Status Report On The Administration's Actions And Proposals For Budgetary Savings In Fiscal Years 1982-83

This report follows up on GAO's previous report assessing the Administration's progress in achieving budgetary savings. The savings proposals cover a broad range of administrative and management improvements. GAO has highlighted the status of actions taken to date and identified further actions that are needed.
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The Honorable James R. Jones  
Chairman, House Budget Committee  
House of Representatives  

Dear Mr. Chairman:

We are providing an update to our April 20, 1982, report entitled "Assessment of the Administration's Actions and Proposals for Budgetary Savings in Fiscal Years 1982-83," in response to your request for continuing status reports on efforts to achieve budgetary savings.

We have prepared this status report in summary table format. The items included follow the same sequence as our earlier report.

With regard to fiscal year 1982 savings, we are covering actions on the following administrative practices:

--Delinquent accounts and loans receivable.
--Unpaid taxes.
--Unresolved audit findings.
--Paperwork reduction.
--Defense logistical economies.
--Defense multiyear contracting.
--Full cost recovery of foreign military sales.
--Workforce cost controls.
--General procurement and property management.
--Replacement of obsolete computers.

As you are aware, the Administration took the position that amounts for attainable savings had already been included in the budget for many of these items and that savings for the others were not attainable in fiscal year 1982.

The fiscal year 1983 budget includes savings proposals that the Administration projects will accrue as a result of the following management initiatives:

--Prevention of fraud, waste, and abuse.
--Debt collection.
--Federal employment reduction.
--Federal property disposition.
--Accelerated Outer Continental Shelf (OCS) leasing.
--Federal pay restraint.
--Improved asset sale management.
--Revised Federal Housing Administration (FHA) mortgage insurance payments.
--Improved tax collection and enforcement.

The initiatives for prevention of fraud, waste, and abuse; debt collection; and improved tax collection are a continuation and expansion of efforts initiated in fiscal year 1982. The other initiatives are new savings proposals.

OBJECTIVES, SCOPE, AND METHODOLOGY

We are providing brief, updated information on (1) the Administration's efforts to achieve savings in fiscal year 1982, and (2) the Administration's savings proposals for fiscal year 1983. We obtained the information contained in this report through followup with agency and Office of Management and Budget (OMB) officials and through our ongoing work in these subject matter areas.

We did not attempt to develop or revise savings estimates based on actions taken to date. However, where the agencies have indicated changes in savings estimates, we have included them for your consideration. The lack of supporting detail continues to be a problem in estimating or verifying savings projections.

We have focused on the status of administrative and legislative actions taken to date and further actions needed to achieve the projected savings. We have reviews underway which will provide a more in-depth assessment for several of the Administration's initiatives.

STATUS OF THE ADMINISTRATION'S FISCAL YEAR 1982 EFFORTS

As stated in our April 20, 1982 report, the Administration revised its estimates of potential savings and collections that could be achieved in fiscal year 1982 from $2 billion to about $2.8 billion. Increases in the estimates for debt collection, unresolved audit findings, and foreign military sales accounted for the major portion of this increase. Actions have been taken on some other administrative practices which may preclude the implementation of related recommendations and have precluded the realization of some savings in fiscal year 1982. Highlights of major actions and changes follow.
Debt collection

The Administration has taken an aggressive approach to addressing the Federal Government’s longstanding debt collection problems. The debt collection project at OMB continues to provide directional oversight to agencies' efforts to improve their collection systems. Debt collection improvement plans have been prepared by the major departments and agencies. Progress towards achieving agencies' planned improvement is reviewed monthly by OMB. Further, OMB, through the budget, has established goals for additional collections and monitors agencies' accomplishments against their goals through quarterly reports. Our work to date for the House Budget Committee indicates progress in this area in fiscal year 1982. In addition, P.L. 97-365, the Debt Collection Act of 1982, was signed by the President on October 25, 1982. This Act provides important debt collection tools that were not previously available to Federal agencies.

Paperwork reduction

OMB still needs to identify the resources required to effectively carry out its Paperwork Reduction Act responsibilities. The Congress could approve separate line item funding in OMB's fiscal year 1983 budget to provide specific funds to carry out these responsibilities. Executive Order 12065 required that all permanently valuable classified records of the Government would be reviewed for possible declassification as they become 20 years old. Agencies, including the National Archives and Records Service, were given 10 years to review all their records over 20 years old. Executive Order 12356, which became effective on August 1, 1982, revised the requirements for systematic reviews necessary for declassifying Government records. The new Executive order eliminates the specified timeframes and requires, among other things, the establishment of priorities for declassification reviews based on the degree of researcher interest. The net effect is that systematic reviews for declassification, as they existed before, are no longer in effect. Additionally, budget cuts at the National Archives and Records Service have brought systematic reviews to a standstill.

The Department of Labor (DOL) issued final regulations under the Davis-Bacon Act that would have reduced paperwork required under Government construction contracts. DOL has stated that its proposed revision would result in cost savings of $100 million annually by eliminating the requirement under the Copeland Anti-Kickback Act that the contractor send copies weekly of all payrolls to the contracting agency. The regulations would have become effective on July 27, 1982. However, the United States District Court for the District of Columbia issued a preliminary injunction on July 22, 1982, blocking the implementation of Department of Labor regulations. The AFL-CIO Building and Trades Department filed the motion for a preliminary injunction.
Defense logistical economies

Actions on defense logistical economies may preclude the realization of savings to be achieved annually through consolidation of support activities. For example, we had expressed the belief that consolidation of management responsibility of consumable supplies in the Defense Logistics Agency would achieve savings. However, in reporting on P.L. 97-252, the Department of Defense Authorization Act for fiscal year 1983, the conference committee expressed the intent that management of weapons system consumable items should be retained in the service responsible and that weapons-related items included in the 200,000-item test transfer to the Defense Logistics Agency should be restored to the services.

To maximize efficiency in the area of logistics support, we have suggested consolidating traffic management activities. However, the above act also prohibits consolidating any function of the Military Traffic Management Command, Military Sealift Command, or Military Airlift Command with any other function of the three commands, in effect leaving future consolidation to congressional discretion. The Senate and House Armed Services Committees plan to hold hearings in the future on mobilization enhancement and are encouraging the Department of Defense (DOD) to submit legislative proposals on the matter.

ASSESSMENT OF THE ADMINISTRATION'S FISCAL YEAR 1983 PROPOSALS

On September 22, 1982, the President announced the establishment of a cabinet level Council on Management and Administration to be chaired by Edwin Meese III. The role of the Council will be to oversee the President's major reform package, called Reform '88. The reform will take 6 years to implement and will concentrate on developing a standard accounting and reporting system for Federal agencies. Improved accounting and reporting systems will assist in monitoring the status of savings initiatives.

We are continuing to assess the feasibility of the Administration's fiscal year 1983 savings proposals. Many of the issues we raised in our April 20, 1982 report are still of concern. Highlights of major actions and changes follow.

Prevention of fraud, waste, and abuse

We have reviewed the third summary report by the President's Council on Integrity and Efficiency (PCIE). It highlights the activities of the President's Inspectors General, the PCIE, and the Administration to prevent fraud, waste, and abuse. The Chairmen of the House Committee on Government Operations and the House
Committee on Energy and Commerce asked us to comment on the budgetary impact of the savings reported. Consequently, we issued our report, GAO/AFMD-83-14, on October 18, 1982. The PCIE reported savings of $5.8 billion resulting from audit recommendations to recover funds, improve system controls, or otherwise make Government programs and operations more efficient, effective, and economical. These recommendations could provide useful input for budgetary decisionmaking, even though they frequently would not result in budgetary savings. We stated that budgetary savings are not realized until a recommendation is implemented, and an actual increase in revenue or decrease in spending is achieved.

Federal property disposition

On July 1, 1982, the Property Review Board (PRB) issued a preliminary inventory of 307 unneeded parcels of property totaling 60,000 acres that will be sold to help generate over $1.2 billion of revenue in 1983. The PRB advised the General Services Administration (GSA) that any property transferred to Federal agencies would be at fair market value and that public benefit transfers at a discount to State and local governments and nonprofit entities would be restricted. We have reported that the projected revenues depend on an increase in the volume of sales and a decrease in the quantity of property that is conveyed at no cost. In addition, GSA will require increased funding and staffing in fiscal year 1983 to handle the increased disposal workload. GSA has requested an increase in funding of over $50 million in fiscal year 1983 to undertake this initiative.

Accelerated OCS leasing

In April 1982, OMB revised the revenue estimate for Outer Continental Shelf (OCS) leasing from $18 billion to $15.7 billion. After approval of the Department of the Interior's new 5-year program on July 21, 1982, five petitioners filed a joint suit against the Secretary and the Department of the Interior alleging that the OCS leasing program was unlawfully developed. According to Department officials, the suit will not halt overall leasing. However, individual suits to block specific sales are possible. This could result in lower revenues than were estimated in the fiscal year 1983 budget.

Federal pay restraint

On August 26, 1982, the President submitted an Alternative Pay Plan requesting a 4 percent civilian pay increase for fiscal year 1983. This revises the savings projection (based on a 5 percent increase) from $1.4 billion to $1.9 billion. The adjustment needed to attain comparability under current law would be 18.47 percent.
Revised FHA mortgage insurance payments

P.L. 97-253, the Omnibus Budget Reconciliation Act of 1982, adopted the Administration's proposed change in the method for collecting insurance premiums on FHA-insured single family mortgages. As a result, legislative authority now exists for a one-time payment of the total premium at settlement. The Department of Housing and Urban Development needs to develop regulations, policies, and procedures to implement the required change.

Improved tax collection and enforcement

A revenue provision of P.L. 97-248, the Tax Equity and Fiscal Responsibility Act of 1982, increases the estimated tax payments for corporations from 80 percent to 90 percent of the current tax liability. The conference report on the act contains an estimate of $1.0 billion in additional tax revenues for this provision in fiscal year 1983. This estimate is based on a projected decrease in corporate profits and the resulting decrease in tax liability.

An additional provision of P.L. 97-248 requires withholding on most payments of dividends and interest paid or credited after June 30, 1983. For this provision, the conference report contains an estimate of $1.3 billion in tax revenues for fiscal year 1983. This revenue estimate is based on a refinement in data on estimated unreported interest and a refinement in methodology.

OBSERVATIONS

The Administration appears to be giving high-level attention to achieving savings through the management initiatives proposed in the fiscal year 1983 budget. In announcing the establishment of the Council on Management and Administration, the President stressed his commitment to achieve savings through continued actions on the nine cost-saving initiatives identified in the fiscal year 1983 budget. We believe that significantly larger savings could be achieved in Defense-related areas, such as logistical economies, multiyear contracting, and Government-wide procurement, if the Department of Defense would implement our proposals and recommendations based on our audit findings.

In appendix I, we have provided summaries of the status of actions taken to achieve savings in fiscal year 1982 through improved administrative practices. An update to our assessment of fiscal year 1983 management initiatives, PAD-82-34, is provided in appendix II. An updated list of reports containing our audit findings and recommendations for the administrative practices and management initiatives are included in appendix III.
Achieving these budgetary savings depends upon aggressive administrative action by the Executive Office of the President and the executive agencies, and congressional legislative action, as well as monitoring and followup, to assure that the projected savings are achieved.

* * * * *

We are also sending copies of this report to various other congressional committees; Director, Office of Management and Budget; and various executive agencies.

Sincerely yours,

Charles A. Boxley

Comptroller General
of the United States
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<tr>
<td>1. Delinquent accounts and loans receivable. The Federal Government has no clear assignment of responsibility for debt collection and no systematic procedures for keeping track of amounts delinquent nor for attempting to collect these amounts.</td>
<td>High priority and leadership by Executive Office of the President.</td>
<td>A Presidential memorandum dated April 23, 1981, directed executive branch heads to develop and implement an aggressive debt collection program. Each agency submitted an action plan to improve the collection of debts owed the Government in September 1981.</td>
<td>Implementation of the policies contained in the President's April 23, 1981, memorandum and the agency's action plan for improved debt collection.</td>
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<td>Continued congressional monitoring.</td>
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Roles of the Department of Justice, Inspectors General, Treasury and the General Accounting Office.

The Justice Department and GAO are considering changes to the Federal Claims Collection Standards.

As new policies and procedures are implemented, the Department of Justice and GAO should continue to identify and make necessary changes to the Federal Claims Collection Standards.

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<tr>
<td>1. Delinquent accounts and loans receivable (continued).</td>
<td>Passage of legislation to give collectors tools needed.</td>
<td>The Treasury Department, in a June 24, 1981 change to its Fiscal Requirements Manual, detailed reporting requirements for all accounts and loans receivable due from the public.</td>
<td>In addition to the provisions of P.L. 97-355, we believe that legislation is needed to provide for the offset of delinquent debts against Federal tax refunds due to debtors.</td>
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<td><strong>Strengthened collection through administrative actions.</strong></td>
<td><strong>To date, 24 major departments and agencies accounting for over 95 percent of the debts owed the Government have designated an official responsible for debt collection.</strong></td>
<td><strong>Agencies need to take prompt vigorous action to follow up on delinquencies.</strong></td>
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Administrative practice and nature of deficiency

2. Unpaid taxes. IRS has not been able to keep up with its collections. Also, it does not charge full interest costs on late payments.

Elements of program (GAO proposals)

- **Increase IRS collection staffing by up to 1500 staff years, as recommended by GAO's March 30, 1981 report, PAD-81-69.**

Actions taken

- The President's budget for FY 1982 requested 600 additional staff years. House and Senate appropriation bills provided for 1200 staff. Additional congressional action resulted in a modified bill that provided for 1140 staff years. The FY 1982 budget as enacted by Continuing Resolution provides for an increase of 971 staff years over FY 1981. The FY 1982 supplemental appropriation bill requested an additional 400 collection staff years for a total of 1371 staff years in FY 1982. The President's budget for FY 1983 requests 3638 additional collection staff years.

Further actions needed

- The Congress needs to approve the FY 83 budget request.

Revise the method of calculating the interest rate on unpaid taxes to bring it more in line with the market rate as recommended by GAO's October 16, 1981 report, GGD-81-20.

Section 711 of P.L. 97-34, the Economic Recovery Tax Act of 1981 signed by the President on August 13, 1981, sets the interest rate at 100 percent of prime, up from 90 percent and allowed for annual instead of biennial adjustments to the rate. P.L. 97-246, the Tax Equity and Fiscal Responsibility Act of 1982, signed on September 3, 1982, provides for daily compounding of interest and semi-annual delineation of the interest rate.
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<td>Improve IRS's use of taxpayer financial information and better manage its installment agreement, currently not collectible, and offer-in-compromise programs, as recommended by GAO's November 5, 1981 report, GGD-82-4.</td>
<td>IRS has taken numerous actions to implement GAO's recommendations such as: --discontinuing the installment agreement by mail program except for those cases which would not be sent to IRS district offices, --revising procedures for verifying financial information and managing installment agreement program, --revising procedures for setting follow-up codes on accounts classified as currently not collectible, and --revising procedures for better coordination between the Examination and Collection Divisions.</td>
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### Administrative practice and nature of deficiency

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<th>Unresolved audit findings. Although improvements have been made, weaknesses still exist in Federal department and agency audit resolution systems.</th>
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<th>DOE has made slow progress in resolving alleged crude oil reseller pricing violations.</th>
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<th><strong>Elements of program (GAO proposals)</strong></th>
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<tr>
<td>Administrative action is needed to:</td>
<td>Federal departments and agencies have placed personal responsibility for audit resolution on designated senior management officials.</td>
<td>OMB should:</td>
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<td>--ensure adequate accounting and collection control over amounts determined to be due the Government as a result of audit.</td>
<td>OMB has revised Circular A-50 (&quot;Audit Follow-up&quot;) on September 29, 1982.</td>
<td>--follow up to ensure that agencies are complying with the provisions of its new circular.</td>
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<td>--ensure that actions agreed upon by the audit organization and agency management are taken, including recovery of any amounts due as a result of audit findings.</td>
<td>The Federal Managers' Financial Integrity Act of 1982 became law on September 8, 1982.</td>
<td>--implement procedures for dealing with audit findings in agency budgeting, OMB budget review, and litigation and debt collection, where needed.</td>
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<p>| DOE should (1) reestablish the position of Director, Crude Oil Reseller Program, to provide centralized management and coordination for the field program, and (2) provide audit coverage of selected major refiners' crude oil sales and purchase activities, as recommended in GAO's June 1, 1982, report, GAO/EMD-82-46. | In its Section 236 response of August 25, 1982, DOE expressed partial agreement with GAO's recommendations and described actions it had taken or will take to implement them. The actions, however, fall short of what GAO intended and GAO questions whether the recommendations will be effectively implemented. | DOE should fully implement GAO's recommendations and act aggressively to resolve all outstanding alleged oil pricing violations in an effective and equitable manner. GAO is continuing to monitor DOE's progress in resolving these alleged violations. |</p>
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<td><strong>4. Paperwork reduction.</strong> The Paperwork Reduction Act of 1980, if used to its fullest potential, can result in substantial savings. It covers more than just reports— it also covers data processing and telecommunications. Action will be needed to eliminate unneeded reporting.</td>
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<th>Elements of program (GAO proposals)</th>
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<td>Apply sufficient resources to effectively implement the Paperwork Reduction Act of 1980 (P.L. 96-511).</td>
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<td>OMB included in its original fiscal year 1982 budget a request for 90 people to achieve the objectives of the Paperwork Reduction Act of 1980. OMB has a staff of 80 people to carry out the Paperwork Act objectives. This staff is also responsible for carrying out activities on regulation reviews under Executive Order 12291 and the Vice President's Task Force on regulatory relief activities. In its FY 1983 budget request, OMB stated that it would have a full-time professional staff of 67 to carry out activities under Paperwork Act, Executive Order reviews, and the Vice President's regulatory relief activities. No action has been taken by OMB to designate resources needed to carry out the Paperwork Act activities, Executive Order 12291 reviews, and Vice President's Task Force on regulatory relief activities.</td>
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<th>Further actions needed</th>
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<td>Action by OMB to designate resources for Paperwork Act activities is needed. The Congress could approve an FY 1983 OMB budget for implementation of the Paperwork Reduction Act of 1980.</td>
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<th>Establish a systematic review process for declassifying Government records.</th>
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<td>E.O. 12356, effective August 1, 1982, reduced the requirements for systematic reviews. Budget cuts at the National Archives and Records Service have, with few exceptions, brought systematic reviews to a standstill.</td>
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<td>Administrative practice and nature of deficiency</td>
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<td>4. Paperwork reduction (continued).</td>
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<td>4. Paperwork reduction (continued).</td>
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<td>4. Paperwork reduction (continued).</td>
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<td>Strong administrative action:</td>
<td>Based on GAO's report &quot;Consolidating Military Base Support Service Could Save Billions&quot; (LCD-80-29), DOD has taken the following actions:</td>
<td>Increase the cost savings goals.</td>
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<td>Consolidate military base support activities.</td>
<td>--Deputy Secretary of Defense Carlucci set a savings goal of $10 million per year for each service for 5 years beginning in FY 1983.</td>
<td>Direct defense-wide consolidations of support functions that have proven cost effective in several geographic regions.</td>
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<td>--All other DOD agencies have been directed to submit their own cost reduction goals.</td>
<td>Provide resources and authority to effectively coordinate DRIS, CITA, and intra-servicing programs.</td>
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<td>--The Defense Retail Inter-service Support (DRIS) program and Commercial Industrial-Type Activities (CITA) program have been removed from Defense Logistics Agency (DLA) and Deputy Assistant Secretary of Defense (Supply Maintenance and Transportation), respectively, to the newly created Deputy Assistant Secretary of Defense for Facilities, Environment, and Economic Adjustment.</td>
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<td>--The DRIS Manual is currently being converted to a DOD regulation.</td>
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Administrative practice and
nature of deficiency

5. Defense logistical economies
(continued).

Elements of program
(GAO proposals)

Actions taken

Further actions needed

--- The Joint Interservice Retail Study Groups (JIRSGs), which were scheduled to terminate in FY 1983, have been extended indefinitely.

--- Studies have been directed in each JIRSG covering 20 functional areas.

--- DOD has directed consolidation of aircraft fuel shipments to Panama.

Finish consolidation of management of consumable supplies in Defense Logistics Agency (DLA).

On July 7, 1981, Deputy Secretary of Defense Frank Carlucci approved the transfer of 200,000 consumable items to the DLA. This transfer was a test to determine the feasibility of the transfer proposal. The result of the test, including cost savings and supply performance, were to be used in deciding whether to transfer the remaining consumables. DOD had estimated that savings of $15 million could be achieved in FY 1982 as a result of the transfer test. Test results would be verified after October 1, 1982. DOD estimated total potential savings of $100 million annually if
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<td>5. Defense logistical economies (continued)</td>
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<td>the remaining 1.1 million consumable items were transferred to DLA. Transfer of the remaining items would be dependent upon test results and would be achieved in increments over the next 2 to 3 years.</td>
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<td>On August 16, 1982, the conference committee considering the 1983 Armed Forces Authorization Act concluded that management of weapon system related consumable items should be retained in the service responsible for the parent system and that any such items included in the 200,000 item test should be restored to the services. If this position is sustained the DOD effort to transfer consumables to DLA will be severely curtailed, if not ended. At this time DOD has not yet decided how to respond to the Committee action.</td>
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5. Defense logistical economies (continued).

Consolidate management of aircraft depot maintenance activities.

In March 1980, the Deputy Secretary of Defense directed an option paper to be prepared addressing the feasibility of establishing a single manager for aeronautical depot maintenance. Based on this study the Deputy Secretary of Defense decided to continue the current organizational structure for aeronautical depot maintenance, but provide for close oversight to assure that necessary improvements are made. To oversee DOD efforts toward improving the capability and efficiency of both organic and contractual depot maintenance for aeronautical systems, a DOD Aeronautical Depot Maintenance Management Task Force was established in September 1981. Since then the Task Force has met nine times to review individual and joint service projects regarding the management of aeronautical depot maintenance. To continue the effort a permanent Maintenance Policy Council will be established. Once established the Aeronautical Depot Maintenance Management Task Force will be terminated.

Further actions needed

GAO has been asked by the House Government Operations Committee, Subcommittee on Legislation and National Security, to provide an update to our recommendation for a single DOD aeronautical depot maintenance manager and to monitor the actions of the Aeronautical Depot Maintenance Management Task Force. Work on this was scheduled to start in September 1982 and be completed by February 1983.
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<td>5. Defense logistical economies (continued)</td>
<td>Integrate traffic management activities.</td>
<td>The Deputy Secretary of Defense announced, on June 13, 1981, the realignment of some transportation and traffic management activities which included:</td>
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<td>--Transfer, by October 1, 1981, of the sealift and passenger booking and contract administration functions from the Military Sealift Command to the Military Traffic Management Command.</td>
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<td>--The Assistant Secretary of Defense for Manpower Reserve Affairs and Logistics (ASD MRA&amp;L), in coordination with the Army and Air Force, will prepare a plan for improving the management and procurement of domestic passenger transportation services.</td>
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<td>--The Joint Chiefs of Staff will be responsible for assembling and leading a joint service task group to develop and implement a plan for strengthening the Joint Deployment Agency.</td>
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<td>Congress, in the FY 1983 DOD authorization act (P.L. 97-252), prohibits consolidation, leaving the matter for future legislative consideration. The Senate and House Armed Services Committees plan to hold hearings (date unknown) on mobilization enhancement and are encouraging DOD to submit legislative proposals on the matter. In the interim, as requested by Congress, DOD needs to take necessary measures to improve the communication and information systems that interact between the sealift and traffic management commands.</td>
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### Administrative practice and nature of deficiency

#### Elements of program (GAO proposals)

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5. Defense logistical economies (continued).

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<thead>
<tr>
<th>Use wholesale and retail inventories of parts more effectively.</th>
<th>Section 1110 of P.L. 97-252 prohibits the consolidation of any function of the Military Traffic Management Command, Military Sealift Command, or Military Airlift Command, with any other function of the three commands.</th>
</tr>
</thead>
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<tr>
<td>GAO has issued several reports concerning DOD's effective use of parts inventories (LCD-76-237, June 7, 1977; LCD-78-221, December 22, 1978; PLRD-81-5, March 16, 1981; PLRD-81-59, September 17, 1981). In response to GAO recommendations to strengthen supply activities, DOD has initiated specific actions by each service to reduce total inventories and/or obtain better use of assets, which it estimates will result in one time savings of $30 million in FY 1982 for the Army, Navy, and Air Force collectively.</td>
<td>DOD's management needs to address the following area. A basic weakness in the management of spare parts inventories appears to be that DOD does not follow up to assure that its policies are being effectively implemented. GAO has recommended in the past that DOD take action to assure its basic policies are being consistently and routinely implemented by the services.</td>
</tr>
</tbody>
</table>
6. Multiyear contracting. Provide statutory authorization for DOD to make multiyear contracts for the production of new weapon systems in order to obtain lower unit costs through program stability and incentives to invest in capital equipment.

DOD needs statutory authorization for multiyear contracts.

Actions taken:
Section 909 of P.L. 97-86 was enacted in December 1981 and provides DOD with authority for multiyear contracting.

The Office of Federal Procurement Policy requested similar Government-wide authority in its proposed Uniform Procurement System submitted to Congress on February 26, 1982 pursuant to P.L. 96-83.

The Department of Defense issued a multiyear procurement policy memorandum (May 1, 1981) to the service secretaries and directors of the defense agencies, and identified about seven potential candidates for multiyear contracting.


Further actions needed:
GAO will monitor DOD's implementation to selectively determine (1) whether projected savings are reasonable and measurable and (2) if there are any potentially significant problems that have not been identified.

Further congressional clarification of DOD's multiyear contracting savings criteria when enacting the FY 1983 Defense Appropriations Act.
<table>
<thead>
<tr>
<th>Administrative practice and nature of deficiency</th>
<th>Elements of program (GAO proposals)</th>
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<tr>
<td>6. Multiyear contracting (continued).</td>
<td></td>
<td>P.L. 97-252 established reporting and multi-year contracting justification material requirements.</td>
<td>DOD needs to develop an adequate centralized accounting system, establish and implement pricing policies that result in full cost recovery, and provide the Congress with adequate information for effective oversight and control.</td>
</tr>
<tr>
<td>7. Full cost recovery for foreign military sales. The Federal Government has not been accounting for and charging for the full cost of the equipment and services sold to foreign countries.</td>
<td>DOD needs to strengthen its accounting for and financial management of the foreign military sales (FMS) program.</td>
<td>The Congress reduced DOD's FY 1982 appropriation by $82 million to insure that savings were achieved in this area.</td>
<td>In FY 1981, DOD established a quality assurance unit to monitor foreign military sales pricing and is continuing its study of a centralized accounting system.</td>
</tr>
</tbody>
</table>
7. Full cost recovery of foreign military sales (continued).

Administrative practice and nature of deficiency

Elements of program (GAO proposals)

Actions taken

In a memorandum dated October 21, 1981, the Assistant Secretary of Defense (ASD/Comptroller) modified DOD 7290.3-M to reflect changes in its pricing policies for stock fund sales of foreign military sales items. This is in direct response to a recommendation in GAO's report AFMD-81-62 that DOD require a more realistic inflation index when estimating replacement costs of stock fund items.

Also, informal discussions with ASD/Comptroller personnel revealed that similar modifications to DOD's pricing policies are envisioned for secondary item sales not sold under cooperative logistics support arrangements. Secondary item sales were addressed in AFMD-81-105.

Further actions needed

The Congress needs to amend the Arms Export Control Act to require full cost recovery, less certain fixed-base operating costs, for administratively supporting the FMS program. DOD needs to take action to ensure that all administrative costs of FMS are recovered from foreign countries.

The Congress directed DOD to report any proposed waivers of non-recurring production and research and development costs of FMS sales items.

The Congress should monitor the granting of waivers for non-recurring production and research and development costs of FMS items.
8. Workforce cost controls.

The Congress and the President need to control total workforce through the budget process. The present system does not allow this; instead piece-meal approaches are used—personnel ceilings, hiring freezes, and limitations on consultants and travel.

By administrative action with congressional approval or by legislation:

--revise the object classification to provide detailed data on total workforce costs;

--implement the change in the budget systems;

--revise the budget classification system to coincide with goals, missions, and program objectives established in authorizing legislation;

--improve existing data systems;

--develop a totally new system for accumulating and recording costs on total workforce; and

--establish a workforce budget which segregates workforce data and costs from other elements of the budget.

OMB has stated that the FY 1982 budget for major agencies included cuts of $78 million for travel and $42 million for consultants and management services.

The Administration has taken action to reduce workforce costs by reducing Federal employment.

Further actions needed:

A change in current budget procedures is needed in order to monitor costs and savings attributable to the contracted workforce.

OMB should provide specific documentation to identify reductions in FY 1982 travel and consultant costs.
Administrative practice and nature of deficiency

9. General procurement practices. A constant objective in procurement is increasing competition. During the 1970s, Government procurement trends have been to less competition—which means the probability of higher prices.

Elements of program (GAO proposals)

There should be clear Government-wide specification of the factual support needed for noncompetitive procurement as well as plans to improve competition through better planning of the annual procurement program, better management of the process, and higher skill and competence levels.

Actions taken

On July 28, 1981, in testimony before the Senate Armed Services Committee on procurement, DOD added "increased stress on competition" as one of its principal initiatives to improve the acquisition process.

Further actions needed

Favorable congressional action on the Uniform Procurement System.

On February 26, 1982, OFPP submitted a proposal for a Uniform Procurement System to the Congress.

The Office of Federal Procurement Policy (OFPP) addressed competition in its proposed Uniform Procurement System. (See item 6.)

The Navy is establishing "competition advocates" in certain purchasing offices.

The Navy has established a goal of increasing competitive procurements by 3 percentage points.

The Secretary of Defense, in a September 9, 1982 letter, emphasized that DOD should place maximum emphasis on competitive procurements.
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<tr>
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<tr>
<td>10. Replacing old, inefficient computers. The Federal Government has a large number of obsolete, and inefficient computers. Some of these can be replaced immediately at savings, but there is no leadership for making those changes.</td>
<td>Administrative direction: guidance for replacement of economically obsolete equipment by the General Services Administration (GSA). Require heads of Federal agencies to institute programs to determine equipment obsolescence and to make needed replacements. Provide through OMB leadership the requirement for Federal agencies to improve management's knowledge and involvement in ADP operations.</td>
<td>GSA has modified its regulations to permit replacement of obsolete equipment. Some agencies have taken action to replace obsolete equipment. Savings are projected at over $23 million for the life cycle of the equipment.</td>
<td>Additional agencies need to take action to replace obsolete equipment. Decisive action by OMB to highlight the area and stimulate appropriate agency responses.</td>
</tr>
</tbody>
</table>
Status of Management Initiatives in the Fiscal Year 1983 Budget

Management Initiative

1. Prevention of fraud, waste, and abuse. A vigorous program to save Federal money and property that otherwise would be lost through mismanagement.

Elements of Program

(OMB proposal)

The President has directed agency heads to designate a senior management official to be responsible for assuring that audit recommendations are implemented.

Actions taken

Federal agencies have designated these individuals, and OMB has met with them to emphasize the President's expectations.

Further actions needed

OMB will revise Circulars A-50 and A-73 to recognize the role of Federal Inspectors General and strengthen procedures for follow-up and resolution of audit reports by executive branch agencies.

OMB issued revised Circular A-50 on September 29, 1982.

The President's Council on Integrity and Efficiency coordinates Inspector General efforts to eliminate fraud, waste, and abuse in the Federal Government.

The Council published its third semi-annual summary report on Inspector General activities in early June, 1982. At the request of the House Committee on Government Operations and the House Committee on Energy and Commerce, GAO reviewed the report and commented on the budgetary impact of the savings reported (GAO/AFMD-83-14, October 18, 1982).

Savings categories should be defined to identify amounts to be reflected in the Federal budget compared to savings reflected in increased efficiencies in overall operations.

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1/These initiatives are discussed in GAO's April 20, 1982 report, PAD-82-34.
<table>
<thead>
<tr>
<th>Management Initiative</th>
<th>Elements of program (OMB proposal)</th>
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<tr>
<td>2. Improved debt collection.</td>
<td>The FY 1983 budget projected that $1.35 billion in delinquent debts would be recovered in FY 1983 through aggressive administrative action by the Federal agencies.</td>
<td>The $1.35 billion represents a reduction in outlays which have been distributed to agency accounts. Each agency has been given a collection target for FY 1983; failure to meet these targets will result in reduction of the amount of funds an agency has available to spend. OMB has developed a system to monitor agencies' efforts in meeting these targets.</td>
<td>Continued congressional and administrative emphasis to ensure that the actions underway to improve the collection of debts owed the Government are carried out.</td>
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<td></td>
<td>Continued emphasis by the administration on the importance of improving debt collection in the Federal Government.</td>
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<td>Another $1 billion in estimated savings is anticipated in the FY 1983 budget but has not been distributed to agency accounts. OMB projects that these additional savings could be achieved primarily through enactment of the pending comprehensive debt collection legislation and through intensified Justice litigation efforts. Specifically, the Administration attributes $500 million of the additional $1 billion in estimated savings to be dependent on passage of debt collection legislation.</td>
<td>The Office of Management and Budget recently released the &quot;Debt Collection Project -- Report on Strengthening Federal Credit Management,&quot; which recommended measures to increase accountability, augment resources, and provide private sector tools in Federal debt management.</td>
<td>Inspectors General need to continue to identify, through the Council on Integrity and Efficiency, debt collection improvements that should be instituted.</td>
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<td>Continued improvement and refinement of OMB's system to report on the status of debts collected by Federal agencies.</td>
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<td>The Department of Justice needs to continue efforts to improve the debt litigation process so that large backlogs can be reduced.</td>
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<td><strong>3. Federal employment reduction.</strong></td>
<td>Reduce Federal employment levels by 150,000 positions by FY 1987 through reductions in agency budgets and personnel ceilings.</td>
<td>The budget indicates that about one-half of the 150,000 position reduction has been achieved.</td>
<td>OMB needs to replace agency personnel ceilings with funding controls. The Congress should carefully assess the effect of OMB's personnel ceiling reductions to avoid reducing staff at the expense of effectively administered agency programs.</td>
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<tr>
<td><strong>4. Federal property disposition.</strong> Improved real property management and increased disposal of unneeded Federal real property to generate over $1.2 billion in revenue.</td>
<td>Establish a Property Review Board (PRB) to develop and monitor policies for acquisition, utilization, and disposal of Federal assets.</td>
<td>Executive Order 12348 was issued on February 25, 1982, establishing a Property Review Board (PRB) for the purpose of overseeing the administration's program to improve the management of real property in the Federal Government.</td>
<td>Decisive actions by the PRB and OMB are necessary to stimulate timely and appropriate reporting of excess real property to GSA for disposal actions.</td>
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<td>Increased disposal of unneeded Federal real property assets through sales at full fair market value.</td>
<td>In April 1982, the PRB directed the heads of all executive agencies and departments to review their real property holding and within 60 days report those properties not needed for agency missions.</td>
<td>Actual sale of unneeded real property must increase over sales of prior years in sufficient volume to realize the $1.2 billion target.</td>
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<td>On July 1, 1982, the PRB issued a preliminary inventory of 307 unneeded parcels of property totaling 60,000 acres.</td>
<td>Increased FY 1983 funding and staffing for GSA will be necessary to handle the increased disposal workload.</td>
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<td>4. Federal property disposition (continued).</td>
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<td>In early August 1982, OMB sent to the Congress an amendment to the FY 1983 budget requesting funds for GSA to assist in executing the Presidential initiative to improve asset management in the Federal Government through the accelerated sale of real property. The House Appropriations Committee reported the funding request, H.R. 7158, to the House on September 22, 1982. The bill contains an increase in funding of over $50 million in fiscal year 1983 for real property operations.</td>
<td>Passage of legislation to provide increased funding for GSA.</td>
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<td>Discounted and no-cost conveyances to State and local governments and non-profit entities for public benefit purposes are to be eliminated or greatly restricted.</td>
<td>In April 1982, the PRB provided guidance to GSA and all executive agencies on the criteria for discount or no-cost conveyances of property for public benefit and noted that all conveyances must be approved by the PRB.</td>
<td>The quantity of surplus property that is conveyed at no cost must be reduced.</td>
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<td>Interagency transfers of real property will be at 100 percent of fair market value rather than free or at a discount.</td>
<td>In April 1982, GSA submitted a proposed revision to the Federal Property Management Regulations (FPMR) to OMB for approval and coordination with the PRB. This revision would require interagency transfers of real property to be at 100 percent of fair market value. In June 1982, the PRB advised GSA that Federal agencies would pay 100 percent of the fair market value for such transfers with very limited exceptions. GSA is waiting for OMB approval before processing the FPMR revision.</td>
<td>GSA needs to assure that transfers to agencies be at 100 percent of fair market value.</td>
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</tbody>
</table>
### Elements of Program (OMB Proposal)

| 5. Accelerated OCS leasing for oil and gas exploration, development, and production |
| In July 1981, the Administration proposed a new 5-year offshore leasing program designed to accelerate leasing and inventorying offshore lands for hydrocarbons. Under the proposed program, sales will be held more frequently and more land will be offered for lease in each lease sale. In February 1982, OMB projected FY 1983 revenues to be $18 billion as a result of the new program—a $10.2 billion increase over projected FY 1982 revenues which were projected at $7.8 billion. Of the increase, $8.4 billion was estimated to result from increased bonus revenues paid by companies through the competitive bidding process to obtain a lease. |

### Actions Taken

| In April 1982, OMB revised the $18 billion estimated receipts downward to $15.7 billion. About $400 million of the $2.3 billion reduction was attributable to schedule changes in the 5-year leasing program. The remaining $1.9 billion reduction was not specific to sales but was rather an overall reduction reflecting the uncertainty of the leasing program, i.e., the fluctuating oil price situation, the possibility of litigation against an all new leasing program, and concern that the initial $18 billion estimate was too high. |

### Further Actions Needed

| Proceed with the leasing program. |

Interior's new 5-year program was approved on July 21, 1982. Almost immediately following the approval, five petitioners (two States, several environmental groups, and a local government) filed a joint suit against the Secretary and the Department of the Interior alleging that the OCS leasing program was unlawfully developed. According to Interior, the suit will not halt overall leasing. However, individual suits to block specific sales are possible. The $15.7 billion revenue estimate remains the same for the newly approved program, but $370 million is now being shown as an
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<tr>
<td>5. Accelerated OCS leasing (continued)</td>
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<td>offsetting receipt against Interior. Thus, only $15.33 billion is now shown as a general receipt to the Treasury.</td>
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<td>OMB's February 1982 OCS revenue estimate for FY 1982 has been reduced by almost $700 million to about $7.16 billion. Schedule changes, and a smaller bonus from actual sales resulted in a $1.32 billion reduction in the bonus estimate. Royalty estimates are also about $46 million less than anticipated. Increased payouts from OCS escrow accounts—about $760 million more than estimated—reduced the budget shortfall to $700 million.</td>
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<td>6. Federal pay restraint.</td>
<td>Limit the FY 1983 civilian pay increase to 5 percent rather than grant the 8 percent pay increase anticipated for private sector employees. Estimated savings are $1.4 billion in FY 1983.</td>
<td>The President submitted an Alternative Pay Plan requesting a 4 percent pay increase for FY 1983. Savings are estimated at $1.9 billion in FY 1983.</td>
<td>The adjustment needed to attain comparability with the private sector under current law would be 18.47 percent. While the principle of comparability is reasonable, serious problems and concerns exist over present implementation of the comparability law. Administrative and legislative measures are needed to improve the principle and measurement of comparability for Federal employees.</td>
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<td>7. Improved asset sale management.</td>
<td>Sell all Federal mortgage assets beginning in FY 1982 to be consistent with the policy that Government should not hold property or assets that it can dispose of or sell.</td>
<td>According to HUD officials, the proposal was implemented on a test basis in FY 1982 to determine marketability of assets and best auctioning methods. HUD alone sold about $242 million in purchase money mortgages with net proceeds of over $128 million to date. HUD also plans to sell Section 202 loans beginning in FY 1983. The Veterans Administration has sold $373 million in mortgage assets for FY 1982. The next sale was planned for October 1982. Because the number of foreclosures has currently exceeded the Administration's original estimate, sales are now estimated at $450 million for FY 1983.</td>
<td>HUD should fully implement the proposal during FY 1983 and continue action until all marketable assets are disposed of or sold. The Veterans Administration should continue action to dispose of or sell all marketable assets.</td>
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<td>8. Revised FHA mortgage insurance premium payments.</td>
<td>Change in method for collecting insurance premiums on FHA-insured single-family mortgages from annual collections received from lending institutions to a one-time payment of the total premium at settlement.</td>
<td>P.L. 97-253, Omnibus Budget Reconciliation Act of 1982, which was approved on September 8, 1982, requires the subject change in FHA mortgage insurance premium payments.</td>
<td>HUD needs to develop regulations, policies, and procedures to implement the change required by recently enacted legislation.</td>
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<tr>
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<td>9. Improved tax collection and enforcement.</td>
<td>Increase revenues in FY 1983 by $2.0 billion with proposed legislation to withhold taxes on most payments of interest and dividends.</td>
<td>An additional provision of P.L. 97-248 requires a withholding on most payments of dividends and interest paid or credited after June 30, 1983. The estimated tax revenue from this provision is $1.3 billion for FY 1983. This estimate is based on a refinement in data on estimated unreported interest and a refinement in methodology.</td>
<td>The Congress needs to approve the budget request.</td>
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<td>Increase revenues in FY 1983 by the addition of 5,225 collection and enforcement staff as requested in the FY 1983 budget.</td>
<td>The budget for FY 1983 requests 5,225 additional staff for compliance and enforcement and 75 staff associated with the new automated tax system. The Congress is expected to approve this request. The House Appropriations Committee reported the request, H.R. 7158, to the House on September 22, 1982.</td>
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<td>Increase revenue in FY 1983 by $1.4 billion with proposed legislation to speed up corporate tax collections.</td>
<td>A revenue provision of P.L. 97-248 (the 1982 Tax Act) passed by the Congress increases the estimated tax payments for corporations from 80 percent to 90 percent of the current year's tax liability. The revised estimated tax revenues from this provision are $1.0 billion in FY 1983. This revision is due to a projected decrease in corporate profits and the resulting decrease in tax liability.</td>
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</table>
APPENDIX III

LIST OF ADDITIONAL GAO REPORTS AND SUPPORTING DOCUMENTS

DEBT COLLECTION

GAO reports

Federal Agencies Negligent in Collecting Debts Arising from Audits (AFMD-82-32, January 22, 1982)

Oil and Gas Royalty Accounting--Improvements Have Been Initiated but Continued Emphasis Is Needed to Ensure Success (AFMD-82-55, April 27, 1982)

Problems Continue in Accounting for and Servicing HUD-Held Multi-family Mortgages (GAO/AFMD-82-18, August 18, 1982)

GAO testimony

Testimony before the House Budget Committee Task Force on the Budget Process and Credit, Improving the Collection of Debts Owed the Government, May 12, 1982

Statement Prepared for Hearings before the House Committee on the Judiciary, Subcommittee on Administrative Law and Governmental Relations, Improving the Collection of Debts Owed the Government, June 10, 1982

DEFENSE LOGISTICAL ECONOMIES

Supporting documents

Letter to the Comptroller General from Secretary Weinberger dated October 26, 1982

FOREIGN MILITARY SALES

GAO reports

Review of Pricing of Silver Sold Under the Foreign Military Sales Program (AFMD-82-34, May 3, 1982)

Defense Continues to Subsidize Sales of Secondary Items to Foreign Governments Because of Poor Pricing Policies (GAO/AFMD-81-105S, August 6, 1982)

Air Force Does Not Recover All Required Costs of Modification Kits Sold to Foreign Governments (GAO/PLRD-82-111, August 27, 1982)

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APPENDIX III

GAO testimony

Hearings before House Appropriations Committee, May 3, 1982; Subject: Better Accounting and Financial Management Needed to Eliminate Continued Foreign Military Sales Subsidies

Hearings before House Foreign Affairs Committee, May 4, 1982; Subject: Need to Recoup the Full Costs of Administering the Foreign Military Sales Program

GENERAL PROCUREMENT PRACTICES

GAO testimony

Robert M. Gilroy, Senior Associate Director, Procurement, Logistics, and Readiness Division, before the Senate Committee on Small Business, September 16, 1982

MULTIYEAR CONTRACTING

GAO reports

Analysis of Projects Proposed by the Department of Defense for Multiyear contracting in its FY 1983 Budget Request (PLRD-82-72, April 29, 1982)

GAO testimony

Testimony by Senior Associate Director Robert M. Gilroy, Procurement, Logistics and Readiness Division, before the Subcommittee on Defense, House Appropriations Committee, July 27, 1982

OCS LEASING

GAO reports

Outlook for Achieving Fiscal Year 1983 Offshore Revenue Estimate—Possible But Not Likely (GAO/EMD-82-83, June 8, 1982)

The Office of Management and Budget's Influence in Redesigning the Interior Department's Offshore Leasing and Development Program (GAO/EMD-82-93, June 11, 1982)

Repeal of Unneeded Outer Continental Shelf Production Rate-Setting Functions Would Cut Costs (GAO/EMD-82-97, September 10, 1982)

Differing Views on Oil and Gas Potential Apparent Reason for Lesser Amount of Leasing and Revenues in Offshore Lease Sale 59 (in process)

Interior Should Make Greater Use of Higher Royalty Rates for Offshore Oil and Gas Leases (in process)

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GAO testimony

Statement of Douglas L. McCullough, Deputy Director, Energy and Minerals Division, before the Subcommittee on the Panama Canal and the Outer Continental Shelf, House Committee on Merchant Marine and Fisheries, April 22, 1982

PAPERWORK REDUCTION

GAO reports

Education Paperwork Requirements are Burdensome: Better Federal Controls Needed (GAO/GGD-82-28, May 26, 1982)

The Office of Management and Budget's Efforts to Develop and Augment the Federal Information Locator System Have Not Met Congressional Expectations (GAO/GGD-82-76, June 17, 1982)

Impact of the Paperwork Reduction Act on IRS' Ability to Administer the Tax Laws (GAO/GGD-82-90, July 6, 1982)

The Department of Labor Has Not Adequately Controlled Office of Job Corps Information Collection Activities (GAO/GGD-82-100, September 22, 1982)

GAO testimony

Testimony before the Senate Committee on Governmental Affairs, Subcommittee on Federal Expenditures, Research, and Rules, April 14, 1982

PREVENTION OF FRAUD, WASTE, AND ABUSE

GAO reports

Validity and Comparability of the Quantitative Data Presented by the President's Council on Integrity and Efficiency on Inspector General Activities (GAO/AFMD-82-78, May 18, 1982)

Budget Implications of Savings Reported in the Third Summary Report Issued by the President's Council on Integrity and Efficiency (GAO/AFMD-83-14, October 18, 1982)

Supporting documents

President's Council on Integrity and Efficiency--A Summary Report of Inspectors General Activities, July 1, 1981, and FY 1981 II

TAX COLLECTION

GAO reports

Fictitious Tax Deposit Claims Plague IRS (GGD-81-45, April 28, 1981)
IRS Can Reduce Processing Costs by Not Transcribing Cents Data from as Many Lines on Tax Returns (GGD-81-84, June 19, 1981)

What IRS Can Do to Collect More Delinquent Taxes (GGD-82-4, November 5, 1981)

Further Research Into Noncompliance Is Needed to Reduce Growing Tax Losses (GAO/GGD-82-34, July 23, 1982)

UNRESOLVED AUDIT FINDINGS

GAO reports


Department of Energy Has Made Slow Progress Resolving Alleged Crude Oil Reseller Pricing Violations (GAO/EMD-82-46, June 1, 1982)

GAO testimony

Statement of F. Kevin Boland, Senior Associate Director, EMD, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, July 28, 1981

Supporting documents

President's Council on Integrity and Efficiency--A Summary Report of Inspectors General Activities, FY 1982, first 6 months

WORKFORCE COST CONTROL

GAO reports

Military Retirement "Look-Back" Provisions Not Justified: Substantial Savings Could Result from Elimination

GAO testimony

Clifford I. Gould, Director, Federal Personnel and Compensation Division, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service, May 6, 1982