusions: The Department of Energy (DOE) and the Department of the Interior (DOI) have taken little or no action to develop an overall natural gas policy which states the role of natural gas in meeting the Nation's energy needs and the role that natural gas from the Federal domain is expected to play. The only Government requirement affecting the pace of exploration and development is the law which requires a lessee to produce economical quantities of natural gas within 5 years or relinquish his lease. There are no requirements controlling how rapidly the natural gas should be extracted. DOI could not gauge whether lessees in the Gulf of Mexico had been diligent with respect to the level of production that could be achieved with the facilities installed.

Recommendations: The Secretary of Energy should fulfill the requirement mandated by Congress to develop a policy which establishes the role of natural gas in meeting the Nation's energy needs. The policy should specifically address the role of natural gas from the Federal domain. The Secretary of Energy should establish and issue regulations in cooperation with the Secretary of the Interior and the Chairman of the Federal Energy Regulatory Commission to govern the diligence of lessees in the exploration, development, and production of natural gas on the Federal domain. The regulations should require that lessees who have not submitted a development plan by the end of the third year of the primary term must submit a statement on problems that have prevented its preparation, actions the lessee is taking to overcome the problems, and the estimated time needed to take the actions. The regulations should provide for application of currently authorized sanctions against lessees who fail to meet the diligence requirements, both during the primary term and afterwards. Finally, the Secretary of Energy should include a schedule for issuing the policy and regulations in his written statement to the House Committee on Government Operations and the Senate Committee on Governmental Affairs. The Secretary of the Interior should defer efforts to review additional Gulf of Mexico fields in order to identify opportunities to increase production until policy and implementing regulations for natural gas production have been established. The Secretary of the Interior should provide the Secretary of Energy full assistance in the implementation of the above suggestions to DOE. The Congress should not appropriate funds for the Geological Survey OCS Reservoir Shut-in/Diligence Program until the policy and regulations have been issued and the Survey's program has been justified. Congress also should repeal those portions of legislation which require the Government to establish, enforce, and report on production rates on Federal lands.

DOI continued to insist that the Geological Survey OCS Reservoir Shut-in/Diligence Program would someday prove useful. However, it did not provide any evidence not already considered and rebutted in the GAO report. The program is expensive and futile. *(EMD-78-86, 6-15-79)*

Appropriations

Department of Interior, United States Geological Survey—Federal lands

Appropriations Committee Issues

The Department of the Interior continues to contend that it needs to operate its duplicate program, but does not provide new justification for doing so. All justification was rebutted in the report.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
National Institutes of Health

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ENVIRONMENTAL PROTECTION AGENCY

Reducing Tooth Decay—More Emphasis on Fluoridation Needed.

Budget Function: Health: Prevention and Control of Health Problems (0553).
Legislative Authority: Safe Drinking Water Act. Housing and Community Development Act.

A Federal research program on tooth decay prevention was started in 1971, but public officials cannot predict when the program will achieve a decrease in tooth decay. Tooth decay affects nearly every person in the United States and is a tremendous financial burden to the public and to the State and Federal governments.

Findings/Conclusions: Questionable research expenditures have been made to develop prevention techniques that do not have widespread applicability and to demonstrate methods that were already successfully marketed, such as the $2 million spent to demonstrate school-based mouthrinsing. When these demonstrations were begun, this technique was already known to be effective and had been commercially marketed in 40 States. Relatively little is being done to promote fluoridation, a proven decay prevention technique. Greater emphasis is needed to promote this cost-effective technique for reducing tooth decay. The Safe Drinking Water Act has been misinterpreted in some communities as prohibiting fluoridation. Environmental Protection Agency regulations implementing the Act are misleading in that fluoridation's dental health benefits are not prominently stated. The agency has agreed to amend the regulations.

Recommendations: The Secretary of Health, Education, and Welfare should direct the Director of the National Institutes of Health to develop criteria for undertaking National Caries Program demonstration projects and periodically, at least annually, reassess the potential public benefit of tooth decay prevention techniques being funded by the National Caries Program. The Secretary should require the Assistant Secretary for Health to: place greater emphasis on helping State and local public health agencies to promote fluoridation; determine whether the Public Health Service has the authority to provide specific financial assistance to fluoridate water supplies and, if such authority is lacking, request that Congress provide it; and increase efforts to educate the public about the decay prevention benefits of fluoridation and seek out other organizations that can help in these efforts. The Secretary of Housing and Urban Development should instruct regional officials to notify States and communities that the cost of fluoridation equipment can be included in water system improvement grants. *(HRD-79-3, 4-13-79)*

Appropriations

Department of Health, Education, and Welfare, National Institutes of Health, Center for Disease Control
Department of Labor
Department of Housing and Urban Development
Environmental Protection Agency

Appropriations Committee Issues

Congress should amend certain language in the Safe Drinking Water Act which discourages fluoridation and should consider establishing a program to provide financial assistance for communities that wish to fluoridate their water supplies.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
DEPARTMENT OF JUSTICE

Federal Strategy Is Needed To Help Improve Medical and Dental Care in Prisons and Jails

Budget Function: Health: Health Care Services (551).
Legislative Authority: Public Health Service Act (P.L. 93-641). P.L. 95-355. 42 C.F.R. 124. 42 Fed. Reg. 62271. DOJ Order 777-78.

The health care delivery systems of most prisons and jails are inadequate because of deficiencies in assuring adequate levels of care, physical examinations, medical records, staffing, facilities, and equipment. Officials said that they lacked funds to make improvements. Should those needs continue to be underfunded, it is critical that ways to improve utilization of all available resources be examined.

Findings/Conclusions: Inmates' health needs can only be learned by giving them thorough physical examinations. Medical and dental records must be complete and confidential. Sufficient, qualified health staff should be available. Prisons and jails should meet national medical and dental care standards for the services they provide, or obtain these services in the community.

Recommendations: The Law Enforcement Assistance Administration should: develop and implement a Federal strategy to help State and local governments bring their prison and jail health care delivery systems into compliance with standards promulgated by the American Correctional Association and the American Medical Association; incorporate into the Federal strategy the appropriate expertise and resources of the U.S. Public Health Service, National Institute of Corrections, and U.S. Marshals Service (to participate, State and local governments should be required to determine the medical and dental needs of their inmates and the proper mix of resources to meet those needs and implement whatever health care standards they can within their existing resources). The U.S. Public Health Service should: closely monitor its newly initiated Prison Health Program and, if successful, expand it within the Federal strategy; provide grants to help State and local correctional institutions bring their medical and dental facilities into compliance with existing standards, and explore the feasibility of utilizing other applicable assistance programs within the Federal strategy; and encourage State and local health planning agencies to participate in the Federal strategy and programming for community health improvements. The U.S. Marshals Service should assist in the Federal strategy by providing technical assistance and funding for improving medical and dental care at those contract facilities. To upgrade the level of health care in Federal institutions, the Bureau of Prisons should: reexamine its policy on physical examinations to include biennial examinations of all inmates about to be released; replace inmates working in sensitive positions, such as maintaining medical records, with qualified civilian personnel; and take appropriate actions to assure 24-hour coverage by qualified medical personnel at all institutions.

LEAA has expanded a program begun by the National Institute of Corrections to establish area resource centers which will address medical and dental needs of inmates, and another program for implementing standards on medical and dental programs. American Medical Association has recommended that a Presidential Commission develop the kind of strategy GAO recommended. The PHS is monitoring its Prison Health Program and plans to expand it if successful. The Bureau of Prisons is in the process of implementing GAO's recommendations. *(GGD-78-96, 12-22-78)*

Appropriations

Bureau of Prisons—salaries and expenses.
Law Enforcement Assistance Administration—salaries and expenses.
Department of Health, Education, and Welfare, Public Health Service.

Appropriations Committee Issues

Congress should monitor the development of the Federal strategy to address the health care needs of prison and jail inmates because of the potential need for Federally-funded assistance to correctional agencies in order to implement that strategy.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
DEPARTMENT OF JUSTICE
DEPARTMENT OF LABOR

Correctional Institutions Can Do More To Improve the Employability of Offenders

Budget Function: Administration of Justice: Federal Correctional Activities (753).
Legislative Authority: Privacy Act of 1974. Vocational Educational Act of 1963, as amended. Education Amendments of 1976, title III. Comprehensive Employment and Training Act of 1973. Elementary and Secondary Education Act of 1965, as amended. Higher Education Act of 1965, as amended. Adult Education Act of 1966. Library Services and Construction Act.

The inadequacies in education and training programs in Federal and State correctional institutions for improving the employability of offenders has caused much concern. Most offenders are not prepared to obtain and maintain legitimate employment. They need basic education, marketable vocational skills, social skills, and placement assistance.

Findings/Conclusions: The opportunities for offenders
to improve their legitimate employment prospects while in correctional institutions are limited. Classification, assignment, counseling, and guidance services neither identify offenders' needs and interests nor encourage participation in appropriate programs. Academic education, occupational training, and work assignments do not prepare offenders for employment. Transitional programs do not receive enough attention and education and training programs have not been fully evaluated. Management information systems do not effectively keep track of offenders and system performance.

Recommendations: The Attorney General should instruct the Director of the Bureau of Prisons to strengthen management by making sure that: (1) classification and counseling programs identify offenders' needs and interests; (2) academic and occupational programs prepare offenders for employment; (3) transitional services implement current policies for social education and prerelease programs; and (4) the management information system is improved by training staff responsible for collecting and reporting information. The Director of the National Institute of Corrections should disseminate to each correctional agency for use as models, the reassessment of classification and counseling services and curriculum materials and program review criteria developed by the Bureau. The Secretary of Health, Education, and Welfare should direct the Commissioner of Education to encourage the States to improve management of the classification, counseling, curriculum, on-the-job training, and transition programs in their correctional institutions. The Secretary of Labor should encourage the use of designated funds for establishing and operating programs and services to prepare and enable offenders to take advantage of employment opportunities.

The Bureau is implementing GAO's recommendations. *(GGD-79-13, 2-6-79)*

Appropriations

Bureau of Prisons—salaries and expenses

Appropriations Committee Issues

The Congress should continue to monitor the Bureau's implementation of GAO's recommendations to assure that the Bureau makes maximum effective use of the funds used to help improve the employability of offenders in Federal prisons.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
DEPARTMENT OF JUSTICE
DEPARTMENT OF STATE

The Indochinese Exodus: A Humanitarian Dilemma

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151).

Massive refugee migrations in Southeast Asia set off in 1975 by changes of government in Vietman, Cambodia, and Laos, are a problem of both humanitarian and political concern. The refugees pose potentially disruptive political problems for the asylum countries, Thailand, Malaysia, Indonesia, Singapore, the Philippines, and Hong Kong. Only a few countries, the United States, France, Australia, and Canada, have accepted an appreciable number of refugees for resettlement.

Findings/Conclusions: In an effort to obtain worldwide participation in alleviating the Indochina refugee crisis, the United Nations High Commissioner for Refugees (UNHCR) has changed its funding program and has held international conferences aimed at obtaining more resettlement offers. It is imperative that appropriate asylum and additional temporary care facilities be provided and effectively managed. Current law does not clearly express U.S. intentions and commitments to refugee resettlement and has made planning and processing of refugees very difficult. Commitments need to be more formally embodied in law to express the will of Congress and possibly to motivate other nations to share refugee relief. A refugee admission and resettlement policy needs to be established.

Recommendations: The Secretary of State, through the U.S. mission to the United Nations should: press to establish additional temporary care holding camps on islands in the South China Sea, or at other locations in the Far East, that would reduce refugee population visibility to local populations and relieve the pressures on first asylum countries; and inform the UNHCR of the need for more aggressive field monitoring and the need to insure that refugees are provided asylum and suitable care. To improve the Department of Health, Education, and Welfare's (HEW) management and control of Federal funds for refugee resettlement, the Secretary of HEW should require the monitoring of refugee program funds to be tightened through closer surveillance by HEW regional office personnel and State and local government agencies, and by audits of HEW administered funds. In deliberations on authorizing or appropriating funds for temporary care and U.S. resettlement programs for Indochinese refugees, Congress should require long-range data on: anticipated number of refugees, number to be resettled in the United States, estimated costs of the program, and the extent to which the United States is to provide funds.

In general, the Departments of State and Health, Education, and Welfare agreed with the recommendations and cited their planned actions. The implementation of these actions will be monitored during followup reviews by the International Division and the Human Resources Division. *(ID-79-20, 4-24-79)*

Appropriations

Departments of State, Justice, Commerce
Administrative Office of the United States Courts
Department of Health, Education, and Welfare

Appropriations Committee Issues

Long-range information on the numbers of refugees to be resettled, the projected costs, and extent of United States funding are needed to provide temporary care appropriations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
DEPARTMENT OF THE INTERIOR

The Indian Self-Determination Act: Many Obstacles Remain

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).
Legislative Authority: Indian Self-Determination and Education, Assistance Act, title I (25 U.S.C. 450, P.L. 93-638). Buy Indian Act of 1910 (25 U.S.C. 47). Johnson-O-Malley Act of 1934 (25 U.S.C. 452). 25 C.F.R. 271. S.Rept. 93-762. S.1017 (93rd Cong.). Indian Reorganization Act of 1934. P.L. 83-280. P.L. 94-437.

Title I of P.L. 93-638, the Indian Self-Determination Act, give Indian tribes the opportunity to administer Federal Indian programs through contracts which they must request. The Secretaries of the Interior and Health, Education, and Welfare (HEW) are directed to contract with the tribes to plan and conduct programs which the Bureau of Indian Affairs (BIA) and/or the Indian Health Service (IHS) administer for the Indians.
Findings/Conclusions: In three areas reviewed, very little control has shifted to tribes since implementation of title I. Of 50 title I contracts given to the five selected tribes during fiscal years 1975-1977, only 1 resulted in a shift of services from the agency to the tribe, 40 represented renewals of previous contracts, and 9 were for new programs. Most tribal officials said that they did not plan to request contracts for large-scale takeover of programs, citing such obstacles as Federal procedures and policies, beliefs that contracts do not offer greater opportunities, and uncertainties and fears related to program administration and funding. Because of the agencies' interpretation of self-determination, they have adopted policies of reacting to tribal initiatives rather than encouraging tribes to contract for programs. GAO believes that the act allows the agencies to encourage and assist tribes without violating the concept of self-determination.
Recommendations: The Secretaries of the Interior and HEW should direct BIA and IHS to establish criteria for measuring progress in implementing the Self-Determination Act and develop and implement procedures for making sure that tribes have a full understanding of their options under title I, helping tribes obtain information needed for informed decisions on assuming programs, and guiding the tribes in determining how to acquire needed skills or resources to contract for a particular program. Some tribes may require a description of programs available for contracting and a list or description of services delivered to the tribe.

Subsequent to the report's issuance, the Indian Health Service has established the Office of Tribal Health Program Support. This program will be the primary mechanism for strengthened tribal self-determination capacity to operate or manage their own health care delivery system. This new program will provide the resources needed by the Indian Health Service to award contracts and grants pursuant to the Indian Self-Determination Act, and enable tribes and tribal groups to develop necessary management capabilities in such activities as planning, development of health care institutions, training staff development and evaluation of program effectiveness. *(HRD-78-59, 3-1-78)*

Appropriations

Indian Health Service
Bureau of Indian Affairs

Appropriations Committee Issues

Congress needs to be assured that

1. Federal expenditures are not significantly increased as a result of the transfer of Federally managed activities to tribal controlled activities.
2. BIA and IHS managed activities are not forced upon the tribes.
3. IHS budget requests for self-determination activities related to health training, community development and urban health programs are not repetitive.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF MANAGEMENT AND BUDGET
VETERANS ADMINISTRATION

Legislation Needed to Encourage Better Use of Federal Medical Resources and Remove Obstacles to Interagency Sharing

Budget Function: Health: Health Care Services (551).
Legislative Authority: Heart Disease, Cancer, and Stroke Amendments of 1965 (42 U.S.C. 299). Comprehensive Health Planning and Public Health Service Amendments of 1966 (42 U.S.C. 246). National Health Planning and Resources Development Act of 1974 (P.L. 93-641; 42 U.S.C. 300). Economy Act (31 U.S.C. 686). 38 U.S.C. 5003. 38 U.S.C. 5053. 42 U.S.C. 254a. 10 U.S.C. 2301. 10 U.S.C. 1079. 10 U.S.C. 1074. 38 U.S.C. 213. 38 U.S.C. 628. 38 U.S.C. 613. H.R. Conf. Rep. 94-1314. Army Regulation 40-3. OMB Circular A-95.

Concern has been expressed about the increasing costs of medical care in the Nation. The Department of Defense, the Veterans Administration (VA), and the Department of Health, Education, and Welfare (HEW) have the major responsibility for providing health care directly to beneficiaries. Several laws have been enacted to encourage regional cooperation in health care.
Findings/Conclusions: Federal agencies' participation in regional health planning groups has been, for the most part, only advisory. In fiscal year 1977, the responsible agencies spent over $6 billion to provide medical care to Federal beneficiaries and over $700 million for care in the non-Federal sector. Increased interagency sharing is being planned, and an interagency Federal Health Resources Sharing Committee has been established. However, there are obstacles to interagency sharing such as the absence of a specific legislative mandate or guidance for this purpose, restrictive regulations and policies, and inconsistent methods for reimbursing agencies for services provided to beneficiaries of other agencies.
Recommendations: The Secretaries of Defense and HEW and the Administrator of VA should direct the committee to seek solutions to obstacles within agencies which impede sharing, and report annually to congressional appropriations committees on progress. The Director, Office of Management and Budget (OMB) should establish a management group to work with agencies to better coordinate the development of an effective Federal sharing program. The Congress should enact legislation to establish an expanded and cost-effective interagency sharing program. The legislation should establish a policy that directs interagency sharing, authorize Federal direct health care providers to accept all categories of beneficiaries on a referral basis when advantageous, eliminate restrictions on medical services which can be shared, authorize sharing arrangements by Federal field hospital managers, authorize expansion of services for cost effectiveness, establish a policy requiring fullest use of nearby Federal medical resources, authorize a method of reimbursement for Federal hospitals in which revenues would offset expenses, and assign to OME responsibilities for coordinating interagency sharing and reporting to the Congress.

DOD, VA and HEW generally agreed with GAO's conclusions and recommendations, expressing their support for the concept of increased sharing of Federal medical resources. They cited several actions that have already been taken toward this objective, including the establishment of the Federal Health Resources Sharing Committee. The Office of Management and Budget, (OMB) agreed that interagency sharing should be improved, but did not agree with some of GAO's recommendations concerning OMB's role in increasing interagency sharing. OMB strongly disagreed with GAO's proposed legislative mandate and the extent to which the legislation would thrust OMB into the direct management of agency health programs. None of the administrative obstacles identified in our report has been resolved. However, the major obstacle to interagency sharing—the issue of inconsistent and unequal methods for reimbursing agencies for services rendered to other agencies' beneficiaries—was considered by the Federal Health Resources Sharing Committee. No resolution of this matter was achieved. OMB has not established a management group to work with DOD, HEW, and VA to coordinate the development of an effective interagency sharing program. Although several congressional committees have expressed interest in

the interagency sharing of medical resources, no legislation has been introduced or enacted to establish a greatly expanded and cost-effective interagency sharing program. *(HRD-78-54, 6-14-78)*

Appropriations

Department of Defense
Department of Health, Education, and Welfare
Veterans Administration
Office of Management and Budget

Appropriations Committee Issues

Eliminating legislative and administrative obstacles and implementing a structured Federal interagency sharing program would be advantageous to both the Federal Government and its health care beneficiaries.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

VETERANS ADMINISTRATION

Better Coordination Could Improve the Provision of Federal Health Care in Hawaii.

Budget Function: Health: Health Care Services (551).
Legislative Authority: National Health Planning and Resources Development Act of 1974 (P.L. 93-641). OMB Circular A-95.

In Hawaii, three Federal agencies—the Department of Defense (DOD) through its military services, the Veterans Administration (VA), and the Public Health Service—provide health care to a beneficiary population of about 230,000 people. Because of location and size, a unique opportunity exists in Hawaii to assure that Federal health care is delivered more economically without sacrificing the quality of care.

Findings/Conclusions: The DOD Mid-Pacific Review Committee has not systematically assessed the use of medical and dental facilities in Hawaii, but an interservice assessment of the beneficiary population residing around the various military clinics showed that a more equitable distribution of workload is possible at considerable savings to the Government. The DOD Mid-Pacific Review Committee needs specific guidance concerning how to assess the need for increasing or decreasing health care services in particular areas of the State and whether to include the resources of other Federal and non-Federal agencies in such assessments. The Committee does not have a clear mechanism to resolve differences of opinion and program emphasis among the services, and it has not received feedback from DOD headquarters when it has presented local interservice cooperation proposals for specific health care areas. Of major consequence is the opportunity afforded the Government by the planned renovation and construction project involving Tripler Army Medical Center on Oahu.

Recommendations: The Secretary of Defense should: make sure that the DOD Health Council provides the direction, guidance, and feedback needed by the Mid-Pacific Review Committee and directs that Committee to seek VA and Public Health Service representation; establish interagency agreements with VA and the Department of Health, Education, and Welfare to provide dental care in military facilities when this would be advantageous; and make sure that the Army keeps other Federal health care providers and State officials informed of its planning for the Tripler renovation and gives full consideration to their concerns.

DOD and VA agreed with GAO's recommendations. DOD subsequently identified space at Tripler which can be renovated and utilized by 20 additional VA psychiatric patients. In addition, VA stated that it was exploring with DOD the possibility of using a portion of the Tripler facility to provide such additional services as long-term care to veterans. No further agency action has taken place since our last annual report was issued. The same unresolved issues remain. *(HRD-78-99, 5-22-78)*

Appropriations

Departments of Defense and Health, Education, and Welfare, and the Veterans Administration

Appropriations Committee Issues

Tripler Army Medical Center can effectively serve as the only Federal hospital in Hawaii if the Army, in its plan for renovating the facility, keeps other Federal health care providers and Hawaii State Health Planning and Development Agency officials fully apprised of the plans for the facility.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
VETERANS ADMINISTRATION

Computed Tomography Scanners: Opportunity for Coordinated Federal Planning before Substantial Acquisitions

Budget Function: Health: Health Care Services (551).

Computed tomography scanning is a new diagnostic technique using X rays. It is of little risk to patients, causes minimal discomfort compared to other diagnostic procedures, and eliminates some shortcomings of conventional X-ray methods. Scanners cost from $300,000 to $700,000 each; operation and maintenance expenses are estimated at several hundred thousand dollars a year. As many as 2,500 scanners may be operating in the United States by 1980. In an effort to control the acquisition of scanners, some States have imposed moratoria on their purchases. Criteria for planning and using scanners are limited. **Findings/Conclusions:** The Federal Government has 16 scanners in operation and plans to purchase an additional 29—16 for the Department of Defense (DOD) and 13 for the Veterans Administration (VA). These 45 scanners will cost about $21 million. VA has 11 scanners in operation, and DOD is installing scanners at three of its major hospitals. Only limited criteria and information were available to justify the need for or locations of these scanners. No coordination took place between VA and DOD in planning for these scanners, and neither department made sure that there will be enough people to operate the scanners as planned. Delays are anticipated in getting staff or authorization for the positions. It will be difficult to fully use the equipment, and staff relocations from other hospitals will be necessary for operation of the scanners. The Federal Government has purchased only a limited number of scanners; excess acquisition has not yet occurred. However, because of the large number that DOD and VA plan to acquire over the next few years, criteria should be developed quickly or the Federal health care system may have too many. **Recommendations:** The Secretaries of Defense and Health, Education, and Welfare (HEW) and the Administrator of the VA should develop a coordinated approach for planning and using scanners. This approach should include: specific criteria for assessing and justifying the need for the equipment and determining the most appropriate location; a policy requiring that, where possible, Federal agencies share scanners; and a mechanism for determining if it would be feasible and economical for Federal agencies to use those scanners located in the private sector. The Director of the Office of Management and Budget should ensure that DOD, VA, and HEW promptly develop this approach. Congress should consider limiting the number of scanners that can be purchased until the coordinated Federal approach is developed.

DOD, VA, and HEW agreed with GAO's recommendation that they develop a coordinated Federal approach for planning and using computed tomography scanners. National Guidelines for Health Planning, published in the Federal Register on March 28, 1978, contain a standard for the acquisition and use of computed tomography scanners. In addition, the Federal Health Resources Sharing Committee has established a Computerized Tomography Subcommittee to (1) develop and propose guidelines and criteria for assessing and justifying the need for and appropriate locations of the scanners, (2) develop and propose utilization criteria, and (3) propose geographic areas where opportunities exist to share computed tomography services. The Federal Health Resources Sharing Committee's Subcommittee on Computerized Tomography presented its final report at the November 1, 1978 meeting of the Sharing Committee. The report consisted of guidelines and criteria to be used for determination of the need and justification for such equipment in the Federal sector and in the identification of geographical areas of the country where shared services are feasible. The report findings and recommendations were approved by the Sharing Committee and sent to DOD, HEW, and VA for their consideration. The report is being modified to reflect certain changes proposed in agency responses to the report. Neither the Congress nor OMB have initiated the recommendations suggested in our report. Although some progress has been made, the unresolved issues remain the same. *(HRD-78-41, 1-30-78)*

Appropriations

Department of Defense
Department of Health, Education, and Welfare
Veterans Administration

Appropriations Committee Issues

Congress should consider limiting the number of scanners that can be purchased until the Federal Health Resources Sharing Committee has developed appropriate guidelines and criteria for purchase and use of the scanners.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
VETERANS ADMINISTRATION

Patient Care and Reduction Costs

Budget Function: Health: Health Care Services (551).
Legislative Authority: Economy Act (31 U.S.C. 686). P.L. 89-785.

Cardiac catheterization is a procedure used to diagnose possible heart conditions. It is performed in 90 Federal hospitals: 66 Veterans Administration (VA) facilities; 20 Department of Defense (DOD) facilities; 3 Public Health Service hospitals; and the National Institutes of Health clinical center in Bethesda, Maryland. Several medical professional organizations, as well as the VA, have developed guidelines for cardiac catheterization laboratories. These guidelines are intended to keep physicians' skills high and to minimize risk to patients. DOD and the Public Health Service have no such guidelines.

Findings/Conclusions: The number of cardiac catheterizations being performed in DOD and VA laboratories varied considerably. For fiscal year 1976, catheterizations performed at the Federal hospitals reviewed ranged from 574 at Walter Reed in Washington, D.C., to 60 procedures at Wright Patterson in Dayton, Ohio. Also, there was no correlation between the number of catheterizations performed and the number of physicians performing them. In addition, physicians at the hospitals had differing views of the number of catheterizations that should be performed to maintain their proficiency. In each of four geographic areas visited, there were opportunities to provide cardiac catheterization on a shared basis which could increase patient safety and reduce costs to the Government. The sharing opportunities could be accomplished within the framework of present laws governing DOD and VA operations.

Recommendations: The Secretaries of Defense and Health, Education, and Welfare (HEW) and the Administrator of Veterans Affairs should: (1) jointly develop uniform Federal guidelines for the planning and use of Federal cardiac catheterization laboratories which associate the number of catheterization procedures to be performed with the number of physicians that should perform them; (2) consider what variances from those guidelines might be appropriate; (3) jointly analyze the use levels at the laboratories and adjust the manner in which this diagnostic service is provided, and where feasible, provide cardiac catheterization on a joint or shared basis in a single Federal facility; and (4) consider discontinuing the procedure in Federal facilities in geographic areas where the Federal guidelines cannot be met and obtaining this service from nearby civilian hospitals. The Director of the Office of Management and Budget should oversee the offsets of DOD, HEW, and VA in developing uniform Federal guidelines for the planning and use of Federal cardiac catheterization laboratories to insure it is accomplished in an appropriate and timely manner.

HEW, VA, and DOD generally agreed with GAO's recommendations and have taken prompt action since June 1977 to begin the joint development of uniform Federal cardiac catheterization guidelines. By letter dated January 19, 1978, DOD advised GAO that the three agencies had established an interagency committee to gather baseline information regarding the present extent of interagency sharing among the three agencies. Subcommittees were established to look into the following areas: Cardiac Catheterization Laboratories, Computerized Tomography, Medical Information Systems, and Mobilization Support. VA and DOD established interim guidelines for cardiac catheterization laboratories pending receipt of the interagency committee's recommendations. DOD also advised GAO that the cardiac catheterization laboratories at Malcolm Grow Hospital, Scott Air Base, and Naval Regional Medical Center, Great Lakes would be closed. The Cardiac Catheterization Laboratories Subcommittee report was presented to the Federal Health Resources Sharing Committee at the January 10, 1979, meeting and completed at the April 6, 1978, meeting. The Subcommittee report contains 16 findings and 14 general program recommendations. The report has been sent to DOD, HEW, and VA for comments. Further action by the Federal Health Resources Sharing Committee on the issue of cardiac catheterization laboratories is awaiting receipt of all agency responses. As a result, no consolidation of resources or closure of cardiac catheterization laboratories has taken place. OMB has taken no action to

specifically oversee the development of cardiac catheterization guidelines or to insure that it is accomplished in an appropriate and timely manner. *(HRD-78-14, 11-17-77)*

Appropriations

Department of Defense
Department of Health, Education, and Welfare
Veterans Administration

Appropriations Committee Issues

Budget requests for funds for cardiac catheterization laboratories or similar specialized services should include justifications as to the need for the services. These justifications should adequately assess the patient demand and the possibility of using other DOD, VA, or HEW facilities.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
INTERSTATE COMMERCE COMMISSION
FEDERAL ENERGY REGULATORY COMMISSION

Petroleum Pipeline Rates and Competition—Issues Long Neglected By Federal Regulators and in Need of Attention

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).
Legislative Authority: Interstate Commerce Act (P.L. 95-473; 92 Stat. 1337). Mann-Elkins Act (Interstate Commerce) (36 Stat. 539). Transportation Act, 1920. Department of Energy Organization Act (42 U.S.C. 7101 et seq.). Petroleum Rail Shippers' Ass'n. v. Alton & Southern R.R., et al., 243 I.C.C. 589 (1941). United States v. Atlantic Refining Co. (C.A. 14060, D. D.C. 1941). Reduced Pipeline Rates and Gathering Charges, 243 I.C.C. 138 (1940).

A network of 174,000 miles of oil pipelines crisscrosses the United States, carrying 9.6 billion barrels of crude oil and petroleum products, and providing the most efficient and economical means of moving oil; pipeline costs represent only 2 or 3 percent of the delivered price of petroleum products. The Interstate Commmerce Commission (ICC) regulated these pipelines until October 1977, when jurisdiction was transferred to the Federal Energy Regulatory Commission (FERC). In over 70 years of ostensible regulation by ICC, little was done; and information as to past compliance is sketchy.

Findings/Conclusions: GAO reviewed pipeline regulation and found that consumer benefits accruing from regulation could not be determined because no acceptable rate of return was established for pipeline rates, Federal investigations of allegations of anticompetitive practices have lingered on for years, and FERC has ignored many oil pipeline common carrier issues, except for rates. Oil pipeline owners receive a higher profit return than other profitable companies; and Government has not established criteria for assessing the justness and reasonableness of these rates. The few reviews conducted by ICC were usually limited to mere records of charges without evaluation. Naturally, pipeline companies responded by steadily increasing rates beyond ICC-approved levels, partly because of a 1941 Federal consent decree, which limited dividends payable by companies to shipper-owners, but did not mention rates or profits. Even the minimal requirement of annual dividend payment reports has largely gone unheeded. Allegations of noncompetitive practices have not been resolved because the ICC gave pipelines low priority and investigated only in response to complaints; necessary information was not collected; no standards were developed for evaluating pipeline company practices; carriers' tariff rules and conditions were not questioned or reviewed; and no systematic compliance program existed until 1976. FERC has been more aggressive than ICC in pipeline regulation, although regulatory jurisdiction should be extended to include certification of public convenience.

Recommendations: To assure just and reasonable rates, FERC should implement rate reform and develop appropriate criteria without discouraging continued investment in pipelines. Procedures should include justification of rate increases, use of experienced tariff examiners, and an adequate auditing process. Pipeline regulation would be strengthened by the collection of financial and operating information by FERC and the Energy Information Administration, a determination of regulatory jurisdiction over terminals, the development of common carrier requirements for oil pipelines, and an assurance that all potential pipeline users are adequately considered in making decisions regarding routing, sizing, and expansion. The Attorney General should move to vacate the Consent Decree because it no longer serves any useful purpose. Its removal would free both the pipeline companies from the obligation of filing frequent reports and the Justice Department from the administrative burden of assuring compliance.

The Chairman, FERC, in his 60-day response to Congressional Committees, agreed with the aim of our recommendations, but expressed the view that FERC's rulemakings, two of which deal directly with our recommendations, represents the proper and responsible procedure to follow in formulating oil-pipeline related policies. He said these rulemaking procedures will provide FERC the information needed

to act on our recommendations. The Department of Justice said that once FERC institutes effective rate regulation, Justice will act to have the consent decree vacated. Until then, however, Justice believes that the consent decree provides the only ceiling, albeit a high ceiling on pipeline rates. *(EMD-79-31, 7-13-79)*

Appropriations

Energy information, policy, and regulation

Appropriations Committee Issues

To assure just and reasonable petroleum pipeline rates, FERC should implement rate reform measures. FERC should also strengthen its regulation of pipeline practices to assure that the pipeline industry meets its common carrier obligations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Proposals To Resolve Longstanding Problems in Investigations of Federal Employees

Budget Function: General Government; General Personnel Management (805).
Legislative Authority: Civil Service Act of 1883, sec.2. P.L. 81-733. Executive Order 10450. Executive Order 9835.

Authority to conduct investigations of Federal personnel is based on Executive Order 10450 which united previously separate suitability, security, and loyalty programs under the framework of a security program. The Civil Service Commission is primarily responsible for conducting such investigations.

Findings/Conclusions: Since 1953, new laws and court decisions have imposed constraints in the investigation process which have had the effect of reducing the authority of employing agencies to remove employees under the provisions of the Executive Order and limiting the Commission's ability to obtain information bearing on their suitability for employment. Federal regulations provide criteria for agency classification of positions according to the sensitivity of their duties which indicates to the Commission what type of investigation to conduct. Criteria for these determinations are not clear, and many positions are classified as nonsensitive although they involve a high degree of public trust. The national agency check and inquiry as now conducted are inadequate for employees in positions with sensitive duties, while the extent of investigation is excessive for the majority of positions. Deficiencies noted in the Commission's information system were: the information gathering system has no overview on how the agencies use the information; it disseminates information developed during investigations even though much of the information may have little relationship to disloyalty; and security files maintained on supposedly subversive individuals are not specifically authorized.

Recommendations: Congress should consolidate into one law the authority to investigate and judge the suitability of federal employees including their potential to impair national security. The Civil Service Commission should: improve agencies' consistency in classifying positions as to the scope of investigation needed, establish criteria to provide clear instructions on classifying positions based on sensitivity of duties, and assign more people to the review of agency classifications; insure that occupants of sensitive positions are investigated properly by establishing necessary controls and clear criteria; insure that loyalty investigations protect the interests of the Government and the rights of individuals; and insure that investigative information is limited to that which is needed to make suitability, security, and loyalty determinations.

The Commission agreed with the findings and principles recommended in our report, and some of the actions taken appear adequate. Other proposed actions remained inadequate and will not solve some of the critical issues we identified and reported. The Congress has not acted on our recommendation to consolidate into one law the authority to investigate. On September 25, 1979, we reported that few improvements have been made since the previous report. The recommendations have not been acted upon. (FPCD-79-72) *(FPCD-77-64, 12-16-77).*

Appropriations

Office of Personnel Management—salaries and expenses
Department of the Treasury—operations and maintenance

Appropriations Committee Issues

Costs of personnel investigations could be reduced with improved management of the investigation process.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
RAILROAD RETIREMENT BOARD

Need for Appropriating Additional Funds To Finance Railroad Retirement "Windfall" Benefits

Budget Function: Income Security: General Retirement and Disability Insurance (0601).
Legislative Authority: Railroad Retirement Act of 1974. Lipp et al. v. Railroad Retirement Board (No. 76-419C, SD Indiana).

The Railroad Retirement Act of 1974 created the so-called windfall benefits. After 1974 individuals could no longer qualify for separate full benefits from the Social Security and Railroad Retirement programs that, in total, were larger than benefits they would have earned had all their earnings been credited to only one program. The amount of windfall is intended to reflect the excess benefits payable to railroad retirees because their employment was split between railroad and nonrailroad service. Windfall is equal to the Social Security formula applied against Social Security earnings, plus the formula applied against railroad earnings, less the formula applied against combined earnings under both systems. Variations of these calculations are used to compute spouse and surviving spouse windfall benefits. GAO reviewed the Railroad Retirement Board's calculations of the annual appropriation necessary to phase out the windfall appropriation. Projected windfall costs and alternative methods of financing were identified by GAO.

Findings/Conclusions: We project (1) an increase of about $2.9 billion in estimated windfall costs above the $7.1 billion originally estimated by the Board's actuary and (2) an increase of about $3.5 billion in general revenue appropriations through the year 2000. Using the present funding method, 21 level annual appropriations of $415 million beginning in 1980 would be needed to pay future windfall benefits. The Board originally estimated an annual general revenue appropriation of $250 million. The windfall appropriations could also be funded on a pay-as-you-go cash basis, which would stretch out payments through the year 2046. *(HRD-79-33, 1-11-79)*

Appropriations

Railroad Retirement Account

Appropriations Committee Issues

The reason for the significant rise in general revenue appropriations was discussed during the 1980 appropriations hearings.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
DEPARTMENT OF THE TREASURY

Funding of State and Local Government Pension Plans: A National Problem

Budget Function: Income Security: General Retirement and Disability Insurance (0601).
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001). National League of Cities v. Usery, 426 U.S. 833 (1976).

Congress is considering establishing Federal standards for State and local government pension plans similar to those imposed on private plans by the Employee Retirement Income Security Act of 1974. The act generally provides that the minimum standard for pension funding by private employers be an annual contribution for normal costs plus the amount needed to amortize current unfunded liabilities in 40 equal annual installments. Public pensions are becoming a large financial burden on State and local governments, and that burden will increase in the future. Many jurisdictions do not systematically fund retirement benefits accruing to their employees.
Findings/Conclusions: Many State and local government pension plans are not funded on a sound actuarial basis because they are not setting aside sufficient funds to provide for estimated future benefits. Billions of dollars in unfunded liabilities have accumulated, and unless remedial steps are taken, these liabilities will increase. For the 72 State and local government pension plans reviewed, 53 did not receive large enough contributions to satisfy the act's funding standards. To meet the standard, many of the plans would have to increase annual contributions by more than 100 percent. Pension plan funding to the act standard would have a serious initial impact on some jurisdictions. But doing nothing will eventually have an even more serious impact. Pension reform at the State and local levels is moving slowly, and the prospects for significant improvement in the foreseeable future are not bright. It is clear that, to protect the pension benefits earned by public employees and to avert fiscal disaster, State and local governments should fund the normal or current cost of their pension plans on an anual basis and amortize the plans' unfunded liabilities. Although sponsoring governments are responsible for sound funding of State and local government plans, the Federal Government has a substantial interest in these pension plans. Many jurisdictions have increasingly relied on Federal grant funds and revenue sharing to help meet pension plan costs. These plans directly affect the continued well-being and security of millions of State and local government employees and their dependents. It might be in the national interest for the Congress to assure, through legislation, the long-term financial stability of these pension plans through sound funding standards. But the Federal Government's authority to regulate State and local government plans has not been resolved.
Recommendations: The Congress should closely monitor actions taken by the State and local governments to improve the funding of their pension plans to determine whether and at what point congressional action may be necessary in the national interest to prevent fiscal disaster and to protect the rights of employees and their dependents.

The consensus among State and local governments, Federal agencies, and other interested parties who commented on our report was that adequately funding public pension plans is a serious problem; however, there is no clear agreement on what the solution should be. Many believe that any funding standard for public plans should be less demanding than the standard imposed on private plans. There was general opposition to Federal involvement in establishing a funding standard for State and local government pension plans. Most officials argue that the Federal Government has not dealt adequately with its own pension funding problems, as evidenced by the poorly funded Social Security system and the pension plans for Federal personnel. *(HRD-79-66, 8-30-79)*

Appropriations

Department of Labor, Labor Management Services Administration—salaries and expenses

Appropriations Committee Issues

The Committee should closely monitor actions taken by State and local governments to improve funding of

their pension plans and determine if any congressional action is necessary to protect the rights of employees and their dependents.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Major Federal Equal Employment Opportunity Programs for the Private Sector Should Be Consolidated

Budget Function: Nondiscrimination and Equal Opportunity Programs (1006).
Legislative Authority: Civil Rights Act of 1964, title VII (42 U.S.C. 2000e). Executive Order 11246. Reorganization Plan 1 of 1978.

Two major Federal programs evaluate equal employment opportunity activities of many of the Nation's employers: (1) the title VII program authorized by the Civil Rights Act of 1964 and administered by the Equal Employment Opportunity Commission and State and local fair employment practices agencies; and (2) the contract compliance program established to carry out Executive Order 11246 administered by the Department of Labor.

Findings/Conclusions: Many Federal contractors have undergone equal employment evaluations under both title VII and the contract compliance programs. About 50 percent of the contractors evaluated were evaluated under both programs; about half of those evaluated under both programs experienced overlap; and about 60 percent those evaluated under both programs had problems with duplicate reporting and paperwork. Factors which caused the evaluation of the same contractors under both programs included: dual jurisdiction, different approaches and methodologies used by the two programs, and a concentration on firms with a large number of employees. As presently operated, the title VII and contract compliance programs have resulted in: frustration among the people the programs are designed to assist, inefficient use of the Government's resources, discriminatory practices going unchecked because many employers have not been evaluated under either program, and dissatisfaction and confusion among contractors which have fostered negative attitudes toward the Government's equal employment opportunity efforts.

Recommendations: The Congress should consolidate the title VII and the contract compliance programs. The Equal Employment Opportunity Commission agreed and stated that every component of Federal equal employment enforcement should be consolidated in a single agency. The Department of Labor disagreed because the advantages of a separate contract compliance program would be jeopardized by consolidating the two programs. As of October 1979, the Congress has not acted on our recommendation. This lack of action may be due, in part, to President Carter's announcement when he approved Reorganization Plan No. 1 of 1978 on February 23, 1978. He said that he will determine by 1981, after reviewing the manner in which both EEOC and Labor are exercising their new responsibilities, whether further reorganization is appropriate. As a result of the President's statement, it appears that the Congress intends to take a "wait and see" approach on our recommendation. *(HRD-78-72, 6-9-78)*

Appropriations

Departments of State, Justice, Commerce, Labor, HEW, The Judiciary, and Related Agencies

Appropriations Committee Issues

Consolidation of the two programs should minimize problems and increase the effectiveness of the Federal Government's efforts to achieve equal employment opportunity.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
OFFICE OF PERSONNEL MANAGEMENT

Part-Time and Other Federal Employment: Compensation and Personnel Management Reforms Needed

Budget Function: General Government: Central Personnel Management (0805).
Legislative Authority: Annual and Sick Leave Act (5 U.S.C. 6301 et seq.). Employee Retirement Income Security Act of 1974 (P.L. 93-406). Federal Employees Part-Time Career Employment Act of 1978 (P.L. 95-437). P.L. 83-598. P.L. 86-382. 5 U.S.C. 81. 5 U.S.C. 83. 15 U.S.C. 85. 5 U.S.C. 8347. 68 Stat. 736. 73 Stat. 708.

Part-time, intermittent, seasonal, or temporary Federal workers now comprise almost 14 percent of the Federal work force, and this figure should increase substantially because of the part-time Career Employment Act of 1978. They generally receive the same basic pay rate as permanent, full-time workers, but their eligibility for fringe benefits depends on various factors controlled largely by the employing agency. **Findings/Conclusions:** At present, the fringe benefits being paid to workers employed less than full-time are inequitable and inconsistent. Some employees receive too many benefits, some none, and others not enough. Inequities also exist between benefits of less than full-time workers and those of full-time Federal workers. Studies indicate that private employers who extend benefits to part-timers prorate their benefits on the basis of hours worked in earnings. The Office of Personnel Management needs to improve its employment guidance to Federal agencies and better monitor agencies' employment designations to help insure that resulting fringe benefits are equitable, consistent, and cost-effective. A number of hidden benefit costs associated with Federal employment, particularly unemployment compensation benefits, are not recognized or charged to the employing agency, possibly decreasing incentive for proper workload management and discouraging good personnel management activities.
Recommendations: The Director, Office of Personnel Management (OPM) should: propose legislation to provide prorated fringe benefits to less than full-time Federal employees, where administratively feasible, and charge each agency the full costs of its employees' health, life, and retirement benefits, less employee contributions; reexamine the existing types of appointments, tours of duty, and projected lengths of service and issue regulations clarifying when certain designations should be used; reevaluate the continuance of full health and life insurance coverage of employees in a nonwork status for up to 1 year, granting full-time retirement credit for less than full-time service without corresponding contributions. OPM should improve its monitoring of agency personnel actions which affect the benefit eligibility of less than full-time employees. The Secretary of Labor should study and report to Congress on the feasibility and costs of requiring agencies to budget for and pay unemployment compensation benefits.

The Office of Personnel Management agreed that the existing fringe benefit approach has caused inequities and inconsistencies and told several congressional committees it will pursue most of our recommendations. The Office of Management and Budget and Department of Labor agreed that the concept of charging Federal agencies for unemployment compensation payments should be explored. *(FPCD-78-19, 6-5-79)*

Appropriations

Office of Personnel Management—salaries and expenses
Department of Labor—salaries and expenses

Appropriations Committee Issues

Recognizing all fringe benefit costs, including unemployment compensation payments, and requiring Federal agencies to budget and pay for these costs would not only enable the Congress and the public to better evaluate the cost-effectiveness of Government programs but also encourage better administration and better personnel management. The proposed unemployment compensation charge-back system could also help prevent fraud and abuse in that program.

DEPARTMENT OF LABOR
OFFICE OF PERSONNEL MANAGEMENT

State and Local Government Productivity Improvement: What Is the Federal Role?

Budget Function: General Government: Executive Direction and Management (0802).
Legislative Authority: National Productivity and Quality of Working Life Act of 1975. P.L. 94-136. Federal Assistance Paperwork Reduction Act. S. 3267 (95th Cong.). Federal Grant and Cooperative Agreement Act. P.L. 95-224. Intergovernmental Personnel Act. Public Works and Economic Development Act. Executive Order 12089.

Productivity is defined as the relationship between resources used and results achieved. Improvement in productivity means either obtaining more and better program output from a given level of resources or using fewer resources to maintain or improve a certain quality level of output. The Federal Government has a vital stake in improving the productivity of State and local governments for two primary reasons: the national economy is strengthened as a result of improvements in the productivity and fiscal prospects of this key sector; and the effectiveness and efficiency of the multitude of Federal grant and regulatory programs using State and local governments to implement Federal policies are directly related to the management capacity of those governments.

Findings/Conclusions: The productivity in State and local governments is lower than it could be, resulting in higher costs and/or lower levels of public services. State and local government operations do not have the profit incentive to improve productivity that exists in the private sector. However, substantial fiscal and performance benefits have been achieved by innovative State and local governments which have initiated productivity improvement programs. Productivity improvement has been used as a strategy to relieve growing fiscal pressures faced by State and local governments, but most State and local governments do not have significant, comprehensive productivity improvement programs. Major barriers preventing or limiting State and local improvement programs include internal resistance, the large initial investment needed to start a program, and the limited capacity of organizational systems. The most important impact of the Federal Government on State and local government productivity is the Federal grants system, but most Federal grant programs do not reward grantees for productivity performance.

Recommendations: The President should establish a focal point at the Federal level with clear authority to oversee and provide stronger leadership for Federal efforts assisting State and local management improvement and productivity. The Congress should institute fundamental changes in the grants system by removing negative barriers and by incorporating positive incentives to reward improved productivity in grant programs. The Director, Office of Management and Budget (OMB), with the assistance of the proposed focal point, should lead a Government-wide effort to promote increased concern for productivity in Federal assistance programs.

In September 1979, the National Productivity Council endorsed the State and local government productivity focal point in OPM and an expanded general management improvement program. Intergovernmental Productivity bills (S. 1155 and H.R. 2735) were introduced to provide additional Federal seed money for State and local government productivity improvement projects. *(GGD-78-104, 12-6-78)*

Appropriations

Office of Personnel Management
Department of Labor

Appropriations Committee Issues

The Committee should provide appropriate funding levels for a general management improvement program and for a State and local government productivity focal point in the Office of Personnel Management (OPM). Appropriate funding levels should be provided to the Bureau of Labor Statistics for a State and local government productivity measurement program. Positive productivity incentives should be incorporated in Federal domestic programs by changing program funding formulas.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF STATE
OFFICE OF PERSONNEL MANAGEMENT

Federal Retirement Systems: Unrecognized Costs, Inadequate Funding, Inconsistent Benefits

Budget Function: Income Security: Federal Employee Retirement and Disability (602).
Legislative Authority: 5 U.S.C. 83. 10 U.S.C.61-73. 14 U.S.C. 11. 14 U.S.C. 13. 33 U.S.C. 17. 42 U.S.C. 212. 22 U.S.C. 1061-1121. 26 U.S.C. 7447-7448. 28 U.S.C. 17.

The cost and liabilities of Federal retirement programs are much greater than recognized by current costing and funding procedures.

Findings/Conclusions: In 1976, seven of the Government's retirement systems paid over $15.6 billion to retirees and the survivors of deceased employees and retirees—an increase of $10 billion since 1970. The systems also reported liabilities exceeding $320 billion for which less than $44 billion had been set aside in Federal trust funds. Federal retirement systems' funding requirements vary, and in most cases are less stringent than those imposed by law on private pension plans. Usually, little or no consideration is given to the effect of future general pay increases and annuity adjustments on ultimate benefit payments, resulting in a considerable understatement of benefit costs accruing each year.

Recommendations: The Congress should enact legislation requiring that the full cost of Federal retirement systems be recognized and funded and that the difference between currently accruing cost and employee contributions be charged to agency operations. In addition, Congress should establish an overall Federal retirement policy to guide retirement system development. Centralization of committee jurisdiction over all Federal employee retirement systems would facilitate the establishment and implementation of such a policy.

Some of the agencies commenting on the draft report agreed with GAO that the full cost of retirement benefits should be recognized. Others had no comment on the recommendation. Some self-supporting agencies agreed that the costs of their operations were being understated. Others, however, believed the Congress should appropriate funds to pay the higher costs rather than increase charges to the users of the agencies' service. During the 95th Congress, three pieces of legislation were introduced relative to the report's recommendations—H.R. 9701, Senate Resolution 244, and H.R. 12392. Public Law 95-595 (H.R. 9701), approved November 4, 1978, subjected all Federal pension plans to the annual financial and actuarial reporting requirements of the Employee Retirement Income Security Act of 1974. Under the law, GAO is responsible for developing the reporting standards for certain pension plans and, when appropriate, for auditing required reports. Senate Resolution 244, adopted in June 1978, calls for GAO to study the major Federal retirement systems, using dynamic assumptions, to determine the extent of the present and future unfunded liability of each system, the method of financing each system, and the actions necessary to be taken to insure the solvency of each system. H.R. 12392 proposed the establishment of a Department of Defense Military Retirement and Disability Fund and called for fully funding the military retirement system on a dynamic normal cost basis. However, time did not permit consideration of the legislation. *(FPCD-77-48, 8-3-77)*

Appropriations

Office of Personnel Management—salaries and expenses
Military Personnel—Army, Navy, and Air Force

Appropriations Committee Issues

The legislation enacted in the 95th Congress was the first step toward full cost recognition and funding of retirement benefits. Similar legislation needs to be introduced and enacted for all Federal retirement systems. Further, retirement costs need to be allocated to the participating agencies to eliminate the unrecognized subsidies that are accruing to agencies whose operations are intended to be self-supporting.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
GENERAL SERVICES ADMINISTRATION

Police Forces in the District of Columbia Can Improve Operations and Save Money

Budget Function: Administration of Justice (0750).
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act. P.L. 93-198. 4 Stat. 266. 9 Stat. 599. P.L. 94-306. 22 Stat. 243. 4 Stat. 324.

Four District police forces were reviewed, the Metropolitan Police Department, the U.S. Park Police, the Capitol Police, and the Metro Transit Police. The forces need to improve their patrol practices and certain inefficient and costly practices.

Findings/Conclusions: Park and Metropolitan police officers patrol the same areas in some District locations because of overlapping jurisdictions. In addition, because Metropolitan and Park forces each maintain their own photography and fingerprinting facilities, they sometimes unnecessarily repeat identification processing of arrestees. Police officers perform clerical, administrative, technical, and protective duties, which lower cost civilians and guards could do. The forces could save as much as $3.1 million annually if civilians and guards were used instead of sworn officers. Finally, sometimes the police forces buy weapons which are being stockpiled by other forces or purchase items which could have been bought at reduced prices from the General Services Administration (GSA).

Recommendations: The police forces should transfer jurisdiction of certain land to avoid overlapping patrols; coordinate identification services; use civilians and guards instead of police officers where possible; and adopt a policy to acquire goods and services from GSA when economically beneficial.

The forces' reaction to the report's recommendations were mixed, although all agreed that seeking more efficient and economical operations is a worthwhile goal. In September 1979, the Department of the Interior, in replying to the report in accordance with the Legislative Reorganization Act, advised that it would not support any change in providing police services in the areas currently under U.S. Park Police jurisdiction. Interior also agreed to discuss with the District of Columbia government ways to minimize duplication of identification services. Except for Capitol Police, there was agreement from all forces to increase use of civilians in lieu of sworn officers where feasible, and in procuring from the General Services Administration when beneficial; and the forces described the extent to which they were or would be following this practice. *(GGD-79-16, 7-12-79)*

Appropriations

District of Columbia Government—congressional operations
Department of the Interior, National Park Service.
Intergovernmental Agencies

Appropriations Committee Issues

The forces can improve their patrol practices and reduce costs by: coordinating identification services; using civilian and guard employees more; and improving procurement practices.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY

Extending the Government's Policy of Self-Insurance in Certain Instances Could Result in Great Savings

Budget Function: National Defense-Defense Related Activities (054).

GAO reported to the Congress that the Government could have saved $27 million over the 5-year period ended June 30, 1973, by extending its policy of self-insurance to: (1) certain categories of inventories under negotiated fixed-price contracts and subcontracts thereunder, (2) all Government property in the hands of commercial shipyards under ship repair contracts, and (3) facilities leased to contractors and users. Accordingly, GAO recommended that the Department of Defense (DOD), National Aeronautics and Space Administration (NASA), and the Department of Energy (DOE) extend the self-insurance policy to these areas. GAO also recommended that DOD and DOE jointly study extending self-insurance to special nuclear material held by contractors under fixed-price contracts. The Office of Management and Budget believes that our recommendations are feasible and is evaluating whether the level of savings would justify the costs involved. GAO believes extending the self-insurance policy would result in significant savings. DOD is waiting for DOE to initiate a study to determine the feasibility of self-insurance nuclear material held by contractors.

The Department of Defense has taken steps to clarify the Defense Acquisition Regulation by eliminating the contractor's risk from the Government Property Clause. However, this extension of the policy of Government self-insurance applies only to facilities, special test equipment, and certain special tooling and does not apply to property to which the Government obtained title under the Progress Payment Clause, such as parts, materials, work-in-process inventories, and technical data. The National Aeronautics and Space Administration has indicated it would not take any action independent of the Department of Defense. The Department of Energy has taken the position that it would be unlikely that it would extend the self-insurance policy on an across-the-board, unqualified basis. *(PSAD-75-105, 8-26-75)*

Appropriations

Department of Defense—procurement
Department of Energy—procurement
National Aeronautics and Space Administration—procurement

Appropriations Committee Issues

1. The Committee should pursue the reasons why the Government's policy of self insurance has not been extended to:
   - the categories of inventories under negotiated contracts, when similar inventories under cost-type contracts are self-insured, and in some instances, located in the same production facility;
   - all Government property in the hands of commercial shipyards under ship repair contracts, when the Government self-insures (a) all losses or damages to its property in excess of $300,000 and (b) all Government property under new ship construction contracts; and
   - facilities leased to contractors and users.
2. The Committee should inquire as to the status of studies aimed at determining the feasibility of self-insuring nuclear materials held by contractors under fixed-price contracts.

VARIOUS DEPARTMENTS AND AGENCIES

NUCLEAR REGULATORY COMMISSION
DEPARTMENT OF ENERGY

Areas Around Nuclear Facilities Should Be Better Prepared for Radiological Emergencies

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).

There are 43 States with sizable nuclear facilities, but there is only limited assurance of adequate protection for workers and nearby residents in case of a serious accident. Although most facilities are prepared for radiological releases within their boundaries, known deficiencies cast doubt on whether the public would be protected should a nuclear release extend to the outside. The Nuclear Regulatory Commission (NRC) and the Departments of Defense (DOD) and Energy (DOE) own or regulate all such facilities in the United States. NRC has the primary responsibility for assisting State and local governments to develop emergency response plans and requiring the review of State plans to determine the inclusion of essential preparedness elements. Although only 10 States have fully adequate plans, licensing of nuclear facilities is continuing in the other States as well because Federal law does not require States to adopt peacetime nuclear emergency plans.

Findings/Conclusions: Of the 41 States with some sort of plan, 9 have conducted full-scale tests, 16 have held partial drills, and the remaining 16 have not tested their plans. Judging from problems found with the plans tested, untested plans would probably be ineffective in an emergency situation. Around DOD and DOE facilities, emergency preparedness is practically nonexistent because of no sense of risk to the community or of fear of violating security policies. In a nuclear emergency it is vital that State and local authorities be notified promptly, an eventuality for which neither DOD nor DOE has tested its communications systems adequately. Nor has DOE simulated accident conditions, tested its plans, or made an overall review of emergency plans. The Federal Emergency Management Agency (FEMA) has been established to combine the major responsibilities for emergency planning and to focus State and local emergency preparedness efforts.

Recommendations: The FEMA Director should assume responsibility for making policy for coordination of local radiological emergency response planning and broaden planning assistance to State and local governments near DOD and DOE facilities. The NRC Chairman and the Secretaries of Defense and Energy should require that residents in the vicinity of nuclear facilities be fully informed of potential hazards and emergency actions, without jeopardizing national security. The NRC Chairman should receive State and local emergency plans before approving nuclear powerplant operations, assure full participation in annual emergency drills, and establish 10-mile emergency zones with modified emergency plans when necessary. The DOD and DOE Secretaries should require facility commanders and operators to develop agreements with State and local governments delineating each party's role in case of emergencies involving the area outside the facility, and provide for joint annual drills. Also, the Secretary of DOD should collaborate with States in peacetime emergency planning. Finally, the DOE Secretary should require DOE's major facilities to perform comprehensive emergency drills at least once per year, test plans in realistically simulated conditions, and require periodic headquarters review of each facility's emergency plans.

The Department of Energy and the General Services Administration generally agreed with our conclusions and recommendations. The Department of Defense did not disagree but said a discussion of the complete Federal emergency response organization should be included in the report. The Nuclear Regulatory Commission agreed that improvements were needed on emergency preparedness, but said the GAO report exaggerated the problem. The "Three Mile Island" nuclear accident of March 28, 1979, has prompted a complete reappraisal of nuclear emergency preparedness and a better recognition of the importance of sound nuclear emergency planning and preparedness. *(EMD-78-110, 3-30-79)*

Appropriations

Nuclear Regulatory Commission—salaries and expenses
Department of Energy—operating expenses and capital acquisition
Department of Defense—operation and maintenance
Federal Emergency Planning Agency—emergency planning, preparedness and mobilization
Environmental Protection Agency—abatement and control

Appropriations Committee Issues

The Appropriations Committee should encourage the several Federal agencies to adopt GAO's recommendations to improve emergency preparedness around nuclear facilities.

VARIOUS DEPARTMENTS AND AGENCIES

OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Need To Better Control Federal White-Collar Job Classifications

Budget Function: Central Personnel Management (0805).
Legislative Authority: The Classification Act of 1949, as amended (5 U.S.C. 5101).

In 1974 the Government paid $18 billion in salaries to 1.3 million employees under the General Schedule, its chief category of white-collar workers. In order that these employees may receive equal pay for equal work, the Government classifies General Schedule positions according to duties, responsibilities, and qualifications. GAO reviewed the Civil Service Commission's administration of the Federal classification program and selected agencies' administration of their position classification responsibilities. Weak controls and pressures exerted on job classifications had resulted in overgraded Federal positions which increase costs and adversely affect employee morale and productivity. In a report to the Congress, GAO concluded that top Federal management must make a commitment to improve job classifications and to organize the workload of Federal departments and agencies more economically. This attitude must permeate all Government echelons. GAO recommended that the President issue a directive to the heads of Federal agencies, emphasizing the importance of position management and classification and the need to develop at all management levels a special, informed interest in economically structuring work and properly classifying positions. Agency heads should:

—establish adequate, effective position management and classification systems;
—have managers periodically attend training programs on position management and classification;
—evaluate managers on how well they carry out their classification responsibilities; and
—provide adequate numbers of trained classifiers.

In addition, CSC should:

—keep pressure on agencies to establish their own personnel management evaluation systems, assess the adequacy of such systems, and require improvement where necessary;
—monitor the effectiveness of actions being taken to improve CSC's own evaluations of agencies' classifications. Effective evaluations should include identifying overgrading, determining the underlying causes of classification errors, taking firm stands on issues, making prompt followup on agency corrective actions and, when necessary, certifying positions or revoking classification authority. CSC should also implement the plan to update classification standards and follow it with a timely and well-controlled review cycle to ensure that standards are kept current.

CSC & OMB developed and issued a Presidential directive, May 27, 1976, to agency and department heads emphasizing effective position management and classification systems and adequate numbers of competent classifiers. Since then, Executive Branch reorganizations and increased classification audit activity by some departments and agencies brought attention to the need for improvement in classification accuracy. To permit managers to classify their positions correctly without hurting the incumbents, and thereby encourage improved classification accuracy, certain grade and pay retention provisions were incorporated into the Civil Service Reform Act of 1978 (CSRA). OPM will measure and assess the changes in classification accuracy as a result of CSRA. *(FPCD-75-173, 12-4-75)*

Appropriations

Requests for funds for salaries and expenses from all departments and agencies having employees paid under the General Schedule

Appropriations Committee Issues

1. Departments and agencies should establish effective position management and classification systems, train and evaluate managers in classification, provide adequate numbers of trained classifiers, and have adequate personnel management evaluation systems.

2. The Office of Personnel Management (OPM) should keep pressure on agencies to ensure effective personnel management evaluations, make sure that actions taken to improve OPM's own evaluations are effective, and update classification standards.

VARIOUS DEPARTMENTS AND AGENCIES

OFFICE OF PERSONNEL MANAGEMENT
DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET

Federal Compensation Comparability: Need for Congressional Action

Budget Function: Central Personnel Management (0805)
Legislative Authority: Federal Salary Reform Act of 1962, Federal Wage System (P.L. 92-392).

Most Federal employees' pay is governed by the legislated principle of comparability with pay in the private sector. Non-Federal pay rates vary among geographic areas, types of industries, size of establishments, and occupations. Provisions of the Federal pay-setting processes generally prevent the Government from considering such variances. This results in overpayment or underpayment of Federal employees in specific occupations or localities and affects the credibility of the concept of comparability. Changes have been made to the Federal white-collar pay-setting process which have saved about $3.7 billion annually, but congressional action is needed to make other needed changes.

Recommendations: GAO recommended that the annual pay surveys include State and local government employees and both benefits and pay be compared with private sector compensation. For Federal white-collar employees under the general schedule, action is needed to: establish salary schedules that are more in line with labor market characteristics, eliminate cost-of-living allowances paid to employees in nonforeign areas, and develop a method to reduce or compensate for the 6-month time lag between the reference date of comparability data and the date of the pay adjustment. For Federal blue-collar employees under the Federal wage system, action is needed to revise the five-step system for nonsupervisory grades, wage rates that are set based on private sector rates paid in another wage area, and night-shift differentials that are not determined in accordance with prevailing rates.

Legislation has been proposed which covers most of GAO's recommendations for improving the Federal white and blue-collar pay processes. Congressional action is needed, however, to insure the proper implementation of these changes. *(FPCD-78-60, 7-21-78)*

Appropriations

Office of Personnel Management—salaries and expenses.
Office of Management and Budget—salaries and expenses.

Appropriations Committee Issues

Congressional support is needed to make appropriate changes to the Federal pay setting processes which will resolve shortcomings in these processes as well as provide needed credibility.

VARIOUS DEPARTMENTS AND AGENCIES

OFFICE OF PERSONNEL MANAGEMENT
GENERAL SERVICES ADMINISTRATION

Special Travel Benefits for Federal Employees in Nonforeign Areas

Budget Function: General Government: Central Personnel Management (805).
Legislative Authority: P.L. 83-737.

Some Federal employees and their families located in States, territories, and possessions outside the continental United States receive periodic Government-paid trips back to their former residences. The law (Public Law 83-737) authorizing these special travel benefits was enacted over 20 years ago to provide a recruiting incentive for Federal employment in such areas. Since then the cost of providing these benefits has grown to several million dollars annually. Conditions in these areas (where most Federal employees are located) have changed considerably since enactment of the law. However, Federal administrators are not authorized under the law to terminate or adjust the benefits. GAO recommended that the Congress amend Public Law 83-737 to:

—authorize Federal administrators, within guidelines prescribed by General Services Administration and the Civil Service Commission, to offer special travel benefits only when they determine it necessary to further the recruitment and retention of qualified personnel, and

—limit the number of years that employees may continue to receive special travel benefits, except for special instances where there is a demonstrated need to provide the benefits on a continuing basis.

Both GSA and the Civil Service Commission generally agreed that changes in the law to provide greater flexibility would be desirable. *(FPCD-76-65, 3-2-77)*

Appropriations

Office of Personnel Management—salaries and expenses
Office of Management and Budget—salaries and expenses

Appropriations Committee issues

Special travel benefits for certain Federal employees and their families located in nonforeign areas cost the Government several million dollars annually. Although conditions have changed considerably since enactment of the law which authorizes these benefits, the law provides no authority to adjust or terminate such benefits when warranted.

VARIOUS DEPARTMENTS AND AGENCIES

OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET

Government Consultants: Standards Definition and Uniform Data Needed

Budget Function: General Government: Central Personnel Management (805).
Legislative Authority: Administrative Expenses Act of 1946. 5 U.S.C. 3109. F.P.M. ch. 304.

It is not possible to determine the extent of the use of consultants by the Federal Government, at what costs, and for what purposes.

Findings/Conclusions: Five sources of centralized information were identified. The Senate Committee on Appropriations; the Senate Subcommittee on Reports, Accounting, and Management; two divisions of the Office of Management and Budget (OMB); and the Civil Service Commission (CSC). Although data available at these sources vary considerably, two data systems being developed have the potential of improving the information. The Office of Federal Procurement Policy, OMB, is developing an automated system that will report much information on each Government consultant contract over $10,000 and provide some information on contracts under this amount. CSC is developing a system to replace its personnel data file which will contain more data on Federal employees and on appointed consultants. Lack of agreement by agencies on definitions of consultants, with more than 20 different definitions noted, has made it impossible to determine how many consultants are used by the Federal Government and at what cost.

Recommendations: The Comptroller General has suggested that an information system rather than a reporting system, be applied to agencies to identify consultant usage. He also recommended modification of the definition of consultant; use of uniform data elements in data systems; and that OMB should be the single authority for prescribing the standard definition to be applied, data and files to be maintained, and reports to be prepared.

OMB has established policy and guidelines to be followed by executive branch agencies using consulting services. OMB Bulletin No. 78-11, May 5, 1978, describes other specific action. *(FPCD-78-5, 11-29-77)*

Appropriations

Office of Personnel Management—salaries and expenses

Appropriations Committee Issues

Cost of consultants used in the Federal Government cannot be effectively controlled or managed if these costs cannot be accurately identified.

REHABILITATION SERVICES ADMINISTRATION
NATIONAL INSTITUTES OF HEALTH

Review of the Administration of Research and Demonstration Grants by the Rehabilitation Services Administration

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505).
Legislative Authority: Rehabilitation Act of 1973 (P.L. 93-112). Rehabilitation, Comprehensive Services, and Developmental Disabilities Amendments of 1978 (P.L. 95-602). 45 C.F.R. 4.

Information was requested on the research and development programs conducted by the Rehabilitation Services Administration (RSA). The review was limited to developing the latest possible listing of research grants awarded by RSA, the results of research evaluation contracts, and reporting on past and present peer review procedures.

Findings/Conclusions: Legislation authorizes the Secretary of the Department of Health, Education, and Welfare through RSA to make grants or award contracts to pay part of the cost of projects for planning and conducting demonstrations, and related activites which assist in providing rehabilitation services to handicapped persons. The research and demonstration program is carried out primarily by nonprofit agencies and organizations under grants managed by RSA through four sub-units or program offices. The sequential procedures RSA follows in awarding research and demonstration grants include announcement of the availability of grant funds and receipt and initial review of applications; preliminary review of applications by appropriate officials; peer review of competing applications by a panel of non-Federal experts; and approval for funding of recommended applicants by the Commissioner of RSA. The National Academy of Sciences (NAS) was chartered to advise the Federal Government in any matter of science and technology. Under a contract with RSA, the NAS Committee of Prosthetics Research and Development (CPRD) performed a peer review function for RSA rehabilitation engineering projects, but not for the other RSA research areas. The mission of the newly created National Institute of Handicapped Research is to provide leadership and resources for research and its utilization to improve the lives of people of all ages with physical and mental handicaps. *(HRD-79-103, 7-24-79)*

Appropriations

Department of Health, Education, and Welfare, Office of Human Development Services

Appropriations Committee Issues

In establishing its operating procedures, the newly created National Institute of Handicapped Research needs to use the results of several studies prepared by contractors evaluating various aspects of RSA's research and demonstration programs.

INDEX SECTION

Administrative Office of the United States Courts
233,315
Architect of the Capitol
234-35
Civil Aeronautics Board
236-37, 317
Civil Service Commission
See Office of Personnel Management
Community Services Administration
238, 319, 321
Corps of Engineers (Civil Functions)
240, 322-33
Department of Agriculture
23, 319, 322-24, 334-43
Agricultural Marketing Service
25
Economics, Statistics, and Cooperatives Service
26
Farmers Home Administration
28-29
Food and Nutrition Service
30-36
Food Safety and Quality Service
37-39
Forest Service
40-41, 344
Science and Education Administration
42
Department of Commerce
Appalachian Regional Commission
43
Economic Development Administration
44-47
Maritime Administration
48
National Oceanic and Atmospheric Administration
49-50
National Technical Information Service
51
Office of Federal Statistical Policy and Standards
52
Office of Minority Business Enterprise
53-54
Patent and Trademark Office
55-56
Department of Defense
345-53, 379
Department of Energy
57-82, 321, 345, 354, 379-80
Bonneville Power Administration
83
Energy Information Administration
85
Federal Energy Regulatory Commission
86-89, 368
Oak Ridge Operations Office
90
Office of Conservation and Solar Applications
91-93
Office of Resource Applications
93
Department of Health, Education, and Welfare
94-96, 319, 334, 346-47, 357-66, 371
Alcohol, Drug Abuse, and Mental Health Administration
97
Food and Drug Administration
99
Health Care Financing Administration
99-116
Health Resources Administration
117
Health Services Administration
99, 117-19
Indian Health Service
120
National Cancer Institute
130
National Institutes of Health
99, 130, 356, 387
Office of Education
121-26, 141
Office of Health Maintenance Organizations
127
Office of Human Development
128-29
Public Health Service
99, 130-31
Rehabilitation Services Administration
132-33, 387
Social Security Administration
133-41
Department of Housing and Urban Development
142, 322-24, 356
Federal Emergency Management Agency
145-47
Federal Housing Administration
148-50
Federal Insurance Administration
145
Federal National Mortgage Association
151
Department of the Interior
193, 324-25, 330, 342, 345, 354, 360, 378

Bureau of Indian Affairs
179-81
Bureau of Land Management
182-83
Bureau of Reclamation
184-86, 326-29, 343
Heritage Conservation and Recreation Service
189
National Park Service
188-89
Office of Water Research and Technology
190
United States Fish and Wildlife Service
191
Department of Justice
154, 315, 334-35, 357-59, 368-70
Coordinating Council of Juvenile Justice and Delinquency Prevention
152
Federal Bureau of Investigation
153
Law Enforcement Assistance Administration
152
Department of Labor
155-57, 336-38, 358, 371-76, 384
Bureau of International Labor Affairs
158
Employment and Training Administration
158-68
Employment Standards Administration
169-71
Federal Labor Relations Authority
172
Office of Workers Compensation Programs
169-71, 173
Department of State
174, 341, 345, 348-50, 359, 377
Agency for International Development
175-78
Department of Transportation
194, 322, 351
Civil Aeronautics Board
195
Federal Aviation Administration
195-202, 351
Federal Highway Administration
203-06, 344
Federal Railroad Administration
207-08
National Highway Traffic Safety Administration
209
National Railroad Passenger Corporation (Amtrak)
207
Research and Special Programs Administration
210
United States Coast Guard
212-17
United States Railway Association
218
Urban Mass Transportation Administration
219-21
Department of the Treasury
334-35, 341, 372
Bureau of Alcohol, Tobacco, and Firearms
222
Internal Revenue Service
223-26, 333
United States Customs Service
228-32
District of Columbia Government
241-43
Board of Elections and Ethics
245
Department of Human Resources
245-46
Office of Personnel
245
Office of the City Administrator
249
Public Schools
247-48
Environmental Protection Agency
250-55, 322-24, 330-33, 342-43, 356
Equal Employment Opportunity Commission
372
Federal Communications Commission
256
Federal Emergency Management Agency
257-59
Federal Judicial Center
315
Federal Maritime Commission
317
Federal Trade Commission
317
General Services Administration
260-63, 324, 378
Public Buildings Service
264-73
Interstate Commerce Commission
274-77, 317, 368

Judicial Conference of the United States
315
Legal Services Corporation
278
National Aeronautics and Space Administration
279-80, 333, 352, 379
National Science Foundation
346
Nuclear Regulatory Commission
380
Office of Management and Budget
281-89, 333, 339, 346-47, 354, 361, 370, 382-84, 386
Office of Personnel Management
290-301, 348-50, 370, 375-77, 382-86
Office of Procurement Policy
352
Railroad Retirement Board
371
Small Business Administration
302-07, 340
Tennessee Valley Authority
308, 329
United States Information Agency
333
Veterans Administration
309, 324, 340, 346, 361-66
Department of Medicine and Surgery
310-13
Water Resources Council
314

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