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

30646

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 on which satisfactory legislative or administrative actions have not been taken. These summaries are compiled to assist congressional committees in their review of budget requests for fiscal year 1986. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

031430

GAO/OIRM-85-1
February 28, 1985

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

B-205879

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives

The Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate

This is our annual report summarizing the conclusions and recommendations resulting from GAO's audits and other review work in the federal civil departments and agencies on which satisfactory legislative or administrative actions have not been taken. To encourage prompt, responsive action on its audit findings and recommendations, GAO systematically follows up on its recommendations until some final disposition is reached. This report contains information on those GAO reports with recommendations open as of November 1, 1984.

Our reports have previously brought these matters to the attention of the Congress and departmental officials. However, the summaries will be of interest to your committees in their review of budget requests for fiscal year 1986. We have not included suggested questions to be asked in appropriations hearings; however, please contact our Office of Congressional Relations if you wish us to suggest specific questions on the items summarized or if you need additional information about any of the specific reports.

To enhance its usefulness, in addition to a table of contents, this report contains three reference indexes. The Congressional index lists the titles of reports under the congressional committees to which they are related. The Budget Function index lists the titles of reports under function categories by which federal funds are appropriated and identified in the President's Budget. Finally, the Agency/Organization index lists the titles of reports which relate to the activities of a particular department, agency, bureau, or organization. The indexes also include page numbers where the reader may find summaries of the reports.

A similar summary report of conclusions and recommendations concerning the Department of Defense and the military departments and agencies (GAO/OIRM-85-2) is being submitted separately.

We are sending copies of this report to the Office of Management and Budget and the federal departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings. Copies are also being provided to other interested congressional committees and members.

Charles A. Bowsher

Comptroller General
of the United States

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

U.S. General Accounting Office

Charles A. Bowsher
Comptroller General of the United States

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VARIOUS DEPARTMENTS AND AGENCIES

Recommendation Target Departments/Agencies

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL RESERVE SYSTEM
Board of Governors

Title / Report Number / Document Date

Supervisory Examinations of International Banking Facilities Need To Be Improved
(GGD-84-65, 9-20-84)

Budget Function: General Government. Other General Government (806.0) — Budget Function

Legislative Authority — **Legislative Authority:** Edge Act (Foreign Banking) Financial Institutions Regulatory and Interest Rate Control Act of 1978 (P.L. 95-630). 12 C.F.R. 204

Background — **Background**

GAO reviewed examinations of International Banking Facilities (IBF's) conducted by federal bank regulatory agencies to determine if the examinations are adequate to ensure compliance with restrictions imposed on IBF activities. The group of regulatory agencies is comprised of the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve.

Findings/Conclusions — **Findings/Conclusions**

GAO found that the regulatory agencies have not ensured that all IBF's are complying with regulatory restrictions, because recognized minimum examination standards have not been developed and utilized. The Federal Reserve's examinations were the most comprehensive, but documentation of examinations was sometimes incomplete, and scope and methodology standards for reviews have not been disseminated.

Recommendations to Agencies — **Recommendations to Agencies**

The Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chairman, FDIC, should develop and use examination procedures to ensure compliance with IBF restrictions. They should work together to adopt more complete and uniform guidance to ensure compliance with the restrictions on IBF activities. These guidelines should include procedures, such as. (1) minimum scope required; (2) methodologies to be used, and (3) documentation needed

Target: Federal Deposit Insurance Corporation — Recommendation Status
Status: Action not yet initiated. *The agency plans to process a response to the recommendation by November 16, 1984. At that time, GAO will evaluate the agency's proposed actions.* — Status Comments

Target: Department of the Treasury. Office of the Comptroller of the Currency
Status: Action in process. Intended completion date. 02/85

Target: Federal Reserve System. Board of Governors
Status: Action not yet initiated. *The agency is in the process of writing a response to the recommendation. Its response will be submitted to the Federal Reserve Board for approval on November 14, 1984. At that time GAO will evaluate the agency's proposed actions.*

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

The Davis-Bacon Act Should Be Repealed
(HRD-79-18, 4-27-79)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Davis-Bacon Act (Wage Rates) (40 U.S.C. 276a; P.L. 91-129; 83 Stat. 269). 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 and Safety Standards 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. 95-585. OMB Circular A-102.

Background

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 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 Labor 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 Labor were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where Labor's rates were lower than those prevailing locally, local contractors were generally awarded the contracts and paid workers the prevailing rates in the community. When Labor's 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 to Congress

Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act because of: (1) significant increased costs to the federal government; (2) the impact excessive wage determination rates have on inflating construction costs and disturbing local wage scales; and (3) the fact that contractors tend to pay prevailing rates, which is the intent of the act, when determinations are too low.
Status: Action in process.

Congress should also repeal the provisions in the 77 related statutes which involve federally assisted construction projects and which require that wages paid to contractor employees should not be less than those determined by the Secretary of Labor to be prevailing in the locality in accordance with or pursuant to the Davis-Bacon Act.
Status: Action in process.

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

Funding Gaps Jeopardize Federal Government Operations
(PAD-81-31, 3-3-81)

Budget Function: General Government (800.0)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344). Antideficiency Act (31 U.S.C. 665(a)). P.L. 96-86. P.L. 96-123. P.L. 96-369. U.S. Const. art. I, § 9. B-197841 (1980).

Background

Interruptions in federal agency funding at the beginning of the fiscal year and operating on continuing resolutions have become the norm rather than the exception. During the normal deliberations process on appropriations for fiscal year 1981, it became clear that a funding gap might develop. In response to the President's request for an opinion on the Antideficiency Act, the Attorney General ruled that the act requires agencies to terminate all operations when their current appropriations expire. In addition, the Attorney General stated that the Department of Justice would strictly enforce the criminal provisions of the act in cases of future willful violations.

Findings/Conclusions

Agencies were uncertain how to respond to the Attorney General's opinion and what activities they would be able to continue if appropriations expired. In addition, guidance from Justice and the Office of Management and Budget was inconsistent, and neither provided clear instructions for agencies to follow. There are many approaches to the problem of funding gaps: (1) Congress could enact permanent legislation authorizing agencies to incur obligations but not expend funds for continued operations during periods of expired appropriations; (2) the Antideficiency Act could be amended to allow agencies to incur obligations for continued operations when appropriations expire; (3) the rules of both Houses could be amended to require all appropriations acts to include language conferring authority to continue to incur but not liquidate obligations at the level authorized until superseded by another funding measure; (4) limitation and legislative riders on appropriations bills and continuing resolutions could be forbidden or made to require a two-thirds vote for passage; or (5) continuation of the pay of federal civilian and military employees could be provided for in periods of expired appropriations.

Recommendations to Congress

Congress should consider shifting more programs to authorization and appropriations cycles of 2 or more years.
Status: Action in process.

Congress should consider establishing and adhering to a reserve for fall and spring adjustments for emergencies and uncontrollable cost growth.
Status: Action not yet initiated.

Congress should enact permanent legislation to allow all agencies to incur obligations, but not expend funds, when appropriations expire (except where program authorization has expired or Congress has expressly stated that a program should be suspended during a funding hiatus pending further legislative action).
Status: Action not yet initiated.

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

Federal Budget Concepts and Procedures Can Be Further Strengthened
(PAD-81-36, 3-3-81)

Budget Function: Impoundment Control Act of 1974 (990.2)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (31 U.S.C. 1400; 88 Stat. 297; 88 Stat. 327). Antideficiency Act (31 U.S.C. 665).

Background

Although the basic institutional and conceptual budget framework laid out in 1967 and 1974 is serving the nation well, several recent developments have placed strains on the capacity of existing budget concepts and procedures to serve the budget information and control needs of Congress, the executive branch, and the public. Legislation has been enacted removing important federal programs from the budget, resulting in incomplete budget coverage and totals that do not reflect the true level of federal activities. GAO believes that it is essential to recognize the extent of the erosion which has taken place and to begin taking action to overcome the resulting inadequacies in the process. In the opinion of GAO, the government's budgeting system must be improved to deal adequately with the serious economic conditions facing the nation in this decade.

Findings/Conclusions

Five basic kinds of changes are needed in the budget process: (1) to place most off-budget federal activities back onto the budget, early legislative action is needed; (2) to better control short- and long-term budget levels, a wide range of management, financing, and legislative actions are needed; (3) to strengthen program and policy level accountability, steps are needed to improve the budget's categories and related information; (4) to streamline the process in order to reduce paperwork and superficial reviews and increase the time for careful analyses and informed debate, changes are needed in scheduling and reporting requirements; and (5) to increase the reliability, consistency, and comparability of budget figures, action is required on several measurement concepts and practices.

Recommendations to Congress

Congress should act early on legislation to effect the budget reform changes identified in this report and in appendix I as the changes on which Congress should "take early legislative action."
Status: Action in process.

Congress should encourage further analyses on budget system problems that involve complex interrelationships and trade-offs, and that have not been extensively studied before. Congress should also take steps to establish a study group or commission comprised of high elected and appointed officials, and other senior experts, to conduct such further research.
Status: Action in process.

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

Improving COBOL Application Can Recover Significant Computer Resources
(AFMD-82-4, 4-1-82)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Circular A-71. FIPS Pub. 21-1.

Background

GAO examined: (1) the management implications and economics of reducing the machine resources consumed by Common Business Oriented Language (COBOL) applications in the federal government; and (2) the applicability of these findings to different brands of computers.

Findings/Conclusions

Federal use of computers is extensive, with COBOL being the most widely used computer language. Significant benefits have been achieved at some federal installations by modifying COBOL applications to reduce the machine resources consumed. Work can be done to reduce the machine costs of COBOL applications on any brand of computer using COBOL. Despite the potential for improvement, some installations have done little or nothing to examine the machine resource consumption of their COBOL applications. Officials indicated that many programmers are ignorant of techniques, receive little formal training, and have little concern for machine costs. Measurement and verification of benefits can be seen in terms of reduced machine resources and expressed in dollar equivalents. A systematic approach will help efforts to improve COBOL applications. Automated tools can be used to reduce the labor costs involved in reducing COBOL machine costs. Other considerations besides machine costs are important in software management and should not be sacrificed. Efforts to reduce machine resource consumption must offset labor and machine costs to be cost effective. Agencies with government-wide data processing responsibilities should publish guides for reducing machine resources consumed by COBOL, and efforts are needed to raise concern with application costs and to raise programmer efficiency. The potential benefits of reducing consumption by COBOL applications are large.

Recommendations to Agencies

Heads of federal agencies should require periodic review of the machine resource consumption of COBOL applications at their installations and, where feasible, require action to reduce the consumption of expensive applications.
Status: Action in process. Intended completion date unknown.

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

Federal Information Systems Remain Highly Vulnerable to Fraudulent, Wasteful, Abusive, and Illegal Practices
(MASAD-82-18, 4-21-82)

Budget Function: Security of ADP Systems (990.6)
Legislative Authority: Paperwork Reduction Act of 1980. Automatic Data Processing Equipment Act (P.L. 89-306). P.L. 87-847. OMB Circular A-71.

Background

GAO was requested to evaluate the information security programs in the executive agencies. Specifically, GAO was asked to address: (1) whether the Office of Management and Budget (OMB) guidelines, if fully implemented by the executive agencies, provide an acceptable level of protection over information systems; (2) whether the central agencies fulfill their government-wide information security program responsibilities; (3) what the executive agencies are doing to implement Government-wide information security program policy and guidance; and (4) what the executive agencies must do to achieve a reasonable level of protection over their automated information systems, particularly those using telecommunications networks. An examination was made of the vulnerability of automated information systems in the executive agencies to abusive and unauthorized practices.

Findings/Conclusions

GAO found that: (1) OMB Circular A-71 was not sufficiently comprehensive to provide needed policy and guidance to executive agencies for establishing reasonable levels of protection; (2) the central agencies have not fulfilled their automated information security program responsibilities; (3) executive agencies are doing little to implement information security program policy and guidance; (4) executive agencies have not developed and maintained a total system of controls to eliminate the fraudulent, wasteful, abusive, and illegal practices to which their automated information systems have been and are being subjected. These conditions have precluded the establishment and maintenance of a reasonable level of protection over automated information systems used by executive agencies. GAO noted the following specific problems: (1) deficiencies in OMB Circular A-71 have left some executive agencies confused as to the nature and extent to which it should be implemented and its application to the automated systems; (2) the ineffective information security programs of the central agencies have been a primary contributing factor to the continuing vulnerability of the automated information systems in the executive agencies; and (3) the increasing Federal investments in automated information systems have resulted in growing vulnerability to fraudulent, wasteful, abusive, and illegal practices because greater concentrations of information are accessible from remote terminals.

Recommendations to Agencies

The Director of OMB should monitor the effectiveness of and agencies' compliance with Public Law 87-847, the Federal Telecommunications Fund, and Public Law 89-306, often called the Brooks Act.
Status: Action in process. Intended completion date unknown.

The Director of OMB should, through a review of budget proposals, inform the President and Congress of the progress made to develop and maintain a reasonable level of protection over personal, proprietary, and other sensitive information in the executive agencies.
Status: Action not yet initiated. *OMB never responded to the report.*

The Director of OMB should initiate and review proposals for changes in legislative regulations, and agency procedures to improve automated data processing and telecommunications practices to ensure a reasonable level of protection over personal, proprietary, and other sensitive information as developed and maintained by the executive agencies.
Status: Action not yet initiated. *OMB never responded to the report.*

The central agencies must work together more cooperatively to coordinate policies, principles, standards, and guidelines for information protection to substantially reduce the vulnerabilities and risks presently associated with executive agencies' automated information systems.
Target: Office of Management and Budget
Status: Action in process. Intended completion date unknown.

Target: General Services Administration
Status: Action in process. Intended completion date unknown.

Target: Department of Commerce: National Bureau of Standards
Status: Action in process. Intended completion date unknown.

Target: Office of Personnel Management
Status: Action in process. Intended completion date unknown.

The heads of executive departments and agencies should establish internal review audit programs which will periodically evaluate and report on the level of protection actually provided over automated information systems.
Status: Action in process. Intended completion date unknown.

The Director of OMB should provide advice and guidance on the acquisition and use of automated data processing and telecommunications equipment and coordinate, through the review of budget proposals and other methods, agency proposals for acquisition and use of such equipment. Implementation of this responsibility combined with a review of agencies' plans for establishing and maintaining a reasonable level of protection over their automated information systems will help ensure implementation of such plans.
Status: Action not yet initiated. *OMB never responded to the report.*

The Director of OMB should revise OMB Circular A-71, Transmittal Memorandum 1, to: (1) identify the minimum controls necessary for ensuring a reasonable level of protection over personal, proprietary, and other sensitive information; (2) clarify the interrelationship between Transmittal Memorandum 1 and policy and guidance on safeguarding information classified for purposes of national security; (3) clarify when executive agencies must afford the same level of protection against unauthorized disclosure of personal, proprietary, and other sensitive information as they do to information classified for purposes of national security; and (4) establish policy and specific guidance for achieving a reasonable level of protection over those systems, using telecommunication networks.
Status: Action in process. Intended completion date unknown.

The Director of OMB should require executive agencies to submit to OMB, for review and approval, new plans for establishing and maintaining a reasonable level of protection over their automated information systems, in accordance with a revised Transmittal Memorandum 1. This includes establishing and maintaining an effective internal evaluation of their automated information security programs.
Status: Action not yet initiated. *OMB never responded to the report.*

The Director of OMB should develop procedures for ensuring executive agencies' implementation of their automated information security program plans. Implementation of these plans should be integrated into the budget process so that major automated information systems are designed, developed, operated, and maintained with a reasonable level of protection. Each system should have a restricted statement of the potential vulnerabilities, the specific security program to be used, and the expected level of risk when the security program is implemented; that is, what vulnerabilities will exist even with the implementation of the security program.
Status: Action not yet initiated. *OMB never responded to the report.*

The Director of OMB should fully implement other OMB responsibilities as specified in the Paperwork Reduction Act of 1980 and as they relate to information security programs involving federal automated data processing systems and telecommunication networks.
Status: Action in process. Intended completion date unknown.

The heads of executive departments and agencies should identify, in accordance with a revised Transmittal Memorandum 1, the vulnerabilities and risks associated with their automated information systems and develop a new plan for establishing a reasonable level of protection over those systems.
Status: Action in process. Intended completion date unknown.

The heads of executive departments and agencies should identify a time schedule and resource requirements for implementing the plan.
Status: Action in process. Intended completion date unknown.

The heads of executive departments and agencies should include, with their next budget request, a report describing the actions taken to implement the plan and to implement recommendations made by the agency internal review group.
Status: Action not yet initiated.

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

Congress Should Consider Revising Basic Corporate Control Laws
(PAD-83-3, 4-6-83)

Budget Function: Multiple Functions (999.0)
Legislative Authority: Government Corporation Control Act (P.L. 97-258; 31 U.S.C. 9101 et seq.). Budget and Accounting Act (31 U.S.C. 1101 et seq). P.L. 89-174. P.L. 97-35. 5 U.S.C. 103.

Background
GAO reviewed the basic corporate control laws in the context of the accountability of government corporations and identified deficiencies in the application of these controls.

Findings/Conclusions
Because many corporations have been established outside the purview of these laws, they no longer provided the effective controls that Congress intended. In examining the accountability controls that are specified in 31 U.S.C. 9101-9109 and in the individual corporations' enabling legislation, GAO found that current controls, including financial audit, budget reporting and review, and Treasury financial control, are not uniformly applied. Other controls such as program audit and oversight and on-budget reporting are not addressed. These provisions of law distinguish between wholly owned and mixed-ownership corporations which provide a mechanism for applying accountability controls. The mechanism is conceptually sound; however, there are some deficiencies in its application. The laws do not define government corporations aside from the wholly owned and mixed-ownership corporations. Additionally, the law does not provide a classification or controls for these corporations. These deficiencies create confusion and weaken accountability. GAO believes that, while a broad range of federal accountability controls is needed for these corporations, standard definition and classification criteria are essential if the controls are to be developed appropriately and applied consistently and effectively.

Recommendations to Congress
Congress should consider revising title 31, section 9105 of the U.S. Code to cover predominately private corporations when federal financing has been used.
Status: Action not yet initiated.

Congress should consider amending title 31, section 9101 of the U.S. Code to include a definition that describes government corporations and a list of their common powers or attributes.
Status: Action not yet initiated.

Congress should consider establishing uniform accountability standards for government corporations, including a definition, classification criteria, and general accountability standards for all government corporations. This could be done by revising the basic corporate controls, 31 U.S.C. 9101-9109.
Status: Action not yet initiated.

Congress should consider granting authority for annual audits or GAO review of annual CPA audits to ensure consistency with standards.
Status: Action not yet initiated.

Congress should consider the need for on-budget reporting of financial transactions for all corporations receiving federal capital, appropriations, or borrowing. Sections 9103 and 9104 of 31 U.S.C. could be revised to provide for congressional review of the budgets of mixed federal/private and predominately private corporations receiving federal financing in addition to those of predominately federal corporations.
Status: Action not yet initiated.

Congress should consider expanding 31 U.S.C. 9105 or adding a new provision of law to provide for periodic program review of these congressionally authorized programs. The revision could also require submission of annual reports to Congress for all corporations.
Status: Action not yet initiated.

Congress should consider the applicability of sections 9107 and 9108 of 31 U.S.C. to all government corporations. Currently, Treasury Department approval of accounts and security obligations only applies to 24 of the 47 government corporations listed in the GAO inventory.
Status: Action not yet initiated.

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

Federal Agencies Could Save Time and Money With Better Computer Software Alternatives
(AFMD-83-29, 5-20-83)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Circular A-71. OMB Circular A-121.

Background

GAO undertook a review to identify: (1) problems federal agencies have in satisfying their application software needs; (2) options available to agencies in acquiring application software; (3) whether agencies are taking advantage of the most beneficial options; and (4) recommendations to help satisfy federal software needs faster and more economically.

Findings/Conclusions

GAO found a number of methods that can reduce the costs and delays associated with custom development of new software. Currently, application software needs can be satisfied by: (1) making new software through software development; (2) using generators or problem-oriented packages; (3) using vendor software packages; (4) sharing existing software; and (5) modifying and enhancing existing software. GAO found that no overall process exists to ensure that federal agencies consider alternative methods of satisfying software needs. In the data processing installations which GAO visited, over 98 percent of the software inventories had been custom developed, which is a long and costly process. Only about 1 percent of their applications software was acquired off the shelf. Many federal and private computer installations have common tasks, and existing software developed elsewhere is available. Despite the general lag in federal use of packaged software and other alternatives, GAO has found that a few federal agencies have initiated cost effective solutions to their software needs.

Recommendations to Agencies

The heads of federal agencies should install formal software selection procedures on how to identify, evaluate, and select ways of meeting software needs, including vendor packages and shared software as well as custom development, and require that the selection process be documented.

Status: Action in process. Intended completion date unknown.

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

Contracting for Computer Teleprocessing Services Can Be Improved
(AFMD-83-60, 6-20-83)

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.R. 1-3.8. F.P.R. 1-4.1103-1. F.P.R. 1-4.1203(f). F.P.R. 1-4.1206. F.P.R. 1-4.1206.6. P.L. 96-83. OMB Circular A-121. GSA Teleprocessing Services Program Handbook. B-204225 (1982).

Background

In response to a congressional request, GAO reviewed 28 of the larger government teleprocessing services contracts representing a broad range of agencies, vendors, and contract types to determine whether there is a government-wide cost-overrun problem and, if so, what actions could be taken to remedy the situation.

Findings/Conclusions

GAO found that cost overruns are a common occurrence in its sample of contracts. Cost overruns were not measurable in the eight sole-source contracts in the sample; however, sole-source contracts are generally not as cost effective as competitive contracts, and replacing them with competitive awards could reduce costs. Agencies underestimate costs for teleprocessing services because of unrepresentative benchmark tests and unbalanced pricing. The combination of an inaccurate workload estimate and unbalanced pricing results in the highest cost overruns. In 1982, the General Services Administration (GSA) incorporated pricing clauses as part of its standard contract provisions to ensure that costs do not increase disproportionately. However, agencies need assistance from GSA in interpreting vendor cost proposals. In over half of the contracts which GAO reviewed, management had not controlled cost by establishing procedures to account for and allocate all costs of data processing to the end users according to the service received. Management also tended to renew contracts through the system life and beyond, even when costs were significantly higher than original evaluations. GAO also found that, if all users paid a small percentage of their monthly invoices into the Automatic Data Processing Revolving Fund, GSA could provide more service in that procurement area.

Recommendations to Agencies

Heads of federal agencies should improve benchmark tests by maintaining monthly usage statistics for ongoing contracts to build a foundation for accurate workload estimates.
Status: Action in process. Intended completion date unknown.

Heads of federal agencies should seek consultation with GSA during cost evaluation to avoid unbalanced pricing.
Status: Action in process. Intended completion date unknown.

Heads of federal agencies should seek to replace sole-source contracts through competitive procurement in all possible cases.
Status: Action in process. Intended completion date unknown.

Heads of federal agencies should take appropriate and timely action when cost overruns occur and evaluate cost versus marketplace at each option point to comply with FPR 1-4.1206.
Status: Action in process. Intended completion date unknown.

Heads of federal agencies should adopt cost accounting and chargeback according to Office of Management and Budget Circular A-121 to ensure that costs for service are passed back to users.
Status: Action in process. Intended completion date unknown.

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

Greater Emphasis on Testing Needed To Make Computer Software More Reliable and Less Costly
(IMTEC-84-2, 10-27-83)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). Budget and Accounting Procedures Act of 1950. Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255).

Background
GAO evaluated the adequacy and effectiveness of federal agencies' software testing practices.

Findings/Conclusions
Federal agencies spend billions of dollars each year to develop and maintain computer programs used for business applications. GAO found that federal agencies generally are not managing the software testing process effectively to help ensure that the software performs its intended functions accurately and reliably. GAO believes that undetected software errors are costing agencies millions of dollars unnecessarily because such errors: (1) cost more to correct after software becomes operational; (2) often require expensive manual processing or other corrective action; and (3) sometimes result in loss of financial assets. Too often, decisions on the amount and extent of testing depend on the discretion of individuals or on time and staff limitations, not on testing policies and requirements for the agency. Software users do not always participate in the testing process, and user roles and responsibilities in testing are not always clearly defined, contributing to the development of software that does not meet user needs. Most agencies do not use software problem data to evaluate the overall effectiveness of the testing process in producing quality software. Further, federal agencies have not taken advantage of software technology that could improve the testing process.

Recommendations to Agencies
The heads of federal agencies should establish written software testing policies and requirements defining the testing procedures, criteria, and techniques required before either agency- or contractor-developed software is placed into operation. These should include specific requirements for user participation in the testing process.
Status: Action in process. Intended completion date unknown.

The heads of federal agencies should monitor and enforce compliance with testing policies and requirements.
Status: Action in process. Intended completion date unknown.

The heads of federal agencies should periodically evaluate the software testing process to determine: (1) its effectiveness in preventing errors and reducing costs associated with error correction; and (2) appropriate allocation of staff and computer resources to software testing.
Status: Action in process. Intended completion date unknown.

The heads of federal agencies should identify and incorporate into the testing process those automated tools and testing techniques that can help the agency provide more thorough testing and more efficient resource use. This should include providing appropriate training on these tools and techniques.
Status: Action in process. Intended completion date unknown.

The Administrator of the General Services Administration should direct the Office of Software Development to review selected software development projects in federal agencies to identify uses and potential uses of software tools and techniques that improve testing thoroughness and efficiency.
Status: Action in process. Intended completion date: 07/85.

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

Audits of Federal Programs: Reasons for Disparities Between Costs Questioned by Auditors and Amounts Agencies Disallow
(AFMD-84-57, 8-8-84)

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)
Legislative Authority: Supplemental Appropriations and Rescission Act, 1980 (P.L. 96-304). Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255; 31 U.S.C. 3512(b)(2)). Inspector General Act of 1978 (P.L. 95-452). OMB Circular A-50. H. Rept. 97-727.

Background

Pursuant to a congressional request, GAO determined the reasons for disparities between the amount of contract and grant costs questioned by auditors and the amount eventually disallowed by program managers.

Findings/Conclusions

GAO generally found that proper procedures are used in reaching decisions to allow costs. However, GAO questioned procedures used in instances representing $163 million in allowed costs at six agencies. Program managers are partially responsible because they do not: (1) hold auditees accountable for correcting program deficiencies identified by audits; (2) adequately address issues raised by auditors; or (3) adequately justify decisions in writing. Questionable procedures identified by GAO include: (1) allowing questioned costs because of a proposed future audit; (2) allowing questioned costs because the auditee submitted a plan to correct identified deficiencies; (3) using special provisions to allow questioned costs; (4) allowing questioned costs on the basis of administrative actions; (5) allowing questioned costs on the grounds the auditee provided certification that costs were appropriately incurred; and (6) allowing questioned costs without providing, as required by Office of Management and Budget (OMB) guidelines, written justification as to why program officials disagreed with auditors. GAO also found: (1) some problems with audit quality, but it was unable to determine the extent of auditing errors; (2) that auditors do not always follow up on audit recommendations; and (3) that auditors do not always provide accurate and complete information to Congress regarding audit resolution.

Recommendations to Agencies

The Secretaries of Agriculture, Education, Health and Human Services, Labor, and Transportation, and the Administrator of EPA should implement policies and procedures that: (1) ensure that administrative actions and special procedures or waivers, used to allow questioned costs, are used with discretion, in compliance with the law, and not used to merely expedite the resolution of the case without considering the issues raised by auditors; (2) where reaudit is required to make determinations, consider questioned costs unresolved until the reaudit can be completed and a final determination made; (3) eliminate the use of corrective action plans to allow costs when these costs represent the auditee's liability for past deficiencies; (4) consider questioned costs as being unresolved, rather than allowing them, when related to a deficiency requiring remedial action by the auditee, pending implementation of a corrective action plan addressing the deficiency; (5) limit auditee certifications to circumstances where the auditee could not be expected to have the necessary supporting documentation; and (6) ensure that program officials, in accordance with OMB Circular A-50, document in writing their decisions to allow costs.
Target: Department of Agriculture
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Department of Education
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Department of Health and Human Services
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Department of Labor
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Department of Transportation
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Environmental Protection Agency
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

The head of each federal department and agency with an internal audit organization or inspector general should review that agency's audit resolution procedures and, where the aforementioned deficiencies exist, implement policies and procedures to correct them.
Status: Action not yet initiated. *The agencies have not yet responded to this recommendation.*

The Director of OMB should ensure that these recommendations are incorporated into OMB Circular A-50.
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

The Secretaries of Agriculture, Education, Health and Human Services, Labor, and Transportation, and the Administrator of EPA should ensure that disagreements between program officials and auditors over the resolution of questioned costs are considered by the audit followup official, as required by OMB, before a final decision is made on the case.
Target: Department of Agriculture
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Department of Education
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Department of Health and Human Services
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Department of Labor
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Department of Transportation
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

Target: Environmental Protection Agency
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

The head of each federal department and agency with an internal audit organization or inspector general should determine whether a similar problem exists in that agency, and if it does, should take the same corrective action.
Status: Action not yet initiated. *The agencies have not yet responded to this recommendation.*

Inspectors general and heads of internal audit organizations should: (1) ensure that the requirements in the Comptroller General's audit resolution standard for following up on findings and recommendations are met; and (2) ensure compliance with OMB Circular A-50 requirements for reviewing program officials' responses to audit reports and reporting disagreements to the audit followup official.
Status: Action not yet initiated. *The agencies have not yet responded to this recommendation.*

The Director of OMB should revise the definition of audit resolution in OMB Circular A-50 to conform with the Comptroller General's standard.
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

In order to provide Congress with more complete and uniform audit resolution data, the Director of OMB should revise OMB Circular A-50 to: (1) establish standard definitions of questioned cost and savings for reporting purposes; and (2) assign responsibility to agency audit followup officials for providing Inspectors General with the results of collection action taken on audit-related debt.
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

In accordance with standard OMB definitions, Inspectors General should: (1) report all information requested by the Senate Committee on Appropriations contained in their report on the Supplemental Appropriations and Rescission Act of 1980; and (2) clearly state that reported disallowed cost is subject to reduction.
Status: Action not yet initiated. *The agencies have not yet responded to this recommendation.*

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

Impact of Administrative Budget Procedures on Independence of Offices of Inspector General
(AFMD-84-78, 9-26-84)

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)
Legislative Authority: Inspector General Act of 1978. S. Rept. 98-186.

Background

Pursuant to a congressional request, GAO reviewed the budget and funding processes for the 17 offices of inspector general (OIG) and the potential of these processes to affect OIG independence.

Findings/Conclusions

GAO stated that the legislation which established OIG's gave extensive consideration to balancing OIG independence and agency management's needs. By requiring statutory inspectors general (IG's) to report directly to agency heads or their deputies, this legislation sought to ensure the independence of IG's by placing them at a sufficiently high organizational level to insulate them from internal agency pressure. Agency budget processes that, in effect, delegate decisions on the resource levels of IG's below the level of agency head or deputy may appear to be an impediment to OIG independence, especially where there is a conflict of interest. Further, OIG independence may appear to be impaired when agencies can easily reprogram funds to other agency operations. Finally, because IG's are not always given the opportunity to present and justify their resource needs, the Office of Management and Budget and Congress are not fully aware of those needs.

Recommendations to Congress

Congressional appropriations and authorizing committees should specify a funding floor for OIG activities in appropriations where funds of OIG's are commingled with funds for other activities and request that each IG testify before Congress in support of his or her OIG budget request.

Status: Action not yet initiated.

Recommendations to Agencies

To enhance OIG independence, secretaries/administrators or their deputies in agencies with statutory IG's should have the unmodified budget requests of IG's, as well as any advice and counsel provided by other agency officials, to clearly reflect that ultimate decisionmaking on the OIG budget is restricted to themselves.

Status: Action not yet initiated. *GAO has not yet been advised of the agencies' positions.*

VARIOUS DEPARTMENTS AND AGENCIES

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS
DEPARTMENT OF JUSTICE

Greater Oversight and Guidance of Bankruptcy Process Needed
(GGD-84-55, 8-21-84)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: Bankruptcy Reform Act (P.L. 95-598; 11 U.S.C. 704). Bankruptcy Amendments and Federal Judgeship Act of 1984 (P.L. 98-353). H. Rept. 95-595. 11 U.S.C. 103(a). 11 U.S.C. 345. 11 U.S.C. 541(a)(6). 11 U.S.C. 1302(e). 11 U.S.C. 1329(a). 11 U.S.C. 15345.

Background

GAO reviewed the activities of bankruptcy trustees in eight judicial districts to determine whether the interests of debtors and creditors are being protected during the administration of cases under chapters 7 and 13 of the Bankruptcy Reform Act. Chapter 7 of the act provides for the liquidation of a debtor's nonexempt assets; chapter 13 provides a debtor with the opportunity to retain his assets and repay his creditors over a set period of time.

Findings/Conclusions

In the chapter 7 cases reviewed, GAO found that: (1) liquidated assets were frequently deposited in non-interest-bearing accounts for several months; (2) some trustees who were appointed by the court to act as their own attorneys were being paid attorney fees for performing trustee duties; and (3) the minimum dollar limits used to determine whether to liquidate or abandon assets varied widely among trustees. GAO found that chapter 13 trustees in four of the eight courts visited improperly claimed and received compensation and expenses above the 10-percent ceiling set by the act. GAO believes that, if the judiciary and the Department of Justice would monitor trustee activities more closely and provide detailed procedural guidance to bankruptcy trustees, debtors and creditors could more fully realize the benefits of the bankruptcy process.

Recommendations to Agencies

The Attorney General and the Director, Administrative Office of the U.S. Courts, should require trustees to invest estate funds to reduce the cost of estate administration and provide the maximum return to creditors.
Target: Department of Justice
Status: Action not yet initiated. *GAO does not know when Justice plans to initiate action.*

Target: Administrative Office of the United States Courts
Status: Action in process. Intended completion date unknown.

The Attorney General and the Director, Administrative Office of the U.S. Courts, should instruct trustees that, if they act as their own attorneys, they will not be reimbursed for attorney fees when they perform trustee duties.
Target: Department of Justice
Status: Action not yet initiated. *GAO does not know when Justice plans to initiate action.*

Target: Administrative Office of the United States Courts
Status: Action in process. Intended completion date unknown.

The Attorney General and the Director, Administrative Office of the U.S. Courts, should require U.S. trustees and estate administrators to scrutinize the trustees' billing statements and to advise bankruptcy judges of the appropriateness of the services rendered.
Target: Department of Justice
Status: Action not yet initiated. *GAO does not know when Justice plans to initiate action.*

Target: Administrative Office of the United States Courts
Status: Action in process. Intended completion date unknown.

The Attorney General and the Director, Administrative Office of the U.S. Courts, should require U.S. trustees and estate administrators to develop districtwide dollar limits for trustees to follow when deciding to liquidate assets.
Target: Department of Justice
Status: Action not yet initiated. *GAO does not know when Justice plans to initiate action.*

Target: Administrative Office of the United States Courts
Status: Action in process. Intended completion date unknown.

The Attorney General and the Director, Administrative Office of the U.S. Courts, should require U.S. trustees and estate administrators to closely monitor chapter 13 trustees' annual financial reports to ensure that trustees are not exceeding the maximum compensation and expense levels. In addition, monitoring activities should be supplemented by having the internal audit staffs of Justice

and the judiciary review the financial activities of bankruptcy trustees.
Target: Department of Justice
Status: Action not yet initiated. *GAO does not know when Justice plans to initiate action.*

Target: Administrative Office of the United States Courts
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

ADVISORY COUNCIL ON HISTORIC PRESERVATION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF THE INTERIOR

Are Agencies Doing Enough or Too Much for Archeological Preservation? Guidance Needed
(CED-81-61, 4-22-81)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: Environmental Policy Act of 1969 (National) (P.L. 91-190). Historic Preservation Act (P.L. 89-665). Historic Sites Act (P.L. 74-292). Archaeological Resources Protection Act of 1979 (P.L. 96-95). National Historic Preservation Act Amendments of 1980 (P.L. 96-515). Antiquities Act (P.L. 59-209). Executive Order 11593. P.L. 86-523. P.L. 93-291. Dep't of Interior Order 3060.

Background

Congress has passed the National Historic Preservation Act Amendments to provide additional guidance and clarification to the National Preservation Program. The amendments give the Secretary of the Interior the authority to waive the 1-percent limitation on the use of project funds to defray the costs of data recovery, increase the role of state historic preservation programs, and clarify federal agency responsibilities. GAO reviewed the programs of eight agencies whose activities had potential major impacts on archeological sites, the operations of five state historic preservation offices, and the program management of the Heritage Conservation and Recreation Service and the Advisory Council on Historic Preservation.

Findings/Conclusions

The National Archeology Program, which costs about $100 million a year, is not working well. The Department of the Interior must provide better leadership and direction to federal agencies and states. Without better guidance, some federal agencies could spend billions of dollars over the next 10 to 30 years for archeological surveys, many of which may not be necessary, while other agencies may not do enough to identify and protect archeological sites. Interior has not established good criteria for agencies to use in determining whether identified sites are important to the national heritage nor has it provided guidance on the extent to which archeological resources must be recovered, recorded, or preserved to comply with federal laws and regulations. This has resulted in project delays, increased costs, and general confusion over what is required to identify sites, determine their significance, and protect their resources. Federal departments and agencies interpret their responsibility for identifying archeological resources differently. Federal agencies rarely coordinate archeological overview studies which could avoid duplication and save money. State historic preservation offices could help federal agencies determine which properties have state and local significance and are eligible for listing on the National Register. While some agencies limit archeological excavation to project areas, others require federal permittees and grantees to excavate sites well outside those areas. Lack of information on program costs and accomplishments hampers the program.

Recommendations to Agencies

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems including improved dissemination of archeological reports to the National Technical Information Service so that information can be made available to the archeological profession and federal, state, and local officials in a decisionmaking capacity.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems including the development of agency reporting systems for providing information to Interior and agency management on program costs and accomplishments so that program effectiveness can be monitored and reported to Congress.
Status: Action not yet initiated. *The agency agreed with this recommendation but other recommendations had higher priority.*

The Advisory Council on Historic Preservation should require federal agencies to define specific significant research questions to be addressed in data recovery, in order to justify archeological excavation costs.
Status: Action in process. Intended completion date unknown.

The Secretaries of Housing and Urban Development, Interior, and the Advisory Council on Historic Preservation should, either together or separately, seek the opinion of the Attorney General concerning the extent to which HUD is required to make archeological surveys to determine whether archeological resources will be affected by federally assisted housing projects.
Target: Department of the Interior
Status: Action in process. Intended completion date unknown.

Target: Advisory Council on Historic Preservation
Status: Action not yet initiated. *Action is suspended. The Department of Housing and Urban Development's*

role in the archeological survey process cannot be determined until the dispute over the statutory authority of Advisory Council on Historic Preservation is settled.

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems including the specific circumstances and that extent to which agencies are required to excavate sites outside a project's direct impact area.
Status: Action not yet initiated. *The agency agrees with this recommendation but other recommendations had a higher priority.*

The Secretary of the Interior should make state historic preservation offices the focal point for determining whether archeological resources are significant enough to list on the National Register of Historic Places.
Status: Action in process. Intended completion date unknown.

The Advisory Council on Historic Preservation should require federal agencies to relate data recovery to priorities defined in state historic preservation plans, where approved plans exist.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should issue guidelines for the appropriate and consistent development of state archeological data management capabilities, state archeological surveys, and determination of state and local site significance.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Forest Service to improve its program for identifying archeological resources by making sufficiently comprehensive surveys to preclude the need to resurvey the same lands for future projects.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Forest Service to improve its program for identifying archeological resources by monitoring projects to verify that significant archeological sites are protected.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should require the Forest Service to improve its program for identifying archeological resources by performing archeological surveys on Forest Service lands before timber harvests or other land-altering projects.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should finalize regulations setting forth detailed procedures explaining how federal agencies are to conduct surveys and investigations to locate and identify archeological properties.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should establish formal coordination procedures among federal and state agencies performing archeological overviews.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

COMMITTEE FOR PURCHASE FROM THE BLIND AND OTHER SEVERELY HANDICAPPED DEPARTMENT OF LABOR

Stronger Federal Efforts Needed for Providing Employment Opportunities and Enforcing Labor Standards in Sheltered Workshops
(HRD-81-99, 9-28-81)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: Rehabilitation, Comprehensive Services and Developmental Disabilities Amendments of 1978 (P.L. 95-602; 42 U.S.C. 1382(d); 42 U.S.C. 1397 et seq.; P.L. 93-112; 29 U.S.C. 701 et seq.; P.L. 90-526; P.L. 92-595; P.L. 96-302; 15 U.S.C. 636(h); P.L. 89-286; 41 U.S.C. 351 et seq.; P.L. 74-846; 41 U.S.C. 35 et seq.; P.L. 91-596; 29 U.S.C. 251 et seq.; 92 Stat. 2955; 87 Stat. 355; 82 Stat. 1064; 86 Stat. 1314; 94 Stat. 839; 79 Stat. 1034; 49 Stat. 2036; 84 Stat. 1590). Comprehensive Employment and Training Act of 1973 (P.L. 93-203; 87 Stat. 839). Fair Labor Standards Act of 1938 (P.L. 75-718; 29 U.S.C. 201 et seq.; 52 Stat. 1060). Fair Labor Standards Amendments of 1966 (P.L. 89-601; 80 Stat. 830). Wagner-O'Day Act (Handicapped-Made Products, Government Purchase) (41 U.S.C. 46 et seq.; P.L. 92-28; 85 Stat. 77). Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963 (P.L. 88-164; 77 Stat. 282). Developmental Disabilities Services and Facilities Construction Amendments of 1970 (P.L. 91-517; 42 U.S.C. 6001; 84 Stat. 1316). Social Security Amendments of 1965 (42 U.S.C. 422 et seq.). Social Security Amendments of 1967. Social Security Amendments of 1972. Social Security Amendments of 1974. Vocational Rehabilitation Act (Industrial Disabilities). Vocational Education Act. Small Business Investment Act Amendments of 1972. Service Contract Act of 1965. Walsh-Healey Act (Government Contracts). Occupational Safety and Health Act of 1970. Portal-to-Portal Act of 1947. Internal Revenue Code (IRC). 29 C.F.R. 775.2. P.L. 89-333. National League of Cities v. Usery, 426 U.S. 833 (1976). H. Rept. 92-228. 18 U.S.C. 4121. 26 U.S.C. 170. 26 U.S.C. 2055. 26 U.S.C. 2522. 79 Stat. 1282. Small Business Act.

Background

Sheltered workshops, established at the state and local levels, provide both training and employment for the physically and mentally handicapped. GAO was asked to review the role of sheltered workshops in (1) employing the handicapped, and (2) operating in the competitive business community. GAO focused primarily on the administration and enforcement of the Fair Labor Standards Act's provisions relating to handicapped workers employed in the sheltered workshops and the administration of the federally sponsored procurement program established by the Wagner-O'Day Act.

Findings/Conclusions

The Fair Labor Standards Act authorizes Labor to issue special certificates to sheltered workshops for employing handicapped workers at wage rates lower than the minimum wage. Special exemptions are needed to prevent possible curtailment of employment opportunities for handicapped workers who are not able to produce at the subminimum wage rate. The majority of sheltered workshop workers are now paid based on their individual productivity and, if the federal subminimum wage requirement were eliminated, the workshops would still be required to base the workers' wages on individual productivity. Elimination of the requirement would permit Labor to simplify the process for certifying the eligibility of sheltered workshops to pay handicapped workers less than the minimum wage. Enforcement of federal labor standards needs to be strengthened. The act's provisions concerning wages based on handicapped workers' individual productivity cannot be enforced by Labor if the resulting wage rate exceeds the statutory minimum. Also, employment opportunities for the handicapped under the program are not adequately evaluated. Federal laws may provide a competitive advantage for sheltered workshops over private businesses. However, the workshops generally incur added costs which may offset the effect of whatever competitive advantages a workshop may receive.

Recommendations to Agencies

The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should establish procedures for evaluating the adequacy of the commission rate and the commissions received by the central nonprofit agencies.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF COMMERCE

Consolidating Federal Stream Forecasting Activities May Reduce Duplication of Resources and Effort
(RCED-84-104, 7-24-84)

Budget Function: Natural Resources and Environment: Water Resources (301.0)

Background

GAO reported on the stream forecasting activities of the National Weather Service, the Army Corps of Engineers, and other federal water resources operating agencies. The report determined whether opportunities exist to consolidate activities between among agencies.

Findings/Conclusions

GAO found that the agencies have developed independent stream forecasting capabilities which results in duplication of equipment, staff, and effort. GAO noted that the results of applying consolidation concepts to the Ohio River Basin indicate that benefits would result from establishing a joint regional data center in this basin. Similar benefits may also be possible in other river basins where more than more than one agency has established a capability to collect and store information and prepare stream forecasts to meet agency-specific requirements.

Recommendations to Agencies

The Secretary of the Army should direct the Chief of Engineers to study the overall feasibility of creating joint Corps of Engineers/Weather Service stream forecast centers and establish such centers in those hydrographic regions where the operational requirements of both agencies can be met and duplication eliminated.
Status: Action in process. Intended completion date unknown.

The Secretary of Commerce should direct the Administrator, National Oceanic and Atmospheric Administration (NOAA) to study the overall feasibility of creating joint Corps/Weather Service stream forecast centers and establish such centers in those hydrographic regions where the operational requirements of both agencies can be met and duplication eliminated.
Status: Action in process. Intended completion date unknown.

The Secretary of the Army should direct the Chief of Engineers to actively solicit the input and participation of other agencies concerned with water data collection and stream forecasting in those regions.
Status: Action in process. Intended completion date unknown.

The Secretary of Commerce should direct the Administrator, NOAA, to actively solicit the input and participation of other agencies concerned with water data collection and stream forecasting in those regions.
Status: Action in process. Intended completion date unknown.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Health and Safety Deficiencies Found at Water Recreation Areas
(CED-81-88, 6-15-81)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: Water Project Recreation Act. Safe Drinking Water Act (P.L. 93-523). Safe Drinking Water Amendments 1977 (P.L. 95-190). Flood Control Act of 1962.

Background

GAO was requested to review the health and safety conditions of nonfederally managed water recreation areas of the Corps of Engineers' and the Water and Power Resources Service's (WPRS) reservoirs.

Findings/Conclusions

GAO found several types of health and safety deficiencies at the Corps and the WPRS areas. These included: (1) poorly designed, overused, or malfunctioning sanitation systems; (2) structurally unsafe picnic and restroom facilities; (3) a dam spillway without a barrier; and (4) inadequate disinfection or filtration systems and excessive bacteria or turbidity levels in drinking water. Corps and WPRS headquarters recreation management officials stated that regular and thorough inspections are not conducted nor are local managing officials directed to make needed improvements. These officials stated that funding constraints make it difficult to effectively monitor the condition of nonfederally managed recreation areas. Non-federal public agencies' officials acknowledged responsibility for operating and maintaining recreation areas in a safe and healthy condition but stated that they lacked adequate funds. These officials claim that operation and maintenance costs and visitor use have increased over the years but that recreation budgets have not kept pace. As a result, non-federal agencies have turned over management of a number of areas to the federal agencies.

Recommendations to Agencies

The Secretaries of the Interior and the Army should seek necessary funds and authority from Congress to close or to improve, operate and maintain returned recreation areas and those Service areas that were never turned over to a local manager.
Target: Department of the Interior
Status: Action in process. Intended completion date: 02/85

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
ENVIRONMENTAL PROTECTION AGENCY
GENERAL SERVICES ADMINISTRATION

The Nation's Unused Wood Offers Vast Potential Energy and Product Benefits
(EMD-81-6, 3-3-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Wood Residue Utilization Act of 1980 (P.L. 96-554). Public Utility Regulatory Policies Act of 1978 (92 Stat. 3117). Energy Tax Act of 1978 (P.L. 95-618). Clean Air Act Amendments of 1977 (42 U.S.C. 7401 et seq.). P.L. 95-617. P.L. 95-621.

Background

Immense quantities of wood residues are wasted in the United States in the form of decaying logging residues and dead trees, unused wood processing residues, and large, untapped acreages of small, defective, and other lower value trees. Wood residues could be an important energy source. A study was made of federal policies that are contributing to this lost potential.

Findings/Conclusions

GAO identified numerous factors standing in the way of greater use of wood residues for energy and products. These barriers include inadequate data on the volume, location, accessibility, and availability of forest residues; lack of economical and effective equipment for harvesting and transportation of residues; lack of investment capital needed for harvesting and using residues; and limited awareness and acceptance of wood energy and product technology among industrial firms, utilities, and state and local bodies. Other obstacles pertain to federal forest management policies and programs, utility practices and regulations, and environmental concerns related to greater use of residues. The Forest Service and the Department of Energy have made little progress in developing a national wood residue plan. The agencies should make a number of residue assessments in operating areas which are defined in terms of key factors such as topographical features, transportation corridors, economic hauling distances, and landowner attitudes. The Forest Service should take the lead in accomplishing the needed assessments. The Department of Energy should be an active participant in the studies. The assessments must deal more with resource management problems than end-use technology questions.

Recommendations to Agencies

The Secretaries of Agriculture and Energy should present to Congress within two years a national wood residues plan, including proposed residue use goals and recommendations for legislation or other actions to overcome barriers to such goals. It should be supported by data on regional variations developed through the residue assessments.
Target: Department of Agriculture
Status: Action in process. Intended completion date unknown.

Target: Department of Energy
Status: Action in process. Intended completion date unknown.

The Secretaries of Agriculture and Energy should work jointly to implement an accelerated program to develop and demonstrate residue-handling equipment in cooperation with private industry.
Target: Department of Energy
Status: Action in process. Intended completion date unknown.

The Secretaries of Agriculture and Energy should (1) convert all Department facilities to wood fuels for all or part of their heating/power needs where life-cycle evaluations show them to be cost effective; and (2) identify and evaluate additional opportunities to demonstrate wood-energy technologies at Department facilities in order to enhance the prospects for future economic feasibility of such technologies.
Target: Department of Energy
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should (1) demonstrate Forest Service ability to conduct tree measurement sales and convert the agency's western region to the tree measurement basis as rapidly as possible; and (2) preserve logging residues for potential future use by foregoing burning whenever possible under sound forest management practices.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense and the Administrator of General Services should assure, in implementing existing policies for conversion of their heating/power systems from oil and natural gas to alternative fuels, that wood is given equal consideration with coal in forested regions of the country. A canvass of wood conversion opportunities at all such facilities should be made to later be tested by the standard feasibility evaluation methods developed by the Forest Service and DOE. They should also issue procurement guidelines pointing out that, because of their value in meeting national energy goals, residue-based wood products be carefully considered as alternative materials for all construction and related application and related applications.

Target: Department of Defense

Status: Action in process. Intended completion date unknown.

Target: General Services Administration

Status: Action in process. Intended completion date unknown.

The Secretaries of Agriculture and Energy should conduct a cooperative program of assessments in at least six locations around the country. The Secretaries should select the areas they believe hold the most promise for increased use of residues based on estimates of residue availability and cost and availability of competing energy sources. Specific information to be developed through assessments should include (1) the cost of making detailed residue inventories in each assessment area, with projections of costs to make such inventories regionally and nationally; (2) the volumes of wood residues that are potentially available in each area and the costs to collect and remove them using conventional equipment; (3) the specific needs for improved equipment to lower collection and removal costs; (4) the benefits and costs of, and alternative federal roles in stimulating, greater removal and use of wood residues by modifying or initiating a number of possible forest management policies and programs on federal, state, and private lands and encouraging private investment in new or modified facilities to use wood residues; and (5) the extent of, and alternatives for reducing, additional barriers to residue use caused by utility practices and regulations, air pollution regulations, and other factors.

Target: Department of Agriculture

Status: Action in process. Intended completion date unknown.

Target: Department of Energy

Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF DEFENSE
DEPARTMENT OF THE INTERIOR

Actions Needed To Increase Federal Onshore Oil and Gas Exploration and Development
(EMD-81-40, 2-11-81)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Mineral Lands Leasing Act (30 U.S.C. 181 et seq.; 30 U.S.C. 351 et seq.). Federal Coal Leasing Amendments Act of 1975 (90 Stat. 1083). Wilderness Act (16 U.S.C. 1131 et seq.). Wild and Scenic Rivers Act (16 U.S.C. 1280). Department of Energy Organization Act (42 U.S.C. 7101). Engle Act (Minerals). Land Policy and Management Act. Environmental Policy Act of 1969 (National).

Background
The use of federal lands for fossil fuels exploration has become an important issue. Managing these lands involves difficult trade-offs between the often-conflicting issues of development, conservation, and environmental protection. An examination was performed on how the exploration and development of oil and gas from federal lands could be accelerated.

Findings/Conclusions
GAO found that the use of federal lands for fossil fuels exploration and development is hampered by: (1) the unavailability for leasing of prospectively valuable federal oil and gas lands; (2) the imposition of stipulations on leases which restrict exploration and development; and (3) lengthy delays in the approval of federal leases and drilling permits. GAO has determined that the first two of these issues are more significant due to the indefinite duration of actions which have closed lands, the severity of stipulations on leases, the large acreages involved, and their substantial oil and gas potential.

Recommendations to Congress
Congress should determine whether it wishes to be excluded from the review and possible disapproval of decisions to close lands to mineral leasing. If not, Congress should amend section 202(e) of the Federal Land Policy and Management Act to provide that the management decisions closing lands to mineral leasing and affecting smaller sized tracts should be reported to Congress. Section 202(e) should be further amended to require that the Department of the Interior submit with each report to Congress the minerals report described in section 204(c)(2) for withdrawals and any other information required in section 204(c)(2) which the Congress considers appropriate. Congress should also amend section 3 of the Engle Act so that the withdrawal information for military applications conforms with the Land Policy and Management Act's section 204(c)(2) requirements for mineral analyses.
Status: Action not yet initiated.

Recommendations to Agencies
The Secretaries of Agriculture and the Interior should direct the Forest Service and the Bureau of Land Management, respectively, to establish standards and criteria for the use of restrictive stipulations, such as surface disturbance and "no surface occupancy" restrictions. Leasable lands should then be inventoried to determine the extent of the use of such stipulations and to verify if the stipulation use meets the standards and criteria. Stipulation uses which are determined to be unjustified should be removed.
Target: Department of the Interior
Status: Action not yet initiated. *On October 18, 1984, an audit liaison officer said that action was initiated to determine the status of this recommendation.*

Target: Department of Agriculture
Status: Action not yet initiated. *On October 18, 1984, an audit liaison officer said that action was initiated to determine the status of this recommendation.*

The Secretary of the Interior should: (1) establish criteria upon which "no leasing" decisions must be based and also require the Bureau of Land Management to maintain records of "no leasing" decisions adequate enough to permit periodic congressional oversight; (2) require the Bureau to inventory lands which have been closed by management decision to oil and gas leasing, and then retain closure only to the extent it can demonstrate that a continuation of the decision not to lease is based on the criteria defined above; (3) direct the Bureau to give priority to evaluating the pre-Environmental Policy Act of 1969 Defense withdrawals under the Bureau's withdrawal review program; (4) direct the Geological Survey to review the oil and gas potential of the Fish and Wildlife Service's refuges in the lower 48 states; (5) direct the Bureau to develop a withdrawal review program to include the remaining 38 states; and (6) direct the Bureau to inventory and justify lands withheld from the simultaneous leasing system.
Status: Action not yet initiated. *On October 18, 1984, an audit liaison officer said that action was initiated to determine the status of this recommendation.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF DEFENSE
VETERANS ADMINISTRATION

Establishing New Federal Food-Buying Procedures Would Help Eliminate Unnecessary Special Examinations
(RCED-84-150, 9-24-84)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). Fair Packaging and Labeling Act (15 U.S.C. 1451 et seq.). Meat Inspection Act (21 U.S.C. 601 et seq.). Poultry Products Inspection Act (21 U.S.C. 451 et seq.). Egg Products Inspection Law (21 U.S.C. 1031 et seq.).

Background

GAO reviewed federal practices for accepting food purchases to determine if federal costs could be decreased by reducing the number of special examinations necessary to ensure the quality of accepted products.

Findings/Conclusions

GAO found that the direct cost of certification services was $18 million in fiscal year 1982. Although the Department of Agriculture has instructed other federal agencies to waive certification when it is not cost effective, some agencies routinely require certification because federal buying agencies do not have procedures for weighing the costs and benefits of certification. Some agencies believe that certification is necessary because suppliers who have previously supplied defective products cannot be excluded from competition for food procurements, but GAO noted that agencies may consider past performance in determining suppliers' responsibility. GAO also found that: (1) many certifications duplicate industry quality control efforts or required federal inspections; and (2) certification can be extremely costly because the costs of increased production time brought on by unnecessary certification are passed on to the government by suppliers. GAO noted that the costs of certification of one purchase of ground beef amounted to 9.3 percent of the total value of the purchase.

Recommendations to Agencies

The Secretaries of Agriculture and Defense and the Administrator of Veterans Affairs should direct their respective food-buying agencies to establish procedures which would require that the costs and benefits of certification be weighed before deciding to require that specific food purchases be certified. To determine the cost of certification which may be required for a specific food purchase, the buying agency should request suppliers to identify the food price with and without the cost of certification and inform prospective suppliers that certification costs may be waived for qualifying suppliers.
Target: Department of Agriculture
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

Target: Department of Defense
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

Target: Veterans Administration
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

To assist buyers in weighing the benefits of certification, the Secretaries of Agriculture and Defense and the Administrator of Veterans Affairs should direct their buying agencies to establish procedures for obtaining available information on suppliers' qualifications and past records of performance from the Food and Drug Administration and the Food Safety and Inspection Service.
Target: Department of Agriculture
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

Target: Department of Defense
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

Target: Veterans Administration
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

The Secretary of Agriculture should direct the Agricultural Marketing Service to recognize existing safety and quality control systems and to review and revise its certification procedures for meat and poultry products to: (1) eliminate certification procedures that duplicate existing safety inspection procedures; (2) reduce certification effort where the Food Safety and Inspection Service has found that the suppliers' quality control systems provide adequate assurance of product quality; and (3) reconsider the recommendations included in the report on the task force review of meat grading and certification control methods and procedures.
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Domestic Food Assistance Programs: A Time for Assessment and Change
(CED-78-113, 6-13-78)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Food Stamp Act of 1977. P.L. 95-113. 91 Stat. 913. 91 Stat. 958. 91 Stat. 968. 7 U.S.C. 2017. School Lunch Act. 42 U.S.C. 1760(e). Child Nutrition Act of 1966. 42 U.S.C. 1780(b). Older Americans Act of 1965.

Background

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 needed for thrifty food plan diets. Food stamp allotments ranged from 82 percent to 164 percent of the cost of such diets. Savings could be realized by making adjustments for different ages and sexes of household members. The extent of food benefit gaps and overlaps cannot be measured precisely because of inadequate data collection. Administrative problems 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 to Congress

Congress should adopt a uniform definition of the word "needy" and establish consistent criteria for determining who is eligible for federal food assistance programs.
Status: Action not yet initiated.

Congress should approve an explicit national policy on the appropriate levels of food assistance to be provided to needy Americans by the federal government.
Status: Action not yet initiated.

Congress should authorize the Secretary of Agriculture to implement individualized food stamp allotments nationwide if Agriculture's demonstration projects show the administrative feasibility of such allotments.
Status: Action not yet initiated.

Congress, on the basis of results of the executive branch's feasibility study, should eliminate the receipt of duplicative benefits, particularly between the food stamp and school lunch programs, by allowing consideration of benefits received from one federal food assistance program when determining eligibility and benefit levels for other federal food assistance programs.
Status: Action not yet initiated.

Congress, on the basis of results of the executive branch's feasibility study, should require a single state/local agency to be responsible for the application, certification, verification, referral, and monitoring aspects of designated federal food programs to help assure, along with the authorization and implementation of consistent eligibility criteria and procedures, a more equitable and efficient delivery of federal food assistance to needy Americans.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should initiate on a priority basis periodic national surveys of low-income households to determine the types and amounts of cash and in-kind food benefits received and the precise extent of current overlaps and gaps, both in terms of program costs and nutrient intake, among the major federal programs involving food assistance, including Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI).
Target: Department of Agriculture
Status: Action in process. Intended completion date unknown.

Target: Department of Health and Human Services
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should develop and implement ways to measure, in a more coordinated, timely manner, the nutritional status of the general U.S. population, especially the participants and nonparticipants in the major federal food assistance programs, including such traditionally high risk groups as the poor, the elderly, young children, and women of child-bearing age,

and use this data to estimate the nutritional effectiveness of the federal food assistance programs.
Target: Department of Agriculture
Status: Action in process. Intended completion date unknown.

Target: Department of Health and Human Services
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should study the administrative feasibility of: (1) considering food benefits from child-feeding programs; (2) using food stamps to purchase free or reduced-price meals under the child-feeding programs; (3) adjusting thrifty food plan costs to reflect potential participation in the child-feeding programs; and (4) turning over the application, certification, verification, referral, and monitoring aspects of the child-feeding programs and WIC to local welfare offices which now also handle food stamp certification, verification, and monitoring. The results of this study should be reported to Congress together with a recommendation for such authorizing legislation as may be necessary.
Target: Department of Agriculture
Status: Action not yet initiated. *Agriculture is examining this recommendation, especially in light of a similar PPSSCC recommendation. However, it does not plan to involve any other federal agencies in this endeavor.*

Target: Department of Health and Human Services
Status: Action not yet initiated. *Agriculture is examining this recommendation, especially in light of a similar PPSSCC recommendation. However, it does not plan to involve any other federal agencies in this endeavor.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal and State Initiatives Needed To Improve Productivity and Reduce Administrative Costs of the Aid to Families With Dependent Children and Food Stamp Programs
(AFMD-84-18, 2-2-84)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: H. Rept. 96-285.

Background

Administrative costs in the Aid to Families With Dependent Children (AFDC) and food stamp programs have increased at a more rapid pace then benefit payments to recipients. GAO reviewed the processing of AFDC and food stamp applications at 15 welfare offices in 8 states. This review was based on a comparison of the productivity of these offices. GAO also examined the impact that inconsistent federal criteria for determining an applicant's income and assets, and different federal time periods for processing AFDC and food stamp cases, have on productivity.

Findings/Conclusions

From its review, GAO found that productivity rates of workers directly involved in processing AFDC and food stamp applications varied widely among the 15 welfare offices. This variance resulted primarily from processing practices, which included case-processing methods, use of computers, management expectation of employee performance, and efforts to verify applicants' data. Although the Department of Health and Human Services considered demographic factors to be a key cause of productivity variances in the AFDC program, GAO determined that they did not have a significant impact on the 15 offices. In addition, GAO found that: (1) federal requirements for determining an applicant's income and assets hinder state and local case-processing productivity; and (2) federal agencies need to emphasize productivity in much the same way as they have emphasized reducing payment errors.

Recommendations to Agencies

The Secretaries of the Departments of Agriculture and Health and Human Services should establish a nationwide productivity measurement and reporting system for the AFDC and food stamp programs.
Target: Department of Health and Human Services
Status: Action not yet initiated. *HHS has convened a study group to examine development of productivity measures.*

The Secretaries of the Departments of Agriculture and Health and Human Services should formulate uniform federal financial requirements for measuring incomes and assets, setting common time periods for processing applications and closing out cases, and proposing legislative change as necessary for congressional action.
Target: Department of Agriculture
Status: Action in process. Intended completion date unknown.

Target: Department of Health and Human Services
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF MANAGEMENT AND BUDGET

Legislative and Administrative Changes To Improve Verification of Welfare Recipients' Income Could Save Millions
(HRD-82-9, 1-14-82)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Unemployment Tax Act (26 U.S.C. 3304(a)). Tax Reform Act of 1976. Privacy Act of 1974. Housing and Community Development Act of 1974. Social Security Act (42 U.S.C. 1381). P.L. 95-216. P.L. 96-249.

Background

GAO was requested to review the manner in which income and asset information is used and verified by administering agencies to determine eligibility for federal assistance programs which provide benefits to needy individuals and families.

Findings/Conclusions

Underreporting of income and assets by recipients of benefits from needs-based programs, whether deliberate or otherwise, results in hundreds of millions of dollars in improper payments each year. Current verification requirements and practices are not adequate to prevent such payments. Verification requirements vary widely, but generally are vague or overly restrictive. Furthermore, some federal laws and regulations preclude the use of information which, if available, would enhance the verification process.

Recommendations to Agencies

The Director of the Office of Management and Budget (OMB) should identify which of the 58 federally funded needs-based programs should use Social Security Administration (SSA) wage, self-employment earnings, retirement income, and benefit data; Office of Personnel Management wage data; state wage data; and Internal Revenue Service information return data.
Status: Action in process. Intended completion date unknown.

The Director of OMB should direct that all federal departments and agencies responsible for the needs-based programs issue regulations to require the use of the data with appropriate safeguards and that they establish mechanisms to monitor the use of the data.
Status: Action in process. Intended completion date: 04/85

The Secretaries of Agriculture and Health and Human Services (HHS) should require that, in administering the programs, federal, state, and local agencies use available federal and state wage data and SSA retirement income and benefit data provided by the beneficiary data exchange and the state data exchange.
Target: Department of Health and Human Services
Status: Action in process. Intended completion date: 04/85

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Progress Made in Federal Human Nutrition Research Planning and Coordination; Some Improvements Needed
(CED-82-56, 5-21-82)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Science and Technology Policy, Organization, and Priorities Act. Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Food and Agriculture Act of 1977 (P.L. 95-113). Agriculture, Rural Development, and Related Agencies Appropriation Act, 1979 (P.L. 95-448). Agriculture and Food Act of 1981 (P.L. 97-98).

Background
In response to a congressional request, GAO reported on the planning and coordination of federally supported human nutrition research.

Findings/Conclusions
Considerable progress has been made within and among federal human nutrition research departments and agencies since Congress called for improved coordination in the Food and Agriculture Act of 1977. The Office of Science and Technology Policy (OSTP) has been a major contributor to, and a catalyst for, improved coordination of nutrition research and has set the groundwork for developing an improved federal coordinated nutrition research planning system. The Department of Agriculture (USDA) and the Department of Health and Human Services (HHS) have established nutrition coordinators and policy and coordination groups to deal with crosscutting nutrition issues. GAO believes that these coordination efforts should be continued and maintained as some of the federal departments reorganize or revise their nutrition research programs. Coordination within USDA is critically needed because of the recent decentralization of its nutrition information functions from its nutrition research functions. Nutrition research departments and agencies need to more clearly plan their research efforts with others through a federal nutrition research plan. An OSTP report on human nutrition research is a first step toward developing such a plan, but the six areas discussed in the report should be developed and expanded into a single research plan which would include an assessment of needs, priorities, and strategies. Existing agency nutrition research plans are either too narrow in scope or are missing certain key planning components.

Recommendations to Agencies
The Director of OSTP should direct the OSTP Joint Subcommittee on Human Nutrition Research to develop a federal nutrition research plan by updating and expanding its December 1980 report on federally supported human nutrition research. In updating the report, the Subcommittee and the federal departments and agencies should work together to develop specific goals, objectives, and strategies and to identify the responsibilities of the federal departments and agencies and the required resources and timeframes to accomplish the research goals.
Status: Action in process. Intended completion date: 06/85

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR

Better Data Needed To Determine the Extent to Which Herbicides Should Be Used on Forest Lands
(CED-81-46, 4-17-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Environmental Policy Act of 1969 (National) (42 U.S.C. 4321). BLM Manual 9222. Forest Service Manual 2476.41. Forest Service Manual 2155.3.

Background

Vegetation management programs and practices on forest lands managed by the Department of Agriculture's Forest Service and the Department of the Interior's Bureau of Land Management were reviewed. The main areas of discussion were the use of herbicides, the controversy over herbicides, the controversy's effect on forest land managers, and the need for both agencies to take actions that would provide better information for making vegetation management decisions.

Findings/Conclusions

The use of herbicides for managing unwanted vegetation on forest lands has become a public controversy. In some cases, their use has been restricted. Growing opposition stemming from unanswered questions about herbicides' health and environmental effects could result in further restrictions. Although it has been shown that nonherbicide methods can be used to control unwanted vegetation in national forests, the extent to which these methods can replace herbicides is not known. Serious information gaps exist relating to the costs of vegetation management methods and their relative effectiveness. Most forests GAO visited had some success with alternatives to herbicides. However, site-specific data were not available to identify why methods had succeeded in one area but not in another.

Recommendations to Agencies

The Secretaries of Agriculture and the Interior should instruct the Chief of the Forest Service and the Director of the Bureau of Land Management, respectively, to ensure that (1) those forests and districts relying heavily on herbicides increase the use of nonherbicide methods; and (2) adequate site-specific pre-treatment and post-treatment information is gathered and evaluated. The Secretaries should also instruct the agency heads to develop more objective criteria for determining the need for release.

Target: Department of Agriculture
Status: Action not yet initiated. *In October 1984, GAO was advised by the Forest Service and the Bureau of Land Management that they are currently precluded from using herbicides due to a ruling by the 9th Circuit Court. They plan to appeal this matter to the U.S. Supreme Court. Accordingly, action on this recommendation is being held in abeyance pending the results of the court case.*

Target: Department of the Interior
Status: Action not yet initiated. *In October 1984, GAO was advised by the Forest Service and the Bureau of Land Management that they are currently precluded from using herbicides due to a ruling by the 9th Circuit Court. They plan to appeal this matter to the U.S. Supreme Court. Accordingly, action on this recommendation is being held in abeyance pending the results of the court case.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR

Illegal and Unauthorized Activities on Public Lands--A Problem With Serious Implications
(CED-82-48, 3-10-82)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: Executive Order 12003. Dep't of the Interior Manual part 446. Dep't of the Interior Order 3307.

Background

GAO reviewed the federal role in providing outdoor recreation in California and Oregon.

Findings/Conclusions

GAO noted that field officials at selected locations of the Bureau of Land Management (BLM) and the Forest Service are not always effectively enforcing laws relating to illegal and unauthorized activities on public lands. Although the magnitude and seriousness of crimes such as burglary and larceny, marihuana cultivation, timber thefts, and trespassing are not fully known, available evidence indicates that such activities are widespread and increasing on BLM and Forest Service lands. Field officials of the National Park Service are doing a better job of enforcing laws and regulations; nevertheless, there is currently an increase in crimes against people and their property. In each of the three agencies, management constraints such as travel, vehicle, and duty restrictions limit efficient and effective law enforcement activities. Limited agency resources and the remoteness of the land contribute to the rise of illegal and unauthorized activities. However, the agencies' top management did not believe that a serious problem existed. This was due, in part, to a lack of information on these kinds of activities on the public lands managed by the agencies nationwide. The Department of the Interior has not developed an effective, uniform, and timely management information system as GAO previously recommended. The information system of the Forest Service is new, thus statistics are not yet available for the entire nation.

Recommendations to Agencies

The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to establish and effectively implement law enforcement information systems that provide management with essential and reliable reporting information on the seriousness and extent of crime on public lands. Such systems are vital to supervising and controlling law enforcement efforts.

Target: Department of Agriculture
Status: Action in process. Intended completion date unknown.

Target: Department of the Interior
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY
UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
Agency for International Development

Foreign Currency Purchases Can Be Reduced Through Greater Use of Currency Use Payments Under Public Law 480 Commodity Sales Agreements
(NSIAD-84-76, 4-10-84)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: P.L. 83-480.

Background

GAO examined the U.S. collections of local currencies payable under provisions in certain commodity sales agreements to see whether they are being collected in a timely manner.

Findings/Conclusions

GAO found that amounts owed remained uncollected while needed local currencies were purchased with dollars from commercial sources. Purchases of local currencies could have been reduced by $29 million between October 1981 and September 1983 by collecting the amounts payable. Since the dollar equivalent of collections is credited to the Commodity Credit Corporation, the Corporation may have to reduce its program level or obtain necessary funds from other sources, if receipts are less than projected. If amounts uncollected as of September 1983 are collected, they may reduce further dollar purchases; if they remain uncollected, their equivalent amounts are payable in dollars when the credit installments become due. GAO found that no system has been established to ensure timely currency use payments collections. The collections are the responsibility of individual State Department missions. However, the missions do not directly benefit from the collection efforts. Agreements for fiscal year 1982 with seven countries where local currencies were purchased contained no currency use payment provisions because of political reasons or oversight. In addition, greater use of these provisions may be constrained by the conflicting interests of the agencies involved.

Recommendations to Agencies

The Secretary of Agriculture, as Chairman of the Subcommittee on Food Aid, should take the lead in establishing guidelines and procedures for: (1) collecting currency use payments on a timely basis; and (2) determining the extent to which needed local currencies will be obtained through the Public Law 480 commodity sales program rather than through dollar outlays.
Status: Action in process. Intended completion date unknown.

The Secretary of the Treasury should: (1) establish procedures for systematically identifying delinquent local currency payments, sending timely reminders to the missions, and bringing delinquencies before the Subcommittee on Food Aid when negotiating agreements for additional commodities; and (2) promote greater use of currency use payment provisions in commodity sales agreements to generate local currencies for U.S. needs.
Status: Action not yet initiated. *Treasury officials verbally indicated agreement, but their specific actions are not known.*

The Secretary of State should issue a directive to the missions to expedite commodity use payment collections by: (1) requesting payments promptly to satisfy local currency needs in accordance with Treasury notifications of commodity use payment availability and collection guidelines; and (2) obtaining approval from the Treasury and the Subcommittee on Food Aid before delaying collections. In transmitting information to the missions regarding future commodity use payment availability and collection procedures for individual agreements, the Secretary should refer the missions to this directive.
Status: Action not yet initiated. *State said that it would issue a directive, but its specific actions are not now known.*

The Administrator of the Agency for International Development (AID) should collaborate with other members of the Subcommittee in establishing interagency currency use payment guidelines. Until such time as overall guidelines have been established, the Administrator should ensure that the AID guidelines are applied in a manner that balances the AID development mandate with the desirability of reducing dollar outlays to meet U.S. local currency needs.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE ARMY
DEPARTMENT OF THE INTERIOR

Developing Alaska's Energy Resources: Actions Needed To Stimulate Research and Improve Wetlands Permit Processing
(EMD-82-44, 6-17-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Alaska National Interest Lands Conservation Act (P.L. 96-487). Clean Water Act of 1977 (33 U.S.C. 1344). Water Pollution Control Act. Executive Order 8979.

Background
To determine if federal agencies are advancing environmentally sound approaches to energy exploration and development, GAO evaluated: (1) the results of oil- and gas-related experience on the Kenai National Wildlife Refuge, the only federal land in Alaska where significant production has occurred; (2) the measures used in Alaska to prohibit exploratory drilling during certain months of the year and to control drilling waste disposal; (3) the adequacy of research to lessen the impacts of energy development; and (4) wetlands permitting, which is of crucial importance to energy development on all Alaskan lands.

Findings/Conclusions
Additional research is needed to evaluate the impacts of oil- and gas-related activity in Alaska as a basis for promoting environmentally sound approaches to future development without unnecessarily increasing its cost. GAO found that two costly and controversial restrictions are being widely applied to energy exploration in the Arctic; however, there has not been adequate research to support either the imposition or the removal of these restrictions. Use of site-specific research findings would allow refinement of environmental protection controls suitable to the unique characteristics of the lands on which they are applied, and this would minimize universal or blanket stipulations where they are not necessary. The U.S. Army Corps of Engineers has been slow in processing wetlands permits, which are required for many oil and gas projects in Alaska, and has frequently included controversial and costly conditions in its permits without requiring substantiation of their need through research findings and site-specific data.

Recommendations to Agencies
The Secretary of the Interior should utilize existing research findings and site-specific data to the maximum extent possible and, after a source of further funding is worked out, direct and use additional site-specific research in the application of stipulations to future Alaskan energy projects. This should include using such data as a basis for determining whether the seasonal drilling restriction should be continued as a general stipulation for individual tracts.
Status: Action in process. Intended completion date: 07/85

The Secretary of the Army should only grant the state of Alaska extensions to the public comment period when they are adequately justified and use research findings and site-specific data to the maximum extent possible in determining the need for proposed stipulations in future permits.
Status: Action in process. Intended completion date: 07/85

DEPARTMENT OF COMMERCE
DEPARTMENT OF DEFENSE

Export Control Regulation Could Be Reduced Without Affecting National Security
(ID-82-14, 5-26-82)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Export Administration Act of 1979.

Background

GAO was requested to examine how well the export control system is carrying out the Export Administration Act's national security goal of controlling exports of militarily significant technology and products to the Soviet Union and other Eastern bloc nations.

Findings/Conclusions

The government carefully examines less than 1 out of every 17 export applications it processes. The need to continue licensing requirements for high-technology products, as well as design and production technology related to both high- and low-technology products, to Communist destinations is clear. However, GAO found that there is little justification for continuing to license the vast majority of low-technology products exported to Communist countries, non-Communist countries, and Coordinating Committee countries. The Department of Commerce by law is required to develop a recommendation for each export application before consulting with other departments or agencies. In high-technology cases, Commerce cannot make a credible recommendation, because it lacks the information necessary to assess military risk. Although it would be both impossible and cost-prohibitive to prevent all illegal exports, the government recognizes that it needs to provide a more credible deterrent. Some constraints faced by the United States in controlling exports include: (1) practical limits to cargo inspections; (2) lengthy criminal investigations and a large backlog of incomplete investigations; (3) difficulty in obtaining criminal convictions; and (4) no monitoring of conditional licenses to ensure that conditions are being fulfilled.

Recommendations to Agencies

The Secretaries of Commerce and Defense should reexamine the need for licensing of high-technology products to Coordinating Committee countries and other allies by exploring various alternatives that would satisfy control objectives and reduce or eliminate the burden of licensing.
Target: Department of Commerce
Status: Action not yet initiated. *Commerce favors the recommendation but, on the advice of the Justice Department, will take no action. Both houses of Congress considered and adopted this recommendation in the conference committee. This will most likely be reintroduced in the 99th Congress.*

Target: Department of Defense
Status: Action not yet initiated. *Defense believes that the recommendation has merit but, on the advice of the Justice Department, will take no action. Both houses of Congress considered and adopted this recommendation in the conference committee. This will most likely be reintroduced in the 99th Congress.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF THE TREASURY
OFFICE OF MANAGEMENT AND BUDGET

Revitalizing Distressed Areas Through Enterprise Zones: Many Uncertainties Exist
(CED-82-78, 7-15-82)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Comprehensive Employment and Training Act of 1973. Regulatory Flexibility Act. Economic Recovery Tax Act of 1981 (P.L. 97-34).

Background
To assist Congress in its deliberations on enterprise zone proposals, GAO reviewed the concept, as well as previous GAO reports on economic development and job creation programs, to identify issues concerning business development, job creation, and the costs of such a program.

Findings/Conclusions
Enterprise zones have been proposed by the administration as an experimental program to attract businesses and jobs to distressed urban and rural areas through federal tax, regulatory, and other governmental incentives. GAO reviewed past urban development programs for insight into the many uncertainties that exist within the enterprise zone concept. Federal tax relief will not eliminate problems such as high crime rates and infrastructure decay in distressed areas. Tax relief, even if coupled with federal regulatory relief, involvement of other federal programs, and state and local commitments, may have a limited effect in attracting businesses to distressed areas because: (1) tax relief may not be sufficiently attractive to many businesses with limited or no tax liability; (2) state and local governments may not be able to make needed program commitments; (3) the extent to which other federal programs will support the enterprise is unclear; and (4) it is uncertain what federal regulatory relief would be offered in enterprise zones. Enterprise zone incentives could possibly lead to unfair competitive advantage to some businesses, encourage business relocations, and lead to residential displacement. A proposed tax credit to encourage the employment of workers of all types could be more attractive to new businesses than to old businesses. In addition, a proposed employee wage credit may not be sufficient to attract workers to seek jobs in a distressed area. Actual program costs will not be known until the zones become operational.

Recommendations to Congress
Congress should require the administering federal agency to establish program effectiveness criteria supported by a systematic data collection and evaluation effort to analyze the benefits and costs of the program if enterprise zone legislation is enacted.

Status: Action in process.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF STATE

The International Agreement on Government Procurement: An Assessment of Its Commercial Value and U.S. Government Implementation
(NSIAD-84-117, 7-16-84)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Buy American Act. Trade Agreements Act of 1979. Agreement on Government Procurement, Apr. 12, 1979, Multilateral, T.I.A.S. No. 10403. General Agreement on Trade and Tariffs, Oct. 30, 1947, Multilateral, 61 Stat. 5(6), T.I.A.S. No. 1700.

Background

GAO reviewed the government's implementation of the multilateral Agreement on Government Procurement, which was meant to limit signatory governments' use of discriminatory procurement practices as barriers to trade.

Findings/Conclusions

GAO found that, while the agreement was an important step toward less restrictive trade, it has had less commercial value than originally anticipated because: (1) foreign signatory governments opened a smaller value of procurements to international competition than was projected; (2) some foreign signatory governments did not comply with the agreement; (3) previous agreements and national practices had already opened to American competition procurements covered by the agreement; and (4) American firms were unable to competitively sell products demanded by foreign governments. The U.S. government opened a greater value of procurements to foreign competition than did all other signatories. GAO also found that the Department of Commerce's efforts to familiarize American firms with the agreement were ineffective because: (1) budgetary constraints and an internal reorganization hampered such efforts; (2) Commerce did not make an effort to reach the firms most capable of benefiting from the agreement through their overseas representatives; and (3) inefficiencies in Commerce's Trade Opportunities Program (TOP). In addition, GAO found that: (1) embassies devoted little time to efforts to monitor compliance with the agreement because they were unsure about what actions to take regarding noncompliance; and (2) information collection difficulties have prevented the U.S. government from fully assessing the benefits of the agreement.

Recommendations to Agencies

The Secretaries of State and Commerce, in consultation with the U.S. Trade Representative, should direct U.S. embassies and Commerce district offices to include, as part of their ongoing commercial activities, programs devoted to informing U.S. business officials about the Government Procurement Agreement, their rights under it, and sources of information on covered procurements.
Target: Department of Commerce
Status: Action in process. Intended completion date unknown.

Target: Department of State
Status: Action in process. Intended completion date unknown.

The Secretaries of Commerce and State, in consultation with the U.S. Trade Representative, should instruct U.S. embassies in signatory countries to more vigorously monitor foreign-government compliance with the Agreement on Government Procurement by actively seeking information from the in-country American business community. These instructions should cover: (1) the level of resources embassies should devote to monitoring host-government compliance with the agreement; (2) the types of tasks they should perform; (3) the extent to which they can follow up on complaints brought to their attention; and (4) whether they should assist subsidiaries of U.S.-based firms offering goods made outside the United States.
Target: Department of Commerce
Status: Action in process. Intended completion date unknown.

Target: Department of State
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
ENVIRONMENTAL PROTECTION AGENCY
NUCLEAR REGULATORY COMMISSION

Cleaning Up Nuclear Facilities: An Aggressive and Unified Federal Program Is Needed
(EMD-82-40, 5-25-82)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Reorg. Plan No. 3 of 1970.

Background

GAO conducted a review to determine the status of federal efforts and activities to correct decommissioning problems identified in a prior report. In addition to following up on the implementation of the recommendations for correcting these problems, GAO also evaluated how effectively the Nuclear Regulatory Commission's (NRC), the Department of Energy's (DOE), the Department of Defense's (DOD), and the Environmental Protection Agency's (EPA) decommissioning and standard-setting programs were functioning. The review was made as part of a continuing effort to identify issues in the nuclear area, which will provide public health and safety through better federal program administration.

Findings/Conclusions

Nuclear facilities and sites which require or eventually will require cleanup or other disposition can be tracked, evaluated, and recorded for followup action if needed. In the past, nuclear facilities and sites were abandoned or decommissioned without adequate documentation of their radiological status or even a record of their existence. As a result, federal agencies are uncertain about the location or status of some facilities and sites that may be in need of decommissioning. NRC, DOE, DOD, and EPA are attempting to locate and evaluate the hazards at old, inactive sites. Despite the problems that inadequate recordkeeping systems have caused federal agencies, only DOE is revising its current recordkeeping system to provide sufficient information on the location and radiological condition of its current and future nuclear facilities and sites. Federal decommissioning programs have not sufficiently considered and incorporated decommissioning needs during the facility planning and design phase. DOE and NRC are making some progress in developing comprehensive decommissioning policies which include many of the necessary provisions. DOD has not initiated action to develop a comprehensive decommissioning policy. Standards prescribing acceptable levels of residual radioactive contamination for decommissioned nuclear facilities are not expected to be available until mid-1986. EPA is responsible for setting these standards, but has not done so because it considers their development a low priority.

Recommendations to Agencies

The Chairman of NRC should reevaluate and, if at all possible, accelerate the NRC timetable for issuing a decommissioning policy with a view toward shortening the time required to submit a paper to the Commissioners. Shortening the timetable would enable NRC to institute earlier front-end planning and funding requirements for decommissioning NRC-licensed facilities as a condition of licensing. The funding requirements should also be made applicable to currently active licensees.
Status: Action in process. Intended completion date: 12/85

The Secretary of Defense should establish a decommissioning program that specifies criteria for selecting tentative decommissioning methods during the facility planning phase and criteria for design features to be incorporated in facility planning.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
SELECTIVE SERVICE SYSTEM

Will There Be Enough Trained Medical Personnel in Case of War?
(HRD-81-67, 6-24-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: P.L. 96-342. 42 U.S.C. 215. 42 U.S.C. 217.

Background

The military services medical departments have two missions: (1) to provide peacetime care to eligible beneficiaries, and (2) to maintain readiness to meet wartime contingencies. Pursuant to a congressional request, GAO reviewed the extent to which wartime military medical personnel shortages exist, what was being done or could be done to overcome the shortages, and how well available personnel were trained for wartime missions.

Findings/Conclusions

An analysis of Department of Defense (DOD) data shows that the number and types of medical personnel in the active duty and reserve forces fall far short of the total projected personnel requirements for the current, most demanding wartime scenarios. DOD projections show that shortages of physicians, nurses, and enlisted medical personnel would be most severe, reduce capacity to deliver wartime care, and begin to occur soon after mobilization. Shortages of surgical personnel would be especially critical. Some other enlisted specialty shortages would also be critical because no pretrained pool exists in the civilian sector. To plan effectively for wartime contingencies, DOD planners need data not only on total medical personnel requirements, but also on what portion of those requirements DOD can actually use in its own military hospitals. It has made little progress toward implementing plans and initiatives to increase its capabilities in these personnel shortage areas. DOD medical readiness planning has focused on long-range goals and objectives to address anticipated changes in threat, personnel, and other factors in future years. Federal mobilization planners believe that the civilian sector has enough medical personnel to augment most military mobilization needs. Selective Service System planners have not determined the rate at which medical personnel could be brought into the military if mobilization occurred. Other alternatives are available to DOD in planning to overcome shortages of medical personnel after mobilization.

Recommendations to Agencies

The Secretary of Defense should make prearrangements for interservice assignments.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should obtain advance agreements with civilian medical personnel to fill key hospital shortages.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should make arrangements to use those PHS officers the Secretary of HHS determines could be committed to DOD.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should require the Army to provide needed clinical skills training programs to field personnel on loan to hospitals.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should direct the services to periodically report their requirements estimates to DOD medical mobilization planners for developing overall medical mobilization plans.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should identify and implement specific initiatives to recruit and retain nurses while continuing its initiatives to recruit and retain physicians.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should require the Army to establish firm criteria for the frequency and duration of in-hospital training to be given to field unit personnel.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should direct the services to develop a consistent and systematic method to estimate the rate at which reserve medical personnel can be expected to report for duty after mobilization.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should require the Army to increase in-hospital training programs for field unit personnel located within short distances of military hospitals.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should direct the services to develop consistent estimates of near-term medical personnel requirements based on total needs and needs as constrained by available military facilities. The estimates of constrained personnel requirements should be developed together with complete assessments of the availability of other medical resources, such as hospital beds, equipment, and logistic support.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should develop specific plans to meet the early postmobilization requirements of DOD for (1) surgeons and other surgical personnel in-theater; and (2) medical personnel in military-unique specialties.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should require the Army to structure in-hospital training programs to provide exposure to the full range of needed skills.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should plan for near term contingencies by evaluating alternatives for overcoming postmobilization medical personnel shortages which would occur before Selective Service inductees report and are trained for military duty.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should require the Army to develop a system for monitoring both clinical and combat related training to insure that they are given a high priority and are effectively accomplished.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should require the Army to provide guidance to unit and hospital commanders giving increased priority to medical readiness training.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should ascertain the extent to which courses, such as the recently developed triservice Combat Casualty Care Course, should be expanded to provide training to medical personnel not now eligible and assure that such training is provided to all appropriate categories of military medical personnel.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should evaluate the applicability of the GAO recommendations regarding the Army's medical personnel training programs to the programs of the other services and, where appropriate, assure that the other services take steps to implement them.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense and the Director of the Selective Service System should jointly develop provisions to be included in a standby legislative proposal for a postmobilization draft of medical personnel.
Target: Department of Defense
Status: Action in process. Intended completion date unknown.

Target: Selective Service System
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should ascertain the extent to which (1) civilian medical personnel will be required and available in the civilian sector during mobilization; and (2) DOD can rely on civilian medical personnel as it plans its mobilization efforts.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Millions Can Be Saved Through Better Energy Management in Federal Hospitals
(HRD-82-77, 9-1-82)

Budget Function: Energy: Energy Conservation (272.0)
Legislative Authority: Energy Conservation Policy Act (P.L. 95-619). 10 C.F.R. 436. Executive Order 12003.

Background

GAO discussed the potential of federal hospitals to reduce energy consumption and costs through improved energy management.

Findings/Conclusions

GAO found a potential for additional energy savings at the 19 hospitals it visited. Furthermore, they had not implemented many low-cost conservation measures, which include reducing hot-water temperature, installing water-flow restrictors, repairing duct insulation, and installing low-wattage fluorescent lighting. GAO identified conservation opportunities at several hospitals which would drastically reduce their annual energy costs, and many of the energy savings measures would pay for themselves in less than a year. Conservation measures used by non-federal institutions can be implemented while keeping lighting, temperature, humidity, and airflow within prescribed agency standards and without otherwise affecting patient safety or comfort. Most non-federal hospitals have aggressive energy saving programs which have resulted in savings around the 20- to 40-percent range. Comparable savings by federal hospitals have not been achieved, primarily because of weaknesses in their energy management programs. GAO believes that federal hospitals, in order to achieve savings of 20 to 40 percent, would have to finance conservation measures costing about two to three times their estimated annual savings. The more costly measures should result in savings that would recover the required investment in 3 years or less, with additional savings continuing throughout the life of the equipment or building.

Recommendations to Agencies

The Secretary of Defense should require that the Secretary of the Army and the Secretary of the Air Force: (1) conduct technical audits in federal hospitals using qualified energy personnel; (2) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) direct federal hospitals to maintain data and report on their energy use; (4) provide their hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (5) direct federal hospitals to implement cost-effective, low-cost conservation measures; (6) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (7) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should require that the Secretary of the Navy: (1) conduct technical audits in federal hospitals using qualified energy personnel; (2) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.
Status: Action in process. Intended completion date unknown.

The Secretary of the Department of Health and Human Services should require that the Indian Health Service: (1) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (2) direct federal hospitals to maintain data and report on their energy use; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.
Status: Action in process. Intended completion date unknown.

The Administrator of Veterans Affairs should: (1) conduct technical audits in federal hospitals using qualified energy

personnel; (2) direct federal hospitals to implement cost-effective, low-cost conservation measures; (3) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (4) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF THE INTERIOR
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Implementation of the National Minerals and Materials Policy Needs Better Coordination and Focus
(RCED-84-63, 3-20-84)

Budget Function: Natural Resources and Environment (300.0)
Legislative Authority: National Materials and Minerals Policy, Research and Development Act of 1980 (P.L. 96-479; 30 U.S.C. 1601 et seq.). Defense Production Act of 1950 (50 U.S.C. App. 2061 et seq.). Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). Mining and Minerals Policy Act of 1970. National Materials Policy Act of 1970. S. Rept. 96-397.

Background

In response to a congressional request, GAO monitored and reviewed the administration's implementation of the National Materials and Minerals Policy, Research and Development Act, which was passed to: (1) coordinate and implement a coherent national materials and minerals policy and program through the Executive Office of the President and the Cabinet; (2) promote an adequate and stable supply of minerals and materials necessary to maintain national security, economic well-being, and industrial production; and (3) assign reporting requirements to several agencies.

Findings/Conclusions

GAO found that, while the administration has started to implement the act by establishing or proposing new working groups and reconstituting others, the new groups have not been coordinated by the Cabinet Council. Moreover, they add to the number of activities that must be coordinated and exacerbate the ad hoc coordination conditions which the act was expected to replace. In addition, important mineral- and material-related actions have been taken without the coordination required by the act. Furthermore, the Cabinet Council on Natural Resources and the Environment lacks the breadth of membership needed to address minerals and materials issues. Because the council is restricted to Cabinet members, agencies on the working group are not included. Moreover, there is no formal procedure for these sub-Cabinet agencies to bring issues to the Cabinet's attention. Although the program plan emphasized the importance of the protection of national security, it neglected to offer an approach for determining which strategic materials or minerals are most critical or how vulnerable the United States is to any supply disruptions. Finally, GAO found that an assessment of national materials needs required by the act has been given low priority and has not been prepared, a report on critical materials needs related to national security is still under review, and another required report was submitted 2 years late.

Recommendations to Agencies

The Secretary of Defense should make its report accessing critical materials needs related to national security available to Congress as required by the act. The report should address the magnitude or degree of U.S. vulnerability in materials markets critical to national security and the appropriateness of the federal role proposed.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF DEFENSE
DEPARTMENT OF TRANSPORTATION

Federal Actions Needed To Retain Essential Defense Rail Service
(PLRD-83-73, 5-20-83)

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: P.L. 96-418.

Background

GAO examined the Department of Defense's (DOD) and the Department of Transportation's (DOT) efforts to maintain minimum levels of rail service at defense installations and to identify and correct rail deficiencies.

Findings/Conclusions

Despite the conclusions of a DOD study which determined that the condition of network and branch rail lines was satisfactory for national defense, GAO found that the number of military installations confronted with the potential loss of rail service is growing and that there may be a need for congressional action to ensure that minimum essential rail service is retained for mobilization needs. Although DOD is spending millions of dollars to improve rail capabilities at its installations, DOD cannot be assured that the rail network will move the required defense materiel and equipment during mobilization. GAO believes that the case-by-case basis by which DOD presently solves its maintenance service problems on branch lines could prove costly and ineffective in the long run. GAO believes that DOD must determine the minimum amount of rail capability needed and routinely explore the alternatives and their costs with DOT. GAO found that the data on transportation movement capability reported by installations contained conflicting information; that some planned projects, if funded, would result in capabilities beyond what the services estimate would be needed during mobilization; and that a DOD concept of using motor convoys as a method of moving equipment has not been subject to extensive analysis and testing. Consequently, its feasibility and practicality for long distance transportation during mobilization are uncertain.

Recommendations to Agencies

The Secretary of Defense should: (1) modify DOD reporting requirements to ensure that defense installations accurately report their outloading and receiving capabilities to meet peacetime and mobilization movement needs and identify the key constraining factors; (2) establish procedures to ensure rail maintenance projects are appropriately justified and cost effective; and (3) reevaluate the feasibility and practicality of DOD movement criteria to include road marching vehicles for distances up to 800 miles.

Status: Action in process. Intended completion date: 02/85

DEPARTMENT OF DEFENSE
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Implications of Joint NASA/DOD Participation in Space Shuttle Operations
(NSIAD-84-13, 11-7-83)

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: Aeronautics and Space Act (P.L. 85-568). Department of Defense Reorganization Act of 1958.

Background
Pursuant to a congressional request, GAO provided its assessment of joint National Aeronautics and Space Administration (NASA) and Department of Defense (DOD) participation in space shuttle operations and Air Force activities concerned with developing and acquiring a dedicated DOD shuttle operations control facility.

Findings/Conclusions
GAO found that, with the advent of the space shuttle, a trend has developed toward increasingly integrated NASA/DOD space operations. However, this relationship is complicated by the agencies' differing missions and objectives. This is particularly true with respect to DOD requirements for classified operations. A large portion of the cost burden for many military shuttle requirements is being borne by NASA, and extensive, long-term NASA support to DOD will be required for launch and landing operations, tracking and data acquisition services, and backup to DOD mission control systems. While NASA support to DOD is growing, the civilian program's future direction is not clear because the organization of future shuttle operations is undecided, and overall civilian space goals are still being defined. With the assistance of NASA, DOD is developing a shuttle operations and planning complex to be used solely for military missions. The complex would be equipped with the higher levels of security needed for such missions and would provide direct and exclusive military control of shuttle flight operations. However, GAO found that the development costs and system design options being considered for the complex could reduce the mission effectiveness of DOD.

Recommendations to Agencies
The Administrator of NASA, in consultation with the Secretary of Defense, should assist Congress by expediting efforts to define how a fully operational shuttle program will be managed and controlled in the future. Such a definition should include: (1) agency roles and responsibilities; (2) performance criteria for the shuttle system which clearly define both the defense and civil capabilities and interoperability requirements; and (3) alternatives for providing backup capability for the DOD space program.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
OFFICE OF FEDERAL PROCUREMENT POLICY
SMALL BUSINESS ADMINISTRATION

Establishing Goals for and Subcontracting With Small and Disadvantaged Businesses Under Public Law 95-507
(PLRD-82-95, 6-30-82)

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)
Legislative Authority: P.L. 95-507.

Background

In response to a congressional request, GAO reviewed the small and disadvantaged business subcontracting program under Public Law 95-507, which essentially requires that all government contracts in excess of $500,000, or $1 million for construction contracts, contain a contractor's plan for subcontracting with small and disadvantaged businesses. In addition, GAO reviewed agency procedures for establishing small business prime contracting and subcontracting goals.

Findings/Conclusions

GAO found that contracting officers are generally obtaining subcontracting plans. However, Department of Defense (DOD) contracting officers did not require 18 prime contractors to submit such plans. Of these, two contractors were granted exemptions because of longstanding contractual relationships with their suppliers. This exemption is allowed by Defense Acquisition Regulations (DAR). Small Business Administration (SBA) determinations that subcontracting plans were not acceptable were questionable for 23 of the 161 cases reviewed. In addition, cases which SBA considered unacceptable are acceptable when reviewed using DAR guidance. SBA determinations that some prime contractors did not comply with subcontracting plans were valid. However, SBA did not always send contract administrators its determination reports. Because SBA did not attribute contractors' failure to achieve plans to a lack of good faith, contracting officers took no adverse actions against the contractors. DOD and the General Services Administration (GSA) used sound estimating procedures and methodology in establishing small business prime contracting goals. Likewise, the DOD small and disadvantaged business subcontracting goals were soundly based. However, because of unclear guidance, the GSA small and disadvantaged business subcontracting goals for fiscal years 1981 and 1982 did not consider subcontracting opportunities for prime contractors under $500,000.

Recommendations to Agencies

The Administrator of OFPP and the Secretary of Defense should resolve the differences between OFPP policy and the DAR on whether contractors can be exempted from submitting plans when they have longstanding contractual relationships with their suppliers.

Target: Office of Federal Procurement Policy
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF DEFENSE
VETERANS ADMINISTRATION

The Congress Should Mandate Formation of a Military-VA-Civilian Contingency Hospital System
(HRD-80-76, 6-26-80)

Budget Function: Health: Health Planning and Construction (551.3)

Background

In response to a request, GAO reviewed the Department of Defense's (DOD) plans to use nonmilitary hospitals to treat battlefield casualties in the event of war or conflict. The need for developing a contingency hospital system consisting of DOD, the Veterans Administration (VA), and civilian medical resources is discussed. The primary emphasis is that the VA role should be greater than currently planned by DOD. The extent of support VA will provide DOD in treating returning battlefield casualties is the most important issue in developing a civilian-military contingency hospital system for medical treatment of wartime casualties. DOD has looked primarily to civilian medical resources to meet anticipated shortfalls should the United States become involved in war. Only recently has specific consideration been given to VA medical capability. DOD officials said that civilian resources would still be needed to treat battlefield casualties even if DOD and VA resources were fully used for that purpose.

Findings/Conclusions

DOD recently revised several aspects of its original system. Major changes appear to be: (1) elimination of a new, possibly duplicative administrative structure as originally proposed; and (2) reliance on the military services for patient administration responsibilities. GAO agreed with these revisions. DOD revised plans are still unclear about how civilian beds and staff would be made available. Available beds and staff should be identified assuming patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. Failure to resolve issues regarding civilian physician and hospital reimbursement and liability could limit implementation of the planned system. VA should be much more involved in planning and caring for battlefield casualties than it would be in caring only for those who will not return to duty. Just how much VA can participate is questionable. DOD has not told VA what its needs are, nor has VA told DOD what its capabilities are. GAO believes that the nation should prepare for a possible conflict by planning to appropriately use federal medical resources before calling on civilian resources. A strong peacetime medical resources sharing program could provide a more effective relationship between VA and DOD that could prove invaluable in war.

Recommendations to Agencies

The Secretary of Defense and the Administrator of Veterans Affairs should develop and establish the framework for a military-VA-civilian contingency hospital system. As part of this development, a mechanism should be established for obtaining civilian medical care capability that: (1) recognizes the responsibilities of the Federal Emergency Management Administration, the Department of Health and Human Services, and other federal agencies during war or conflict; and (2) adequately considers other unresolved issues, such as physician reimbursement and liability, and ground transportation availability.

Target: Department of Defense
Status: Action in process. Intended completion date unknown.

Target: Veterans Administration
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should determine the optimal number and placement of U.S. aeromedical staging facilities with emphasis on locations near concentrations of military and VA medical resources.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense and the Administrator of Veterans Affairs should identify federal and civilian capability that could be provided assuming that: (1) patients are discharged early whenever possible; and (2) nonemergency admissions are restricted during the war surge period.
Target: Department of Defense
Status: Action in process. Intended completion date unknown.

Target: Veterans Administration
Status: Action in process. Intended completion date unknown.

The Secretary of Defense and the Administrator of Veterans Affairs should analyze DOD and VA medical care resources to determine the federal patient treatment capability on a time-phased basis. This analysis should be made first near existing DOD aeromedical staging facilities, but should also include other locations where there

are large concentrations of DOD and VA medical resources.
Target: Department of Defense
Status: Action in process. Intended completion date unknown.

Target: Veterans Administration
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should compare the medical care requirements calculated under various wartime scenarios with available federal medical resources to determine how much and what type of civilian medical care capability would be needed to augment federal capability.
Status: Action in process. Intended completion date unknown.

The Administrator of Veterans Affairs should provide estimates to DOD concerning its potential capabilities, in terms of both facilities and staffing, to treat returning battlefield casualties regardless of whether those casualties would be expected to return to duty. Such estimates should be based on the assumptions that patients would be discharged early whenever possible and nonemergency admissions would be restricted during the war surge period. These estimates should be developed through the joint DOD-VA planning effort to establish a military-VA-civilian contingency hospital system.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
VETERANS ADMINISTRATION

Dual Compensation Is Paid When Military Reservists Do Not Waive VA Disability Benefits
(HRD-84-13, 11-18-83)

Budget Function: Veterans Benefits and Services: Income Security for Veterans (701.0)

Background
GAO reviewed Department of Defense (DOD) and Veterans Administration (VA) efforts to prevent dual compensation from being paid to reservists who receive VA disability benefits.

Findings/Conclusions
Although the agencies have taken actions within recent years to better identify reservists who should be waiving VA benefits, about 65 percent of these reservists continue to receive dual compensation. GAO estimated that in fiscal year 1982 VA paid about $2.2 million in benefits that should have been waived. GAO suggests that increased coordination between DOD and VA is needed to prevent dual compensation payments.

Recommendations to Agencies
The Secretary of Defense should direct DOD to provide the results of the tape matches to VA.
Status: Action in process. Intended completion date unknown.

The Administrator of Veterans Affairs should direct that VA, for the next match, review its records for all paid reservists identified as receiving compensation to identify missing, improperly processed, and unprocessed waivers.
Status: Action in process. Intended completion date unknown.

The Administrator of Veterans Affairs should direct that VA establish an annual reservist waiver indicator in its automated records when waiver actions are processed so that missing waivers can be identified in subsequent tape matches.
Status: Action in process. Intended completion date unknown.

The Administrator of Veterans Affairs should direct that VA solicit waivers from reservists who have not already submitted them and advise DOD when reservists do not submit waivers.
Status: Action in process. Intended completion date unknown.

The Secretary of Defense and the Administrator of Veterans Affairs should direct that their respective agencies make arrangements to identify the extent to which waivers were not submitted, not processed, or improperly processed for prior years and take appropriate corrective action.
Target: Department of Defense
Status: Action in process. Intended completion date unknown.

The Secretary of Defense should direct DOD to continue to make an annual tape match to identify reservists who should submit waivers. The data that are matched should include all reservists who could be subject to waiver, and the results of the match should be edited to reduce inaccurate data.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY
Internal Revenue Service

Implementing GAO's Recommendations on the Social Security Administration's Programs Could Save Billions
(HRD-81-37, 12-31-80)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Disability Amendments of 1980 (P.L. 96-265). Social Security Act (42 U.S.C. 418; 42 U.S.C. 415(a); 42 U.S.C. 1383(e)(2)). 20 C.F.R. 416. 45 C.F.R. 233.10(b)(3). 45 C.F.R. 233.20(b)(1).

Background

Income security programs account for over one-third of the federal budget. The Social Security Administration (SSA) administers some of the largest income security programs, including Old-Age and Survivors Insurance, Disability Insurance, Supplemental Security Income (SSI), and Aid to Families with Dependent Children (AFDC). GAO has issued numerous reports recommending changes in SSA income security programs. Therefore, GAO undertook a review of the income security programs managed by SSA to determine what actions have been taken on previous recommendations and what still needs to be done.

Findings/Conclusions

In its review, GAO found that fully implementing its recommendations would save $1.3 billion in fiscal year 1982 and about $4.5 billion in fiscal years 1983 to 1985. There would be similar savings in later years. The recommendations that would produce the most substantial savings would affect the federal Old-Age and Survivors Insurance and Disability Insurance trust funds and would require changes to the Social Security Act.

Recommendations to Agencies

The Secretary of Health and Human Services should monitor SSA efforts to determine from other existing social security records the social security numbers for those dependent children missing their numbers, especially students, and record them in the payment records.

Status: Action in process. Intended completion date: 11/84

The Secretary of Health and Human Services should monitor SSA efforts to develop and implement a comprehensive program to obtain and use state and local data to compute benefits for all its income maintenance programs.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Policies on U.S. Citizens Studying Medicine Abroad Need Review and Reappraisal
(HRD-81-32, 11-21-80)

Budget Function: Health: Health Care Services (551.0)

Background

GAO reviewed U.S. citizens studying medicine abroad, concentrating on: the education or training provided by six foreign medical schools in which several thousand U.S. citizens are enrolled; the clinical training which U.S. citizen foreign medical school students receive in U.S. hospitals; the avenues available for entering the American medical system; and federal financial assistance provided to U.S. citizens while studying medicine abroad. Many U.S. citizens attend foreign schools with the goal of returning to the United States to practice medicine. Much concern has been expressed about the recent proliferation of medical schools established abroad to attract U.S. citizens, and questions have been raised about the adequacy and appropriateness of that educational experience for practicing medicine in the United States.

Findings/Conclusions

GAO believes that more appropriate mechanisms are needed to ensure that all students who attend foreign medical schools demonstrate that their medical knowledge and skills are comparable to their U.S.-trained counterparts before they are allowed to enter the mainstream of American medicine. The foreign medical schools which GAO visited differed considerably, but did not offer a medical education comparable to that available in the United States because of deficiencies in admission requirements, facilities and equipment, faculty, curriculum, and clinical training. A serious shortage was the lack of adequate clinical training facilities. Many U.S. citizen foreign medical school students obtained part or all of their clinical training in U.S. hospitals, but that training was not comparable to that provided to U.S. medical school students. State licensing boards are becoming increasingly concerned about U.S. citizens from foreign medical schools obtaining their clinical training in U.S. hospitals. Foreign medical schools do not receive direct federal financial assistance, but may receive guaranteed student loans or VA educational benefits.

Recommendations to Congress

Congress should direct the Secretary of Health and Human Services to work with state licensing authorities and representatives of the medical profession to develop and implement appropriate mechanisms that would ensure that all students who attend foreign medical schools demonstrate that their medical knowledge and skills are comparable to those of their U.S.-trained counterparts before they are allowed to enter the U.S. health care delivery system for either graduate medical education or medical practice.

Status: Action not yet initiated.

Recommendations to Agencies

The Administrator of the Veterans Administration should accept foreign medical schools approved by the Secretary of Education as a basis for authorizing educational benefits to qualified veterans, their spouses, and their dependents.

Status: Action in process. Intended completion date unknown.

The Secretary of Education should ensure that the government's interest in outstanding guaranteed student loans at foreign medical schools is adequately protected by properly verifying the status of all U.S. citizens with outstanding loans and initiating repayment where appropriate.

Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Prisoners Receiving Social Security and Other Federal Retirement, Disability, and Education Benefits
(HRD-82-43, 7-22-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Immigration and Nationality Act. Social Security Act. P.L. 96-473. P.L. 96-385. P.L. 97-123. P.L. 96-466.

Background

Pursuant to a congressional request, GAO estimated the number of incarcerated felons who are receiving social security and other cash benefits from various federal programs. Initial GAO estimates on the number of prisoner beneficiaries receiving benefits from Social Security Administration (SSA) and Veterans Administration (VA) programs resulted in Congress' enacting legislation in 1980 to exclude certain of these benefits to prisoners.

Findings/Conclusions

GAO estimated that, before the 1980 amendments: (1) about 1.4 percent of the incarcerated felons were receiving social security disability benefits of approximately $17 million a year; (2) about 1 percent were receiving VA disability compensation of approximately $8 million a year; and (3) about 1.3 percent were receiving VA education benefits of approximately $14 million a year. Prisoners were also receiving cash benefits from other similar federal programs not addressed by the amendments, including 0.4 percent who were receiving social security retirement or survivor benefits of approximately $4 million a year. Other prisoners were receiving cash benefits from the federal needs-based programs of Supplemental Security Income and veterans pensions. SSA and VA will not be able to identify prisoner beneficiaries completely until accurate social security numbers (SSN's) are available for all prisoners. States varied widely in the completeness and accuracy of this information and could improve their documentation in coordination with the SSA validation process. GAO also estimated that about 4 percent of the prisoners were receiving postsecondary education funded through Pell Grants. The amounts varied but, because of tuition waivers, some grants were higher than the schools fees actually charged to the prisoners.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of Social Security to: (1) encourage state prison systems to give SSA periodic lists of prisoners, incarceration dates, and accurate SSN's; (2) validate all prisoner SSN's and share the names, validated SSN's, and incarceration dates with VA, so that VA can better identify prisoner beneficiaries of its programs; and (3) share the corrected SSN's with the prison systems to enhance the accuracy of their prisoner files.
Status: Action in process. Intended completion date: 01/85

The Administrator of Veterans Affairs should use the prisoner identification information supplied by SSA to better identify prisoner beneficiaries of VA programs.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF EDUCATION
VETERANS ADMINISTRATION

Use of Department of Education Title III Grant Funds by the International Institute of the Americas of World University
(HRD-84-20, 4-4-84)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Higher Education Act of 1965.

Background

Pursuant to a congressional request, GAO analyzed the use of Higher Education Act title III grant funds by the International Institute of the Americas of World University, San Juan, Puerto Rico.

Findings/Conclusions

GAO found that World University's financial management system was deficient and its financial stability was questionable. There was a fundamental lack of internal controls, inadequate subsidiary accounts payable ledgers, and insufficient source records. Further, accounting records were often not supported by source documentation nor were many of the records kept up to date. GAO also found that some university withdrawals of federal funds that were earmarked for the program may not have been used as intended. The university's financial situation has shown increasing deficit unrestricted fund balances over the past several years, and GAO believes that they will continue to show a deficit. GAO concluded that the university's financial records are unreliable and its assets are susceptible to loss from unauthorized use or disposition.

Recommendations to Agencies

The Secretary of Education should review the World University's title III grants to identify the total amount of unallowable and/or unsupportable costs charged to the grants and require a return of those funds to the Department of Education.
Status: Action in process. Intended completion date unknown.

The Secretary of Education should review the World University's administration of title IV programs to determine whether the institution is complying with title IV regulations and whether any moneys received under those programs should be returned to Education.
Status: Action in process. Intended completion date unknown.

The Secretary of Education should determine whether the World University and each of its affiliates now receiving title IV funds are financially responsible, as defined under Education's regulations governing "factors of financial responsibility."
Status: Action in process. Intended completion date unknown.

The Administrator of Veterans Affairs should make certain that final resolution be made concerning repayment of $544,613.56 owed the Veterans Administration by World University.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
Federal Energy Regulatory Commission
DEPARTMENT OF THE INTERIOR

Interior's Program To Review Withdrawn Federal Lands
(RCED-83-26, 10-7-82)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Land Policy and Management Act. Mineral Leasing Act. Geothermal Steam Act of 1970. Quadrennial Authorization Act of 1978 (P.L. 95-352). Power Act (Water) (16 U.S.C. 818). Mining Claims Rights Restoration Act of 1955 (30 U.S.C. 621). 43 C.F.R. 2310. BLM Organic Act Directive 79-28. 43 U.S.C. 1214.

Background

Congress required the Department of the Interior to review certain types of federal lands that have been withdrawn by federal agencies from mineral exploration and development. GAO was requested to examine: (1) how Interior is implementing the program to review existing federal withdrawals, and (2) what actions Interior is taking to review withdrawals from lands not formally withdrawn but restricted from mineral exploration and development.

Findings/Conclusions

GAO found that the withdrawal reviews, conducted by Interior's Bureau of Land Management (BLM), could be more consistent with the objectives of Congress and, therefore, more responsive to congressional expectations. Although the Federal Land Policy and Management Act requires BLM to review requests for land withdrawal, BLM is giving priority to reviewing lands not specified by Congress for review and not closed to mineral entry. Further, GAO found that, although Interior seems intent on opening more federal lands to multiple use, it is allowing management to make decisions to informally withdraw lands from mineral exploration and development. GAO also identified other problems with program implementation which need attention, such as confusion among program officials about the requirement for mineral reports. The program's successful completion may be jeopardized by funding and support problems.

Recommendations to Congress

Congress should amend section 204(l)(3) of the Federal Land Policy and Management Act (FLPMA) deleting the words "$10 million" and substituting a revised appropriation ceiling based on refined Interior budget estimates.
Status: Action not yet initiated.

Congress should enact a line item appropriation for withdrawal review activities to be appropriated to Interior for the use of all federal agencies participating in the withdrawal review program.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of the Interior should direct BLM to allocate program resources proportionately for the remainder of the withdrawal review program to States with the most acreage withdrawn and the best potential for mineral development.
Status: Action not yet initiated. *The Department of Interior has some reservations to act on this recommendation.*

The Secretary of the Interior should direct BLM to use special project codes to track activities authorized under section 204(l) of FLPMA and submit this estimate to Congress as a new appropriation ceiling.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct BLM to develop new budget estimates for the completion of the withdrawal review program based only on activities authorized under section 204(l) of FLPMA and submit this estimate to Congress as a new appropriation ceiling.
Status: Action not yet initiated. *The Department of Interior is reluctant to act on this recommendation because of its budgetary implications.*

The Secretary of the Interior should direct BLM to seek program funding for the participating federal landholding agencies through Interior's budgetary process and reimburse these agencies for their work related to the program.
Status: Action not yet initiated. *The Department of Interior is reluctant to act on this recommendation because of its budgetary implications.*

The Secretary of the Interior should direct BLM to work with holding agency officials to determine which lands are closed to mineral exploration and development and allocate program resources to ensure a review of these lands first.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should establish minimum standards for mineral reports required under the review program and for new withdrawal applications.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should consolidate the responsibilities for performing and evaluating these mineral reports under one assistant secretary.
Status: Action not yet initiated. *The Department of Interior did not consider this to be a high priority item at this time.*

The Secretary of the Interior should establish criteria on which management decisions which preclude mineral leasing or mining on federal lands must be based. The Secretary should also require BLM to maintain records of these decisions adequate enough to permit periodic congressional oversight.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should establish standards and criteria for the use of restrictive stipulation on oil and gas leases, such as surface disturbance and "no surface occupancy" restrictions. Leasable lands should then be inventoried to determine the extent of use of such stipulations and to verify if the stipulation use meets the standards and criteria. Stipulation uses which are determined to be unjustified should be removed.
Status: Action in process. Intended completion date: 12/84

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
NUCLEAR REGULATORY COMMISSION

Greater Commitment Needed To Solve Continuing Problems at Three Mile Island
(EMD-81-106, 8-26-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Price-Anderson Act (Atomic Energy Damages). Atomic Energy Act of 1954. Energy Reorganization Act of 1974. Power Act (Water). Department of Energy Organization Act (P.L. 95-91). Public Utility Regulatory Policies Act of 1978 (P.L. 95-617). Public Utility Holding Company Act of 1935 (15 U.S.C. 79 et seq.).

Background
The nuclear accident at Three Mile Island (TMI) placed a major electric utility system, the General Public Utilities Corporation (GPU), on the brink of insolvency while faced with a multiyear, $600-million unfunded cleanup operation that must be completed under uncertain regulatory constraints. GAO reviewed the current and prospective status of GPU.

Findings/Conclusions
GAO concluded that: (1) replacement power for TMI units is available, but future system reliability is questionable unless funds are made available to increase construction and maintenance above present restricted levels; (2) the financial condition of GPU continues to deteriorate and, unless sufficient rate relief is granted to restore its financial credibility, its future as a provider of electric power is in doubt; (3) cleanup of TMI-2 is technologically feasible but the uncertainties surrounding the source of the estimated $600 million needed for the task and the regulatory environment in which it must be done have yet to be resolved; (4) the expeditious cleanup of TMI-2 and the benefits that can be derived are significant enough to warrant the financial participation of several parties rather than putting the entire burden on any one entity; (5) State officials in Pennsylvania and New Jersey have not taken the leadership role in assembling the financial assistance needed for the cleanup; (6) on-site property insurance coverage needs to be increased to levels that the Nuclear Regulatory Commission (NRC) determines to be adequate if other utilities are to avoid the financial and operational stress suffered by GPU in the event of another major accident; and (7) better defined regulatory guidelines for nuclear accident recovery efforts are needed to minimize the delays and added costs that have occurred at TMI-2.

Recommendations to Agencies
NRC should establish a set of guidelines that would facilitate the development of recovery procedures by utility companies in the event of other nuclear accidents. The preparation of the guidelines should be initially based on the lessons learned and experience gained from the TMI-2 cleanup and recovery efforts at other nuclear installations. NRC should periodically assess the adequacy of its guidelines and standards and evaluate the state-of-the-art technology for decontaminating air and water effluent produced by a nuclear accident to ensure that it can quickly respond to the needs of the regulated utility and adequately protect the public health and safety.
Status: Action in process. Intended completion date: 11/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ENVIRONMENTAL PROTECTION AGENCY

HHS' Implementation of Superfund Health-Related Responsibilities
(HRD-84-62, 9-28-84)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (P.L. 96-510). Urgent Supplemental Appropriations Act, 1982. Executive Order 12316.

Background
Pursuant to a congressional request, GAO determined the extent to which the Department of Health and Human Services (HHS) has been carrying out its responsibilities under the Superfund program. HHS responsibilities under Superfund include: (1) information collection, analysis, and management; (2) provision of medical services including care, testing, and research; and (3) development of standards to protect hazardous waste workers.

Findings/Conclusions
GAO found that HHS: (1) is developing plans to establish three required registries of hazardous substance-related diseases, but has not developed a registry of persons exposed to toxic substances; (2) is planning to upgrade its inventory of information on the health effects of hazardous substances, but has not because of funding decreases; (3) has contracted for the development of a complete registry of areas closed due to contamination by toxic substances; (4) has conducted some biological testing at emergency sites; (5) has several studies in progress regarding the health effects of hazardous substances, but had only completed one such study since Superfund's implementation; and (6) has experienced delays in the establishment of safety standards for hazardous waste workers. In addition, GAO found that HHS has made limited progress with Superfund implementation because of: (1) funding delays and reductions by the Environmental Protection Agency (EPA), which coordinates the Superfund budget; and (2) staffing limitations within HHS.

Recommendations to Congress
As Congress deliberates the future of Superfund, particularly the health-related responsibilities of HHS, it may wish to consider the workability of the existing arrangement whereby EPA controls HHS funding levels and whether additional staff positions should be authorized for HHS activities to avert past situations were HHS had inadequate funds or staff to carry out its plans.
Status: Action not yet initiated.

If Congress considers the HHS interpretations of its role under the act to be inconsistent with congressional intent, it may wish to: (1) clarify the purpose and intent of the national exposure and disease registries and the types of information to be included; (2) clarify the extent to which medical care is to be provided; and (3) define such terms as "exposed individuals" and "public health emergencies."
Status: Action not yet initiated.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
National Institutes of Health
NATIONAL SCIENCE FOUNDATION

Better Accountability Procedures Needed in NSF and NIH Research Grant Systems
(PAD-81-29, 9-30-81)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251.0)
Legislative Authority: Science Foundation Act (42 U.S.C. 1861 et seq.). Federal Grant and Cooperative Agreement Act of 1977.

Background

GAO assessed the systems used by the National Science Foundation (NSF) and the National Institutes of Health (NIH) to determine which research proposals by colleges, universities, and other nonprofit research institutions are to be funded and how scientific performance on the grants is assessed when continued support is provided. Specifically, GAO focused on the peer review system of the scientific performance accountability system which is used in large measure to determine which research proposals are to be funded and how scientific performance on the grants is assessed when continued support is provided.

Findings/Conclusions

Although the scientific performance accountability systems are basically the same at NSF and NIH, the procedures differ significantly. GAO believes that some of the NIH peer review procedures have certain advantages over those at NSF. At NIH, peer review prevented 17 percent of the researchers who sought additional grant funding from continuing their research, and their comments directly affected some of the other continued research. At NSF, none of the researchers who sought continued funding had their requests denied, but comments did eliminate some research objectives and the time requested to do the research was reduced. Unlike NIH, NSF does not ask peer reviewers to comment on the performance of the immediately preceding grant. For new project proposals, neither NSF nor NIH requires researchers to discuss prior grant results or to identify prior grant publications. NIH automatically forwards peer review comments to researchers; whereas, NSF forwards them only on request. NSF, NIH, or the universities do not uniformly monitor the progress or evaluate the results of research grants. Most of the researchers who were awarded renewal grants did not accomplish all of the objectives of the immediately preceding goal, but the researchers were expected to attempt the grant's objectives. Neither NSF nor NIH specifies the extent to which researchers can deviate from a grant's original objectives without prior agency approval.

Recommendations to Agencies

The Directors of NSF and NIH should require that more systematic and uniform review of annual progress reports be made by the program officers.
Target: National Science Foundation
Status: Action in process. Intended completion date unknown.

Target: National Institutes of Health
Status: Action in process. Intended completion date unknown.

The Directors of NSF and NIH should require that more specific guidelines be established regarding the extent to which researchers can change grant objectives without prior agency approval.
Target: National Science Foundation
Status: Action in process. Intended completion date unknown.

Target: National Institutes of Health
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
RAILROAD RETIREMENT BOARD

Inaccurate Fund Transfers Between Social Security Administration and Railroad Retirement Board
(HRD-83-2, 4-4-83)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Railroad Retirement Act of 1937.

Background

GAO reviewed the financial interchange whereby the Social Security Administration (SSA) has paid more than $17 billion to the Railroad Retirement Board since 1958.

Findings/Conclusions

In reviewing 1979 financial interchange data, the current data available when the GAO review began, GAO found errors and inaccuracies in benefit calculations, projections, and administrative expense estimates resulting from SSA overpayments and underpayments. GAO estimates that, for the 1979 interchange alone, SSA transferred to the Board about $40 million more than it should have. Since many of the same procedures GAO questioned are still in effect, interchanges subsequent to 1979 will continue to contain errors and inaccuracies unless improvements are made.

Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Commissioner of Social Security to periodically review how accurately the Board calculates social security benefit amounts.
Status: Action in process. Intended completion date: 02/85

The Chairman of the Railroad Retirement Board should direct that a composite estimator be used to calculate the average benefit amount for the Board's sample cases.
Status: Action in process. Intended completion date: 02/85

The Chairman of the Railroad Retirement Board and the Secretary of HHS should assure that their respective audit groups singly or jointly periodically audit all components of the financial interchange.
Target: Department of Health and Human Services
Status: Action in process. Intended completion date: 02/85

Target: Railroad Retirement Board
Status: Action in process. Intended completion date: 02/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

VA Improved Pension Program: Some Persons Get More Than They Should and Others Less
(HRD-80-61, 8-6-80)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act.

Background

Congress hoped that the law improving pensions for needy veterans which went to effect January 1, 1979, would enable veterans and their survivors to receive benefits above the poverty level and help them avoid turning to welfare, such as the Supplemental Security Income (SSI) program provides.

Findings/Conclusions

Some couples who receive SSI and VA pensions receive more in benefits from these two programs than do other couples with similar or smaller incomes from other sources. The principal coordination of benefit information between VA and the Social Security Administration (SSA) occurs through automated data exchanges. Some changes are needed in this coordination to improve the accuracy of benefit payments by VA and to eliminate the exchange of unnecessary records. GAO estimated that $14.5 million of inaccurate pensions payments were made, principally in 1978. This consisted of: (1) $9.6 million in overpayments because the veterans or their spouses failed to report to VA receipt of social security benefits and because VA did not use the benefit data provided by SSA in the January 1979 data exchange; (2) $1.7 million in overpayments and $0.3 million in underpayments substantially because one of the matching characteristics SSA used was not on the VA records; (3) $2.0 million in overpayments because veterans or their spouses did not accurately report receiving SSA black lung benefits; and (4) $0.9 million in underpayments because VA pensioners improperly reported their SSI benefits as social security benefits. VA is providing SSA, in the quarterly data exchange, an estimated 5.1 million unneeded records because it did not use the SSI indicators to limit the number of records provided. Additionally, VA is unnecessarily requesting SSA data for an estimated 618,700 known deceased veterans in the annual data exchange.

Recommendations to Agencies

The Administrator of Veterans Affairs should establish a data exchange to verify federal black lung benefits and review other federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies.

Status: Action in process. Intended completion date: 07/85

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
Office of Micronesian Status Negotiations
OFFICE OF MANAGEMENT AND BUDGET

The Federal Audit Function in the Territories Should Be Strengthened
(AFMD-82-23, 3-25-82)

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)
Legislative Authority: Inspector General Act of 1978 (5 U.S.C. App. 9). P.L. 94-241. H. Rept. 90-1521. OMB Circular A-102. Dep't of the Interior Order 3009. 48 U.S.C. 1422d. 48 U.S.C. 1599. 48 U.S.C. 1681b.

Background

The principal U.S. territories of American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and the Trust Territory of the Pacific Islands have had longstanding problems in their financial management systems. The Department of the Interior's U.S. government Comptrollers are presently responsible for auditing all significant aspects of governmental operations and federal programs in these territories. Because of the substantial federal assistance provided to the territories and the difficulty they have improving and maintaining adequate financial management systems, the federal audit function is still needed. GAO reviewed the organization and the functions of the offices of the U.S. government Comptrollers as part of its continuing efforts to improve the federal internal audit capability.

Findings/Conclusions

GAO stated that the Comptrollers are located in a line organization that has management responsibility for the activities being audited and do not report to a high enough level in Interior. Consequently, their independence has been impaired. Also, the establishment of close relationships between auditors and territorial officials may have affected the Comptrollers' ability to work in an impartial manner. GAO also found that a large portion of the Comptrollers' limited audit staff is devoted to preparing an ill-defined annual report of the fiscal condition of the government, and this is reducing their audit coverage of other territorial programs and operations. GAO concluded that a strengthened federal audit presence alone is not enough to improve the economy and efficiency of the territorial governments. The territories need to assume greater responsibility for establishing and maintaining strong financial management systems to ensure proper control and accountability over federal and local funds, but they cannot do the job alone; they need federal technical assistance. Such assistance, coupled with an improved territorial government internal audit capability, would further enhance federal audit effectiveness.

Recommendations to Agencies

The President's Personal Representative for Micronesian Status Negotiations should, when negotiating the remaining agreements terminating the Trust Territory of the Pacific Islands, specifically the subsidiary agreement on auditing, develop a federal audit capability with respect to the new governments of the Marshall Islands, the Federated States of Micronesia, and Palau with authority and responsibilities comparable to those of the U.S. government Comptrollers.
Status: Action in process. Intended completion date unknown.

The Governor of American Samoa should strengthen his internal audit function by increasing the size of staffs, improving staff capabilities, expanding the scope of audit coverage, and ensuring audit independence.
Status: Action in process. Intended completion date unknown.

The Governor of American Samoa should establish an audit followup system to ensure that recommended corrective actions on all federal and independent audit reports are implemented and followed through to completion.
Status: Action in process. Intended completion date unknown.

The Governor of Guam should establish an audit followup system to ensure that recommended corrective actions on all federal and independent audit reports are implemented and followed through to completion.
Status: Action not yet initiated. *The Governor has provided no response on what corrective action has been or will be taken.*

The Governor of Guam should strengthen his internal audit function by increasing the size of staffs, improving staff capabilities, expanding the scope of audit coverage, and ensuring audit independence.
Status: Action not yet initiated. *The Governor has provided no response on what corrective action has been or will be taken.*

The Governor of the Northern Mariana Islands should establish an audit followup system to ensure that recommended corrective actions on all federal and independent audit reports are implemented and followed through to completion.
Status: Action in process. Intended completion date unknown.

The Governor of the Northern Mariana Islands should strengthen his internal audit function by increasing the size of staffs, improving staff capabilities, expanding the scope of audit coverage, and ensuring audit independence.
Status: Action in process. Intended completion date unknown.

The Governor of the Virgin Islands should establish an audit followup system to ensure that recommended corrective actions on all federal and independent audit reports are implemented and followed through to completion.
Status: Action not yet initiated. *The Governor has provided no response on what corrective action has been or will be taken.*

The Governor of the Virgin Islands should strengthen his internal audit function by increasing the size of staffs, improving staff capabilities, expanding the scope of audit coverage, and ensuring audit independence.
Status: Action not yet initiated. *The Governor has provided no response on what corrective actions has been or will be taken.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF LABOR
DEPARTMENT OF THE TREASURY
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
OFFICE OF PERSONNEL MANAGEMENT

Uniform Guidelines on Employee Selection Procedures Should Be Reviewed and Revised
(FPCD-82-26, 7-30-82)

Budget Function: Nondiscrimination - Equal Opportunity Programs (990.3)
Legislative Authority: Civil Rights Act of 1964. Civil Service Reform Act of 1978. Civil Service Act. Executive Order 12067. Reorg. Plan No. 1 of 1978. Albemarle Paper Co. v. Moody, 422 U.S. 405 (1975). 5 U.S.C. 3304. 5 U.S.C. 2301.

Background
The Uniform Guidelines on Employee Selection Procedures describe the federal government's position on how tests should be used in making employment decisions which are consistent with federal equal employment opportunity (EEO) laws. This review was made because: (1) GAO believes that the guidelines are important to EEO enforcement; and (2) the guidelines have been publicly criticized by some of their users. The objective of the review was to determine whether those responsible for administering the guidelines and those who use them were experiencing any problems in their application.

Findings/Conclusions
In the opinion of GAO, the importance of the guidelines to EEO enforcement is not at issue. On the basis of the preponderance of views and experience expressed to GAO, it believes that the guidelines can have a major role in insuring compliance with the spirit and intent of federal EEO laws. While revisions to the guidelines' technical provisions could be postponed until after the new American Psychological Association (APA) standards are published, beginning the review now could prevent unnecessary delay between issuance of those standards and any revisions.

Recommendations to Agencies
EEOC should examine the problems associated with: (1) collecting and maintaining adverse impact data; (2) searching for alternatives during validation; and (3) the relationship of merit laws to the guidelines.
Status: Action in process. Intended completion date: 06/85

EEOC should determine how to make the guidelines more understandable to their users.
Status: Action in process. Intended completion date unknown.

The Office of Personnel Management should cooperate with EEOC in this important effort.
Status: Action not yet initiated. *EEOC said that, at this stage, the other signatory agencies would not be included in discussions of options. Once the Commission decides what option to follow, the other agencies will be included.*

The Department of Justice should cooperate with EEOC in this important effort.
Status: Action not yet initiated. *EEOC said that, at this stage, the other signatory agencies would not be included in discussions of options. Once the Commission decides what option to follow, the other agencies will be included.*

The Department of Labor should cooperate with EEOC in this important effort.
Status: Action not yet initiated. *EEOC said that, at this stage, the other signatory agencies would not be included in discussions of options. Once the Commission decides what option to follow, the other agencies will be included.*

The Department of the Treasury should cooperate with EEOC in this important effort.
Status: Action not yet initiated. *EEOC said that, at this stage, the other signatory agencies would not be included in discussions of options. Once the Commission decides what option to follow, the other agencies will be included.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY
DEPARTMENT OF TRANSPORTATION
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Federal Drug Interdiction Efforts Need Strong Central Oversight
(GGD-83-52, 6-13-83)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Biaggi-Gilman Act (P.L. 96-350). Posse Comitatus Act (Use of Army) (18 U.S.C. 1385). Posse Comitatus Act Amendment (Use of Army) (P.L. 96-350). Classified Information Procedures Act (P.L. 95-456). Drug Abuse Office and Treatment Act of 1972. Reorg. Plan No. 2 of 1973.

Background

GAO reviewed the federal drug interdiction efforts and recommended ways to improve effectiveness.

Findings/Conclusions

GAO found that federal efforts to attack the supply of illegal drugs have three major components: (1) international programs aimed at drug-producer countries; (2) interdiction of drugs at the border; and (3) domestic law enforcement. Federal resources devoted to drug interdiction more than tripled from 1977 to 1982. The Coast Guard's drug interdiction program comprises the majority of this increase. Despite these increases, only 16 percent of the marihuana and less than 10 percent of the heroin, cocaine, and dangerous drugs that are entering this country are seized through total drug enforcement efforts. Joint special projects conducted by two or more agencies have proven especially effective in attacking drug smuggling, for example, special Drug Enforcement Administration (DEA) investigations involving the U.S. Customs Service and the Coast Guard. The authority and responsibility for federal drug interdiction efforts are split among three separate agencies in three executive departments. Although the level of cooperation is increasing, especially in south Florida, such fragmentation has a certain amount of inefficiency and interagency conflict. Congressional oversight and executive branch resource allocation decisions relative to drug interdiction are difficult under these circumstances. The effectiveness of federal interdiction efforts depends a great deal on intelligence support capabilities. The military departments have provided some limited assistance to drug enforcement agencies over the last several years.

Recommendations to Agencies

The Attorney General and the Secretaries of Treasury and Transportation should direct DEA, the Customs Service, and Coast Guard officials to work together to develop a management information system which accumulates interdiction program results such as drug seizures, level of prosecution, and case disposition, and identifies the resources devoted to drug interdiction programs.
Target: Department of Justice
Status: Action in process. Intended completion date unknown.

Target: Department of the Treasury
Status: Action in process. Intended completion date unknown.

Target: Department of Transportation
Status: Action in process. Intended completion date unknown.

The Secretary of State should prepare a Narcotics Assessment and Strategy Paper and, if it is found to be warranted, follow up with projects designed to aid interdiction efforts.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY
Internal Revenue Service

Streamlining Legal Review of Criminal Tax Cases Would Strengthen Enforcement of Federal Tax Laws
(GGD-81-25, 4-29-81)

Budget Function: General Government: Tax Administration (803.1)

Background
The efficiency and effectiveness of the federal government's tax enforcement efforts have been hampered by a time-consuming and duplicative legal review process for criminal tax cases. About 75 percent of the investigations conducted by the Internal Revenue Service (IRS) do not lead to prosecutive recommendations or convictions.

Findings/Conclusions
Readily available legal assistance during investigations could reduce staff-day expenditures, thus improving IRS productivity in terms of the quality and timeliness of its investigations. However, it routinely does not obtain the assistance until after investigations are completed. Many criminal tax cases are declined for prosecution by IRS or Justice Department attorneys who determine that such cases do not meet certain legal standards. Often, an attorney could have detected legal deficiencies during the investigative process. IRS established a means whereby special agents can seek such assistance by prereferring a case to IRS attorneys at any point during an investigation. This prereferral mechanism has not been used in many cases and has not fully met IRS needs. Although the legal review process clearly needs restructuring, the best means for doing so is not clear. GAO presented various alternatives for revising the process, all of which call for partial or complete elimination of one of the three current review levels.

Recommendations to Congress
Congress should ensure that the Treasury and Justice Departments develop a streamlined legal review process for criminal tax cases and that any revised system realizes potential cost savings while safeguarding taxpayers' legal rights.

Status: Action not yet initiated.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION

Bank Merger Process Should Be Modernized and Simplified
(GGD-82-53, 8-16-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Banking Agency Audit Act (31 U.S.C. 67). Bank Merger Act (12 U.S.C. 1828(c)). Bank Holding Company Act (12 U.S.C. 1841 et seq.). Clayton Act (Trusts) (15 U.S.C. 12 et seq.). Sherman Antitrust Act (15 U.S.C. 1 et seq.). Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221). Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 U.S.C. 3301 et seq.). McFadden Act (Banking) (12 U.S.C. 36). Douglas Amendment (Bank Holding Companies) (12 U.S.C. 1842(d)). Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.). 12 U.S.C. 214a et seq.

Background

Because of recent increases in the number of bank mergers and the potential for further increases, GAO reviewed the federal laws and regulatory supervision for approving bank mergers.

Findings/Conclusions

Broadly speaking, in acting on merger applications, federal and state agencies consider the following factors: (1) the financial condition of the applicant banks, (2) the character and experience of the management of the surviving bank, (3) whether the convenience and needs of the community will be served, and (4) the effects of the merger on competition. Although federal bank regulators' assessments of the competitive effects of proposed mergers receive the most consideration and involve the most controversy, the agencies' evaluations are not uniform, and specific criteria have not been developed for making the evaluations. The ways by which the regulators defined the relevant market to be used in evaluating competitive effects of proposed mergers differed and lacked uniform criteria in applying the line of commerce and potential competition concepts. This has resulted in conflicting decisions by federal regulators and encourages "agency shopping" whereby parties to a merger seek out the federal bank regulator possessing the most lenient standards for assessing mergers. GAO also found that, despite its frequent use, the phantom bank merger process is expensive, time consuming, and burdensome to banks, bank holding companies (BHC), and federal regulators. This complicated process is used because banking laws do not provide for shell corporations which serve similar purposes for nonbank corporations. Finally, GAO concluded that changes are needed in both agency practices and merger law to reduce the processing time for merger applications.

Recommendations to Congress

Congress should amend the Bank Merger Act to provide that the banking agencies, to the extent practicable and within available data limitations, consider competing nonbank financial institutions in evaluating the competitive effects of a bank merger.
Status: Action not yet initiated.

Congress should amend the Bank Holding Company Act to permit a BHC to acquire, by an exchange of stock, total control of an operating national bank subject to approval of the Federal Reserve and upon the affirmative vote of the shareholders owning at least two-thirds of that bank's outstanding capital voting stock. The amendment should provide that: (1) the appropriate BHC application be accompanied by a plan of acquisition; (2) the shareholders of the target bank voting against the acquisition could receive stock in the holding company; (3) the exchange of stock qualify as a tax-free exchange; (4) the acquired bank continue as a Federal Deposit Insurance Act insured bank; (5) the plan of acquisition be in compliance with all applicable federal securities laws; and (6) for similar acquisitions of state-chartered banks, the BHC application be accompanied by a plan of acquisition rather than a merger application.
Status: Action not yet initiated.

Congress should amend the Bank Merger Act to exempt phantom mergers and corporate reorganizations from competitive effects assessments. This would remove the requirement that the responsible agency obtain reports on a proposed merger's competitive aspects from the Attorney General and the other two bank regulatory agencies. These types of mergers should also be exempted from the 30-day period for Attorney General review prior to consummation.
Status: Action not yet initiated.

Congress should delete the publication and comment requirement for phantom mergers and corporate reorganizations and reduce the publication period for regular mergers to a period more consistent with that of other types of corporate change applications.
Status: Action not yet initiated.

Recommendations to Agencies

The three federal bank regulatory agencies should, with the advice of the Department of Justice, work together to formulate a useful and consistent method of analysis for considering what effect a proposed merger would have on future competition in the market area of the bank being acquired.

Target: Federal Reserve System

Status: Action in process. Intended completion date unknown.

Target: Federal Deposit Insurance Corporation

Status: Action in process. Intended completion date unknown.

Target: Department of the Treasury: Office of the Comptroller of the Currency

Status: Action in process. Intended completion date unknown.

Target: Department of Justice

Status: Action in process. Intended completion date unknown.

The three federal bank regulatory agencies should jointly establish a more consistent method of analysis for defining the relevant market when evaluating the competitive aspects of a proposed merger.

Target: Federal Reserve System

Status: Action not yet initiated. *Although the Federal Reserve System agrees with this recommendation, no action has been initiated, and it is unknown when any action will commence.*

Target: Federal Deposit Insurance Corporation

Status: Action not yet initiated. *Although FDIC agrees with this recommendation, no action has been initiated, and it is unknown when any action will commence.*

Target: Department of the Treasury: Office of the Comptroller of the Currency

Status: Action not yet initiated. *Although the Office of the Comptroller of the Currency agrees with this recommendation, no action has been initiated, and it is not known when any action will commence.*

The federal regulators should take steps to ensure that competitive factor reports are furnished to the requesting agency within the required 30 days and that the requesting agency properly considers the comments received and reconciles major conflicting conclusions.

Target: Federal Reserve System

Status: Action in process. Intended completion date unknown.

Target: Federal Deposit Insurance Corporation

Status: Action in process. Intended completion date unknown.

Target: Department of the Treasury: Office of the Comptroller of the Currency

Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
JUDICIAL CONFERENCE OF THE UNITED STATES

U.S. Marshals Can Serve Civil Process and Transport Prisoners More Efficiently
(GGD-82-8, 4-22-82)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Judiciary Act (1 Stat. 73). P.L. 87-621. Fed. R. Civ. P. 4. Fed. R. Civ. P. 45. 28 U.S.C. 1921. 28 U.S.C. 569(b). 1 Stat. 87.

Background

GAO examined the operations of the U.S. Marshals Service and evaluated the Marshals Service's efforts to serve civil process for private litigants and to transport federal prisoners between judicial districts.

Findings/Conclusions

Marshals have been required by law to serve civil process when directed by the courts. Civil process is served and fees are charged in accordance with judicial rules and federal statute which are causing the process-serving function to be uneconomical and inefficient. Rule 4 of the Federal Rules of Civil Procedure governs the service of process and causes marshals to be excessively involved with the performance of this function. It also restricts the use of an efficient method of service for summonses and complaints, certified mail. Although recent changes have been made to Rule 4 to broaden the range of people with blanket authorization to serve civil process and the ability of courts to specifically appoint persons to service civil process, these changes have not had a significant impact. Rule 4 allows the use of certified mail to serve summonses and complaints to individuals, business concerns, and unincorporated associations. However, most states do not specifically allow the routine use of certified mail to serve civil summonses and complaints. GAO found that certified mail was an effective and efficient method of service and did not hamper court operations. In an effort to reduce the cost of transporting federal prisoners across federal judicial district boundaries, the National Prisoner Transportation System was developed. However, it is not being used to its full potential which results in unnecessary transportation costs and danger to the public.

Recommendations to Congress

Congress should revise 28 U.S.C. 1921 to give the Attorney General authority to periodically revise the fees that marshals charge for serving civil process for private litigants in federal court.
Status: Action in process.

Congress should require that the established fees provide full recovery of marshals actual operating costs to serve private civil process exclusive of the costs incurred to serve process for indigents.
Status: Action in process.

DEPARTMENT OF JUSTICE
SECURITIES AND EXCHANGE COMMISSION

SEC's Efforts To Find Lost and Stolen Securities
(GGD-84-42, 5-18-84)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Securities Exchange Act of 1934.

Background

The Securities and Exchange Commission (SEC) maintains a program to find securities, such as stocks and bonds, that financial institutions and their customers report as lost or missing. GAO reviewed the SEC program to determine its effectiveness in finding such securities.

Findings/Conclusions

SEC requires financial institutions to register under the program. Registration entitles institutions to report lost or stolen securities and check securities they receive in commercial transactions. GAO found that the number of securities recovered through the program has increased since its inception, but SEC has not accurately reported the dollar value of securities actually found through the program. In addition, SEC has exempted from the program securities that do not have industry identification numbers, and certain securities that were formerly reported to Federal Reserve Banks are no longer reported to either the Federal Reserve or SEC. GAO also found that: (1) financial institutions are not complying with reporting requirements under the program; and (2) SEC has not coordinated its program with the National Crime Information Center (NCIC), which also lists lost and stolen securities.

Recommendations to Agencies

The Chairman, SEC, should, at a minimum, notify financial institutions to comply with the program requirements that call for dollar values to be specified for all securities that are reported to the program.
Status: Action not yet initiated. *SEC has not yet responded to this recommendation. However, GAO expects that certain actions will be taken during fiscal year 1985.*

The Chairman, SEC, should include in any accomplishment report only those securities actually found by the program.
Status: Action not yet initiated. *SEC has not yet responded to this recommendation. However, GAO expects that certain actions will be taken during fiscal year 1985.*

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should require that lost or stolen securities formerly required to be reported to the Federal Reserve Banks be reported to the SEC program.
Status: Action not yet initiated. *SEC has not yet responded to this recommendation. However, GAO expects that certain actions will be taken during fiscal year 1985.*

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should assess the effect of the underreporting of lost and stolen securities without a securities industry identification number and, if warranted, direct the program operator to assign identification numbers to these securities.
Status: Action not yet initiated. *SEC has not yet responded to this recommendation. However, GAO expects that certain actions will be taken during fiscal year 1985.*

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should develop a pilot program to assess whether the $10,000 or less transaction exemption should be continued, weighing the regulatory compliance burden against the improvement in securities found for financial institution customers as well as the decreased deterrent effects.
Status: Action not yet initiated. *SEC has not yet responded to this recommendation. However, GAO expects that certain actions will be taken during fiscal year 1985.*

The Chairman, SEC, should, in consultation with the bank regulatory agencies, concentrate on obtaining improved compliance with lost and stolen securities regulations by ensuring through appropriate enforcement and administrative actions that financial institutions become registered with the program and that registered institutions report lost and stolen securities and check the status of securities received.
Status: Action not yet initiated. *SEC has not yet responded to this recommendation. However, GAO expects that certain actions will be taken during fiscal year 1985.*

The Chairman, SEC, and the Attorney General should link the SEC and NCIC lists of lost and stolen securities.
Target: Securities and Exchange Commission
Status: Action not yet initiated. *SEC has not yet responded to this recommendation. However, GAO expects that certain actions will be taken during fiscal year 1985.*

DEPARTMENT OF LABOR
DEPARTMENT OF THE TREASURY
Internal Revenue Service

Incomplete Participant Data Affect Reliability of Values Placed by Actuaries on Multiemployer Pension Plans
(HRD-84-38, 9-6-84)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Multiemployer Pension Plan Amendments Act of 1980. Employee Retirement Income Security Act of 1974.

Background

GAO evaluated the effect of the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) on employers, participants, and others. Specifically, GAO reviewed the development and reporting of actuarial information.

Findings/Conclusions

GAO found that, although pension plan participant data are crucial in determining the actuarial value of pension plans, many multiemployer plans lack complete participant data, causing liabilities and costs of some plans to be understated or overstated by millions of dollars. Nevertheless, pension plan officials continue to use these data to manage and operate plans. This information is also being reported to government agencies for their use in administering and enforcing MPPAA and the Employee Retirement Income Security Act (ERISA). Actuaries usually disclose the extent of missing participant data, but few indicate whether such omissions affect the accuracy of the actuarial valuations.

Recommendations to Agencies

The Secretary of Labor should issue regulations, under its ERISA authority, to provide guidance for the maintenance of participant data by pension plans. The Secretary should also expand the scope of Labor's audits of compliance with fiduciary standards to include a review of actuarial valuation reports so enforcement personnel can ascertain whether participant data on multiemployer pension plans are sufficiently complete to enable the actuaries to make reliable actuarial valuations.
Status: Action not yet initiated. *The Department of Labor is studying the issue and will decide in November 1984 whether to plan to take action.*

The Commissioner of Internal Revenue should expand Internal Revenue Service enforcement efforts to include examinations of actuarial valuation reports to identify multiemployer pension plans lacking sufficient participant data.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF LABOR
DEPARTMENT OF THE TREASURY
Internal Revenue Service
PENSION BENEFIT GUARANTY CORPORATION

Better Management of Private Pension Plan Data Can Reduce Costs and Improve ERISA Administration
(HRD-82-12, 10-19-81)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Employee Retirement Income Security Act of 1974. Claims Collection Act (31 U.S.C. 952). 4 C.F.R. 102.1.

Background

The Department of Labor, the Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC) are responsible for administering and enforcing the Employee Retirement Income Security Act (ERISA). Private pension plans are required to report substantial information to these agencies under the act. GAO investigated the ERISA information managerial activities of Labor, IRS, and PBGC to determine the adequacy and effectiveness of: (1) the agencies' efforts to make sure that pension plans file ERISA annual reports, annual premium filings, and summary plan descriptions; and (2) the IRS efforts to ensure that annual reports filed by plans are complete.

Findings/Conclusions

Information required to be reported annually by private pension plans is not being effectively, efficiently, or economically managed. Although the agencies believe that almost all of the required annual report information is critical for them to administer the act, GAO found that some plans may not be filing reports and that many of the reports filed are incomplete. In 1979, both Labor and IRS attempted to ensure that the plans filed reports. These efforts wasted labor and resources and irritated plan administrators. The agencies did not use all the information on reports filed nor did they establish controls to ensure that data they used were accurate. When information was missing from reports filed, IRS did not take adequate action to obtain the missing data and accepted reports with critical information items missing. GAO found no evidence that IRS plans to take more forceful action to obtain information missing from filed reports. PBGC has not made certain that insured plans pay required premiums every year, or at all, and does not use ERISA annual report information for collecting unpaid premiums; thus, millions of dollars in premiums may have been lost. The extent to which planned improvements can be implemented is questionable because of the restricted ability of PBGC to overcome unreliable data with limited resources. Both IRS and PBGC are paying for improving and maintaining the accuracy of data for the same plans on two separate files, and there is an additional cost for their reconciliation. Filing plan summaries with Labor is costly and unnecessary.

Recommendations to Congress

Congress should amend the Employee Retirement Income Security Act to: (1) eliminate the requirement that employee benefit plans routinely file copies of plan descriptions and plan summaries with Labor; (2) require the plans to provide Labor with copies of plan summaries at the request of Labor; and (3) require Labor to obtain, on behalf of plan participants and others, copies of plan summaries from the plans when so requested. Congress should make these amendments before plans have to meet summary refiling requirements in 1982.
Status: Action in process.

Recommendations to Agencies

The Executive Director of the Pension Benefit Guaranty Corporation and the Commissioner of the Internal Revenue Service (IRS) should establish and carry out a timetable for IRS to assume responsibility for receipt and processing of both premium collection and annual report information and, while these steps are being taken, undertake a cooperative effort to reconcile the differences between the annual report and premium files. The Executive Director should take action to collect unpaid premiums identified by this effort.
Target: Pension Benefit Guaranty Corporation
Status: Action in process. Intended completion date: 12/87

Target: Internal Revenue Service
Status: Action in process. Intended completion date: 12/87

DEPARTMENT OF LABOR
PENSION BENEFIT GUARANTY CORPORATION

Economic Implications of the Fair Insurance Practices Act
(OCE-84-1, 4-6-84)

Budget Function: Nondiscrimination - Equal Opportunity Programs (990.3)
Legislative Authority: Employee Retirement Income Security Act of 1974. Arizona Governing Committee v. Norris, U.S. (1983).

Background
In response to a congressional request, GAO reviewed the economic implications of the proposed Fair Insurance Practices Act. Specifically, GAO reviewed: (1) how cost considerations vary by type of insurance; and (2) the effect that unfunded liabilities in pension plans would have on the ability of pension plans to meet the minimum funding requirements of the Employee Retirement Income Security Act.

Findings/Conclusions
The bill would require that unequal insurance contracts of equally situated males and females be equalized, either by equalizing premiums on contracts with equal coverages or by equalizing coverages on policies with equal premiums. On long-term contracts whose premiums cannot be increased or coverages reduced, coverages would probably have to be increased or premiums reduced for the sex which is disadvantaged by sex-distinct pricing. GAO found that the bill would result in unfunded liabilities totaling between $16 and $32 billion which would directly affect insurance companies and pension plans. GAO believes that most pension plans would be able to effectively fund their increased liabilities with significantly less difficulty than would insurance companies. GAO concluded that, although the redistributive effects of the legislation are impossible to estimate, they would be significant and the administrative costs would be substantial.

Recommendations to Congress
To reduce the adverse effects of potential insurance company insolvencies, to make compliance with the bill more feasible, and to reduce the administrative costs of implementing the bill, Congress should consider eliminating the bill's applicability to existing individual insurance contracts.
Status: Action in process.

To reduce the adverse effects of potential insurance company insolvencies, to make compliance with the bill more feasible, and to reduce the administrative costs of implementing the bill, Congress should consider increasing the transition period for implementing the legislation to at least 1 year.
Status: Action in process.

DEPARTMENT OF LABOR
PENSION BENEFIT GUARANTY CORPORATION

Comments on the Economic Implications of the Proposed Florio Amendment to the Nondiscrimination in Insurance Act
(OCE-84-6, 9-27-84)

Budget Function: Nondiscrimination - Equal Opportunity Programs (990.3)

Background
GAO was asked to analyze a substitute to H.R. 100, proposed legislation which would prohibit distinctions based on race, color, religion, sex, or national origin in the marketing and pricing of insurance and pension contracts. The bill would have required that: (1) sex-distinct premiums and benefits in the contracts be equalized; and (2) no one's benefits be reduced as part of the equalization process. The substitute bill would: (1) allow sex distinctions to continue in existing contracts; (2) delete the provision that no one's benefits would be reduced as part of the equalization process; (3) prohibit targeted marketing of insurance; and (4) extend the transition period.

Findings/Conclusions
GAO found that some of the economic effects of the substitute bill would be significantly different from those of the originally proposed legislation. In particular, the increases in unfunded liabilities created by the original bill for life insurance companies and pension plans would be reduced by between $18.3 and $21.6 billion. These reductions would result largely from allowing sex distinctions to continue in existing life insurance contracts and in pensions and annuities currently being paid to retirees. Therefore, the redistributive effects of the substitute bill would be smaller than those of the original bill. The efficiency effects would be the same under the substitute bill as under the original bill, unless the legislation were interpreted as prohibiting the use of risk factors correlated with sex. In this case, efficiency losses would increase because the size of price changes would increase and policyholders would be more likely to change their purchases of insurance, and the positive effects associated with substituting other risk factors would no longer be possible. In addition, the original bill would have imposed $800 million in administrative costs and the substitute bill makes these changes unnecessary. Finally, because the substitute bill would reduce the unfunded liabilities and extend the period for implementing the act's requirements, it would virtually eliminate the risk of insurance company insolvency resulting from the legislation.

Recommendations to Congress
Congress should revise Sec. 4(f) of the substitute bill to make clear whether it is intended to prohibit only risk factors explicitly based on sex, or risk factors correlated with sex as well.
Status: Action not yet initiated.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL RESERVE SYSTEM
Board of Governors

Supervisory Examinations of International Banking Facilities Need To Be Improved
(GGD-84-65, 9-20-84)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Edge Act (Foreign Banking). Financial Institutions Regulatory and Interest Rate Control Act of 1978 (P.L. 95-630). 12 C.F.R. 204.

Background

GAO reviewed examinations of International Banking Facilities (IBF's) conducted by federal bank regulatory agencies to determine if the examinations are adequate to ensure compliance with restrictions imposed on IBF activities. The group of regulatory agencies is comprised of the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve.

Findings/Conclusions

GAO found that the regulatory agencies have not ensured that all IBF's are complying with regulatory restrictions, because recognized minimum examination standards have not been developed and utilized. The Federal Reserve's examinations were the most comprehensive, but documentation of examinations was sometimes incomplete, and scope and methodology standards for reviews have not been disseminated.

Recommendations to Agencies

The Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chairman, FDIC, should develop and use examination procedures to ensure compliance with IBF restrictions. They should work together to adopt more complete and uniform guidance to ensure compliance with the restrictions on IBF activities. These guidelines should include procedures, such as: (1) minimum scope required; (2) methodologies to be used; and (3) documentation needed.

Target: Federal Deposit Insurance Corporation
Status: Action not yet initiated. *The agency plans to process a response to the recommendation by November 16, 1984. At that time, GAO will evaluate the agency's proposed actions.*

Target: Department of the Treasury: Office of the Comptroller of the Currency
Status: Action in process. Intended completion date: 02/85

Target: Federal Reserve System: Board of Governors
Status: Action not yet initiated. *The agency is in the process of writing a response to the recommendation. Its response will be submitted to the Federal Reserve Board for approval on November 14, 1984. At that time GAO will evaluate the agency's proposed actions.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE TREASURY
Internal Revenue Service
PENSION BENEFIT GUARANTY CORPORATION

Tax Revenues Lost and Beneficiaries Inadequately Protected When Private Pension Plans Terminate
(HRD-81-117, 9-30-81)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.). Internal Revenue Code (IRC).

Background

In response to a congressional request, GAO reviewed the effectiveness of the practices and procedures of: (1) the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC) for ensuring that pension plan terminations are reported; (2) IRS for processing plan terminations; and (3) IRS for ensuring compliance with income tax requirements by individuals receiving pension payouts.

Findings/Conclusions

The review showed that, for about two-thirds of reported terminations, plan sponsors were not requesting IRS reviews at the time of termination because they are not mandatory under the Internal Revenue Code. Termination actions were not being reported to PBGC, which is responsible for insuring participants' benefits. Thus, at the time of termination there is no assurance that, for many such plans, the participants are adequately protected as required by the Employee Retirement Income Security Act and the Internal Revenue Code. IRS reviews of terminating pension plans requested by plan sponsors have not been effective in protecting participants' benefits, and IRS processes for collecting taxes due on plan asset disbursements are incomplete. Substantial tax revenues have been lost because IRS had not fully compared employer and employee tax reporting information on asset disbursements to individuals. PBGC and IRS have begun actions to correct some of these problems.

Recommendations to Congress

Congress should enact legislation requiring plan sponsors to request an IRS determination for tax qualification of terminating pension plans before plan dissolution.
Status: Action not yet initiated.

Recommendations to Agencies

The Commissioner of IRS should develop procedures for testing employers' filing compliance of pension payouts by obtaining, on pension plan annual reports, summary information on the number of payouts made above established dollar tolerances during the year to be compared with employer summary miscellaneous income reports.
Status: Action in process. Intended completion date: 02/86

VARIOUS DEPARTMENTS AND AGENCIES

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Federal Capital Budgeting: A Collection of Haphazard Practices
(PAD-81-19, 2-26-81)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Postal Reorganization Act. Veterans Health Care Amendments of 1979 (P.L. 96-22). Mass Transportation Assistance Act of 1970. Public Transportation Act of 1978. Water Pollution Control Act. Clean Water Act of 1977. P.L. 92-500.

Background

The federal government has enormous amounts of capital assets and helps fund state and local projects. Much of these federally owned and financed items are deteriorating, and the government is faced with the prospect of either repairing or rehabilitating them, or risking a staggering replacement burden in the future. Industry and most states and municipalities follow a capital budgeting procedure, but the federal government does not. A study was conducted of capital investment data and the planning and budgeting experiences of numerous public and private organizations.

Findings/Conclusions

GAO concluded that a policy-level approach to capital investment must be added to the federal government's decisionmaking process, and sound, up-to-date information is needed to support that approach. Government agencies need to closely monitor the implementation of capital investment programs, audit their results, and check the condition of operating facilities and equipment. GAO found that deteriorating public capital assets are partly the result of state and local neglect. Federally owned assets appear to be in better condition than state and local assets, but they too suffer from obsolescence and deterioration. The Postal Service was the agency which had the most desirable planning, budgeting, and control features that could be readily adopted by other federal agencies. Many factors have contributed to the problems of capital investment in the federal government: managers' views, congressional authorization and budgetary procedures, limited resources available for capital, and too little monitoring or oversight of ongoing and completed capital projects. Short-term strategies are implemented in capital investment areas, increased costs of federal capital programs are passed on to states without recognition, and no effective national capital improvement plan exists. Consequently, the federal government's ability to stop the decline of physical capital is severely limited. Uncontrollable outlays have reduced the funds available for physical capital investments.

Recommendations to Agencies

The President's Domestic Policy staff, or a newly established group with the Executive Office of the President, should work with federal agencies and state and local organizations to make sure that federally financed physical capital is adequately maintained.
Status: Action not yet initiated. *P.L. 98-501 established an independent council that has the authority to study this and report to the President and Congress. The council is to report in 1986, 1987, and 1988.*

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should work with lead federal agencies to review and streamline the guidance on analyses used to justify capital projects. The streamlined guidance should ensure that all agencies, before requesting project approval, conduct analyses of life cycle costs for all capital projects and analyses of alternatives for meeting capital needs.
Status: Action not yet initiated. *The newly established Council on Public Works Improvement may study this and report to the President and Congress.*

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should in January of each even-numbered year submit to Congress a 4-year outlook report summarizing the plans for at least 4 future years of federal capital investment programs and their expected contributions to the nation's infrastructure.
Status: Action in process. Intended completion date: 02/85

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should work through state and local organizations to develop periodic assessments of the condition of federally financed physical capital that is owned by state and local governments.
Status: Action not yet initiated. *P.L. 98-501 requires the National Council on Public Works Improvements to develop and recommend, to Congress and the President, guidelines for uniform reporting. The Council is expected to start work in early 1985.*

OMB should direct federal agencies that acquire or finance physical capital to explain in their annual budget to

Congress the relationships of their proposals to the long-range capital needs and investment plan, and to the priorities contained in the 4-year outlook.
Status: Action not yet initiated. *OMB is working to provide overall data only in the 1986 budget.*

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should provide leadership and guidance to federal agencies to tailor their report information to meet the specific needs of the President and Congress for decisions on capital investment policy, legislation, and budget analysis. Leadership and guidance should take the form of: (1) requiring the federal agencies to develop, use, and submit (timed to the budget cycle) capital investment information focusing on identification of long-term needs, long-term plans for meeting needs, budget-year plan addressing long-term needs, and status of projects previously approved; and (2) summarizing information on federal capital investment activities and submitting it to Congress with the President's budget.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

FEDERAL EMERGENCY MANAGEMENT AGENCY
NUCLEAR REGULATORY COMMISSION

Further Actions Needed To Improve Emergency Preparedness Around Nuclear Powerplants
(RCED-84-43, 8-1-84)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: P.L. 97-415.

Background

GAO reported on the adequacy of federal, state, and local offsite emergency planning and preparedness for mitigating the consequences of a nuclear powerplant accident.

Findings/Conclusions

GAO concluded that, although progress has been made since the Three Mile Island accident in 1979, more can and should be done. GAO found that state and local emergency preparedness plans have been developed and tested for all 54 operating nuclear powerplant sites, and 24 of these have met the federal criteria and have been approved by the Federal Emergency Management Agency (FEMA). The reasons that the remaining plans have not been approved relate to their not meeting federal criteria, some local communities not fully participating in the emergency planning process, and the difficulty some state and local governments have experienced in obtaining funding for emergency planning and preparedness. In addition, GAO found that improvements are needed in the exercises conducted to test the adequacy of state and local planning and preparedness. FEMA and the Nuclear Regulatory Commission (NRC) rely on states and utilities to plan preparedness tests, but FEMA does not verify the compliance of preparedness plans with federal criteria, and it does not have an agencywide tracing system for ensuring that deficiencies are identified. Finally, GAO found that agencies need to provide better guidance to state and local governments for developing state and local emergency preparedness plans, and that the federal response plan for nuclear powerplant emergencies can be improved by providing for more centralized federal agency control and coordination.

Recommendations to Congress

Congress may wish to consider whether stronger central control of the federal response to a nuclear powerplant emergency is needed to improve federal coordination in such an emergency. If such central control is to be established, any proposed legislation would need to designate a federal agency to exercise the control. The proposed legislation should also provide the controlling agency the authority to require periodic exercises of the federal response plan in each region in conjunction with state and local exercises.
Status: Action not yet initiated.

Recommendations to Agencies

The Director, FEMA, and the Chairman, NRC, should undertake a comprehensive reassessment of their agreement covering state and local emergency planning and preparedness. The reassessment should identify one procedure and the requirements necessary for making consistent findings on offsite emergency planning and preparedness.
Target: Federal Emergency Management Agency
Status: Action in process. Intended completion date unknown.

Target: Nuclear Regulatory Commission
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should, in consultation with states, develop minimum requirements for exercise scenarios and identify which elements of the federal criteria are most important and must be given priority in exercises.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should develop and implement a program for verifying compliance with elements in the federal emergency preparedness criteria that are not tested in exercises.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should implement, once developed, an agencywide system for tracking all deficiencies identified in exercises until corrected.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should improve the process for reporting exercise results so states receive exercise evaluations in a more timely manner and for obtaining schedules of corrective action from the states by ensuring that recently issued guidance is effectively implemented.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should issue final guidance for evaluating public alert and notification.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, and the Chairman, NRC, should prepare scenarios for exercises of state and local plans as required by their regulations. However, if FEMA develops minimum requirements for exercise scenarios, as recommended, this should improve the scenarios prepared by states and utilities and could eliminate the need for FEMA and NRC to prepare scenarios. Under these circumstances, if states and utilities are allowed to continue preparing exercise scenarios, the Director, FEMA, and the Chairman, NRC, should develop procedures to receive and review them in a timely manner to ensure that they meet minimum requirements.
Target: Federal Emergency Management Agency
Status: Action in process. Intended completion date unknown.

Target: Nuclear Regulatory Commission
Status: Action in process. Intended completion date unknown.

The Director, FEMA, and the Chairman, NRC, should undertake a comprehensive reassessment of their agreement covering state and local emergency planning and preparedness. The reassessment should establish and implement controls to ensure that NRC receives periodic status reports on the outstanding deficiencies in each offsite plan and exercise.
Target: Federal Emergency Management Agency
Status: Action in process. Intended completion date unknown.

Target: Nuclear Regulatory Commission
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should work through the Federal Radiological Preparedness Coordinating Committee to develop guidance for assessing public education in the 10-mile emergency planning zone of nuclear plants.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should work through the Federal Radiological Preparedness Coordinating Committee to develop definitive federal guidance on potassium iodide use.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should work through the Federal Radiologicial Preparedness Coordinating Committee to update and expand guidance on using radiation measurement instruments and interpreting the information obtained.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should work through the Federal Radiological Preparedness Coordinating Committee to improve existing radiological emergency training for state and local officials.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

GENERAL SERVICES ADMINISTRATION
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF THE U.S. TRADE REPRESENTATIVE

Data Collection Under the International Agreement on Government Procurement Could Be More Accurate and Efficient
(NSIAD-84-1, 10-25-83)

Budget Function: International Affairs: Foreign Information and Exchange Activities (154.0)
Legislative Authority: Buy American Act. Agreement on Government Procurement, April 12, 1979, T.I.A.S. 10403.

Background
The trade data system, established to collect data on U.S. government procurement activity under the international Agreement on Government Procurement, is not functioning properly. Since the development of a system capable of collecting precise data would be difficult, the system collects approximate information on procurements covered by the agreement. However, the system did not perform to its limited capabilities in developing the 1981 data. It developed information that significantly overvalued covered procurements and did not fully report other essential information. Given the limited resources available and the low priority the collecting agencies place on the trade data system, GAO suggested to agency officials that they could best improve the accuracy and efficiency of this data collection effort by abolishing the trade data system and using the Federal Procurement Data System to collect this data. The agencies have taken steps toward implementing this suggestion.

Findings/Conclusions
GAO found that the trade data system is capable of collecting only approximate individual contract information and assigns one product and one agency to each contract, regardless of the number of different products and agencies involved. Thus, the system does not precisely reflect procurement under the agreement. In addition, although agencies report information into the system on a contract basis, they are required to implement the agreement on a product-by-product basis, determining whether to use the agreement procedures or to apply Buy American price preferences. Reported contracts could also contain both purchases covered by the agreement and those not subject to it. Therefore, the data system may overvalue covered U.S. government procurements. GAO found that, due to a lack of resources and data processing guidelines, the system did not perform using 1981 data. In addition, agencies did not have adequate incentives to properly collect and submit these data.

Recommendations to Agencies
The Director of OMB should direct the Administrator of the Office of Federal Procurement Policy to work with the Office of the U.S. Trade Representative, the Federal Procurement Data Center, and the Federal Procurement Data System Policy Board to revise the current reporting regulations to give agencies unable to collect accurate letter report information guidance on acceptable methods for estimating this information.
Status: Action in process. Intended completion date: 04/85

GENERAL SERVICES ADMINISTRATION
SMALL BUSINESS ADMINISTRATION

Misuse of SBA's 8(a) Program Increased Cost for Many ADP Equipment Acquisitions
(AFMD-82-9, 10-16-81)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Small Business Act (P.L. 95-507; 15 U.S.C. 637(a)). Automatic Data Processing Equipment Act (P.L. 89-306). Walsh-Healey Act (Government Contracts) (41 U.S.C. 35(a)). 13 C.F.R. 121.3-8(e). 13 C.F.R. 124.1. F.P.R. 1-4.11. F.P.R. 1-4.1104(k). B-195118 (1981).

Background
GAO reviewed the use of contracts under Section 8(a) of the Small Business Act by various federal agencies as a means of acquiring automatic data processing (ADP) equipment. GAO sought to determine whether government computer acquisition opportunities are being made available to as many small and disadvantaged businesses as possible under the 8(a) program and if federal procurement policies and regulations are being violated by SBA, federal agencies, or contractors when ADP equipment is acquired under Section 8(a) contracts.

Findings/Conclusions
GAO believes that SBA management of the ADP resource acquisition portion of the 8(a) program has been deficient. GAO found that: (1) only a limited number of minority-owned firms capable of supplying ADP equipment had been recruited into the 8(a) program; (2) the 8(a) firms supplying ADP equipment were functioning as brokers, not as regular dealers; (3) SBA failed to follow its own procedures, which contributed to the brokering and increased the cost of the ADP equipment; (4) federal agencies were able to acquire specific items of ADP equipment through the 8(a) program which they had not justified for acquisition without competition; (5) requirements concerning cost and pricing data and preaward audits were not met; and (6) SBA frequently ignored the small business regulations and SBA procedures concerning size requirements. GAO believes that awarding these contracts is not achieving the program goals of helping firms to gain the experience and financial viability necessary to prosper in the competitive market place. Agencies and SBA are paying the firms to perform a function for which there is no competitive market, and this has unnecessarily cost the government substantial sums of money. GAO believes that the program objectives would best be served if individual 8(a) contract opportunities in computer sciences were limited to annual awards not exceeding 50 percent of an appropriately defined size standard for such services. Such a limitation would allow 8(a) firms to acquire ADP contracts while minimizing the impact on other small and minority businesses.

Recommendations to Agencies
The Administrator of SBA should direct SBA program officials to select 8(a) subcontractors through an equitable selection process which encourages technical competition among 8(a) firms and gives due consideration to the firm's capabilities and development needs.
Status: Action in process. Intended completion date unknown.

The Administrator of General Services, with the advice of the Director of the Office of Management and Budget under the general commission of the Paperwork Reduction Act and the Brooks Act, as well as other authorities, should place in subpart 1-4.11 of title 41 of the Federal Procurement Regulations, and other appropriate places, guidance on the size of electronic data processing and data communication contracts appropriate for award to small business and 8(a) firms.
Status: Action in process. Intended completion date unknown.

VARIOUS DEPARTMENTS AND AGENCIES

POSTAL RATE COMMISSION
UNITED STATES POSTAL SERVICE
Board of Governers

Opportunities To Improve the Postal Ratemaking Process
(GGD-84-10, 4-23-84)

Budget Function: Commerce and Housing Credit: Postal Service (372.0)
Legislative Authority: Postal Reorganization Act (39 U.S.C. 2003). Administrative Procedure Act (5 U.S.C. 551 et seq.). Executive Order 11341. NAGCP v. USPS et al., 51 U.S.L.W. 4877 (1983). 39 U.S.C. 3603. 39 U.S.C. 3624(a).

Background

In response to a congressional request, GAO reviewed the postal ratemaking and classification processes to determine whether opportunities exist to improve them.

Findings/Conclusions

GAO found that, although the current ratemaking process can be lengthy, it works reasonably well. Further, GAO found that current Postal Rate Commission (PRC) procedures are appropriate for resolving mail classification cases. The ratemaking process provides interested parties with an opportunity to participate in the proceedings, develops an evidentiary record upon which rate decisions are based, and normally produces PRC recommendations to the Board of Governors for new postal rates within a reasonable time period. However, if the Board disagrees with a PRC-recommended decision, the reconsideration process may become excessively lengthy since there is no time limit set by law. Although the U.S. Postal Service (USPS), its Board of Governors, and PRC agree that time taken for reconsiderations can be a problem, they disagree on the remedies, with PRC favoring a flexible time limit. Other problem areas involve cost procedural issues, Board use of technical assistance, USPS and PRC reporting requirements, and the consumer advocate's role.

Recommendations to Agencies

In order to clarify the roles of the Governors, the Service, and PRC in the ratemaking process, the Board should amend its bylaws to: (1) define the nature and scope of the Board and USPS participation in considering postal rate proposals and establish the policies and procedures the Governors will follow when considering modifications to the PRC recommended decision; and (2) establish the policies and procedures the Governors will follow when considering modifications to the PRC recommended decision.

Status: Action in process. Intended completion date unknown.

In order to streamline and clarify the provision and use of cost data in the rate consideration process, the Postmaster General should direct USPS to seek informal PRC comments on proposed changes in cost procedures and special cost studies as they are being computed. If this process proves constructive, the Postmaster General should direct USPS to request periodic rulemaking proceedings from PRC to formalize the agreed upon procedures.

Status: Action not yet initiated. *The agency agrees with the recommendation. However, the action date is not known.*

Given the USPS current position, in order to resolve the current disagreements between PRC and USPS over periodic reporting needs and reporting milestones, the Chairman, PRC, should initiate a rulemaking proceeding to reconsider periodic reporting requirements. If the new periodic reporting requirements are not complied with, the Chairman, PRC, should seek specific legislative authority to enforce realistic periodic reporting requirements.

Status: Action not yet initiated. *The agency agrees with the recommendation, but the action date is not known.*

DEPARTMENT OF AGRICULTURE

The Special Supplemental Food Program for Women, Infants, and Children (WIC)--How Can It Work Better? *(CED-79-55, 2-27-79)*

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Child Nutrition Act of 1966 (42 U.S.C. 1786). Child Nutrition Amendments of 1978 (P.L. 95-627; 92 Stat. 3603).

Background

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

Findings/Conclusions

Several WIC programs did not provide needed health services as requested by Congress. Many of the programs were affected by the following: (1) required professional assessments of applicants' nutritional status were not being made in some locations; (2) states used different criteria for judging whether applicants were nutritional risks and eligible for the program and supplemental food packages seldom were tailored to participants' individual nutritional needs; (3) nutrition education and program evaluation have not received the priority and attention they deserve; and (4) program regulations contain provisions hindering effective evaluations.

Recommendations to Congress

Congress should revise authorizing WIC legislation 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.
Status: Action not yet initiated.

Congress should address the problem of whether benefits of the food supplement part of WIC alone warrant its expansion to areas where needed health services cannot be delivered.
Status: Action not yet initiated.

Congress should monitor the Department of Agriculture's actions on the GAO recommendation that Agriculture work with the states and local agencies and with the Department of Health, Education, and Welfare to provide needed services in those present and planned program areas where adequate health services are not available, accessible, and acceptable.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of Agriculture should require that the Department evaluate and report on state monitoring of the content and overall effectivenesss of nutritional education given to participants at the local level.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should preclude disincentives to food package tailoring by specifically prohibiting states from considering food costs in distributing administrative funds to local agencies.
Status: Action not yet initiated. *Food and Nutrition Service officials do not consider this recommendation to be of high priority.*

The Secretary of Agriculture should make certain that the Department's regional offices and its internal audit staff systematically evaluate and report on state management controls over (1) the nature, extent, and frequency of the nutritional risk assessments of program participants, and (2) the basis for, and extent of, food package prescriptions made to enable individual participant's nutritional/health needs to be met.
Status: Action not yet initiated. *Food and Nutrition Service officials do not consider this recommendation to be of high priority.*

DEPARTMENT OF AGRICULTURE

Continuation of the Resource Conservation and Development Program Raises Questions
(CED-81-120, 8-11-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Bankhead-Jones Act (Farm Tenant) (7 U.S.C. 1010; 7 U.S.C. 1011; 50 Stat. 525). Soil Conservation and Domestic Allotment Act (16 U.S.C. 590a et seq.; 49 Stat. 163).

Background

GAO reviewed the Department of Agriculture's Resource Conservation and Development (RC&D) program and the administrative and legislative changes needed to improve the control and operation of the program.

Findings/Conclusions

GAO was unable to develop a clear picture or measure of overall benefits under the program because program accomplishments are not clearly distinguishable at either the project or measure level. The principal problems involved lack of useful data, the intangible nature of some benefits, and varying or unknown degrees of project involvement. GAO was able to obtain cost information on the program overall and on each project but not on individual project measures. Pertinent technical assistance costs were not shown for individual measures. The omission of technical assistance costs in reporting completed measures seriously limited any attempt to evaluate the program's benefits in relation to its costs. Funds appropriated for cost sharing with local sponsors under the program have been used to finance many measures for which other federal programs have been established. Once projects are authorized, they remain on the rolls indefinitely. Federally assisted sub-state planning organizations have the potential to become an alternative delivery system for activities carried out under the program because they perform many of the same functions. Some projects' area plans which specify goals, objectives, and measures to be undertaken have not been updated as required by program procedures.

Recommendations to Agencies

The Secretary of Agriculture should require the Soil Conservation Service to account for and identify the costs of providing technical assistance for each project measure.
Status: Action in process. Intended completion date: 12/84

The Secretary of Agriculture should require the Soil Conservation Service to improve its program information system to provide data which would permit better assessment of project benefits.
Status: Action in process. Intended completion date: 12/84

The Secretary of Agriculture should require the Soil Conservation Service to develop and incorporate an approved evaluation procedure into the program's management process.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF AGRICULTURE

Millions Could Be Saved by Improving Integrity of the Food Stamp Program's Authorization-To-Participate System
(CED-82-34, 1-29-82)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Food Stamp Act Amendments of 1980 (P.L. 96-249). Food Stamp and Commodity Distribution Amendments of 1981 (P.L. 97-98).

Background

GAO reviewed the Department of Agriculture's use of the Authorization-to-Participate (ATP) system, the Food Stamp Program's principal benefit-delivery method. The purpose of the review was to make a preliminary assessment of the Food and Nutrition Service's efforts to ensure the integrity of the system which will deliver about $8 billion of the estimated $10.6 billion of food stamp benefits in fiscal year 1982.

Findings/Conclusions

GAO found that the ATP system has serious weaknesses. While losses through the system have been reported to be about $12 million annually, the inaccurate and incomplete reconciliation reports submitted by some food stamp agencies and the lack of reconciliation reports by others indicate that actual losses are greater. As a result, the Food and Nutrition Service does not know the full extent of the losses. Moreover, it has opted to assume the fiscal liability of these losses when in fact some could have been prevented by food stamp agencies. The Service has issued regulations requiring the use of photo identification at all food stamp projects. The new regulations also limit ATP card replacements, but duplicate transactions may still occur. GAO found that not all food stamp agencies that have serious ATP problems are required to use photo identification under the current criteria.

Recommendations to Agencies

The Secretary of Agriculture should direct the Acting Administrator of the Food and Nutrition Service to take specific measures to improve the Authorization-to-Participate (ATP) system's fiscal integrity, including: (1) determining those elements of existing ATP delivery systems which are most effective in preventing program losses and direct that the more effective methodologies be used where appropriate; (2) verifying data on the reconciliation reports by reviewing food stamp agencies' ATP issuance and reconciliation systems and records, identifying through these reviews food stamp agencies that may be more likely to have recurring duplicate ATP transactions, and analyzing these weaker systems and requiring the food stamp agencies to correct flaws contributing to program losses; (3) requiring photo identification at all food stamp agencies experiencing significant duplicate ATP transactions but not currently covered by the regulations; (4) including enforcing program regulations making states and local food stamp agencies liable for program losses that should have been prevented; and (5) including reevaluating the new ATP replacement regulations to determine if weaknesses in the regulations can be eliminated.

Status: Action in process. Intended completion date: 03/85

DEPARTMENT OF AGRICULTURE

Savings Are Possible Through Better Management of Government-Owned Dairy Products
(CED-82-79, 5-18-82)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: Agricultural Act of 1949 (7 U.S.C. 1421 et seq.). Agriculture and Food Act of 1981 (P.L. 97-98).

Background

GAO reviewed the Department of Agriculture's (USDA) policies and procedures for storing dairy products acquired through the dairy price-support program. The purpose of the review was to evaluate how these products were managed, because the government-owned inventories of butter, cheese, and nonfat dry milk increased substantially during fiscal years 1980 and 1981, and these products comprise the largest share of government-owned commodities.

Findings/Conclusions

USDA successfully located sufficient storage space for the dairy products, which increased from about 705 million pounds in fall 1979 to more than 2 billion pounds by fall 1981. GAO concluded that USDA would realize an estimated annual savings of up to $1.4 million if it purchased its requirements for 1-pound packages of butter directly from suppliers. Butter in 1-pound packages is used in the domestic school lunch and food-for-the-needy programs and is supplied by repackaging blocks of bulk butter. USDA did not act on previous recommendations to buy 1-pound packages of butter because of the large inventory of bulk butter on hand and its concern that the older stock would deteriorate before it was used. GAO concluded that warehouses storing the dairy products are examined more often than necessary. It was estimated that approximately 2600 staff hours of warehouse examiners' time could be saved annually if the frequency of examinations were reduced from three times to two times a year for warehouses that have good performance records. This would provide time for the decreasing staff of examiners to cope with an increasing workload.

Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator of the Agricultural Stabilization and Conservation Service to establish a policy to buy the Department's requirements for 1-pound packages of butter directly from suppliers whenever possible. The Administrator should implement this policy immediately so that part of the requirement for the next full quarter could be acquired in this manner based on an analysis of projected needs and present inventory. For each succeeding quarter, the Administrator should reevaluate government-owned butter inventories to determine the amount such purchases can be increased so that eventually all requirements can be obtained by direct purchases.

Status: Action not yet initiated. *USDA does not plan to implement this recommendation until the current inventory of aging bulk butter stocks has been used up.*

DEPARTMENT OF AGRICULTURE

Agricultural Economics Research and Analysis Needs Mission Clarification
(RCED-83-89, 1-31-83)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Agricultural Research, Extension, and Teaching Policy Act (National). Food and Agriculture Act of 1977 (P.L. 95-113). Organic Act of 1862 (7 U.S.C. 2201 et seq.).

Background

GAO examined and clarified the Department of Agriculture's (USDA) economics research and analysis activities. GAO made its review in terms of the USDA Economic Research Service's (ERS) overall mission and program priorities and its relationship to that of state land-grant institutions. GAO also reviewed USDA activities with regard to planning, priority setting, and coordination of public sector agricultural economics research and analysis.

Findings/Conclusions

GAO found that there is a disagreement within the agricultural community on the roles of ERS and the land-grant institutions' departments of agricultural economics. Contributing to this problem is the lack of clear roles between ERS and land-grant institutions in their economics research. A systematic determination of research needs is important because some research needs must be given higher priorities than others. However, very little has been done to plan for, set priorities for, or coordinate overall public sector agricultural economics research and analysis activities. Decisions are often made on an ad-hoc basis with little coordination between USDA and the land-grant institutions. GAO concluded that, during the past few years, ERS has conducted socioeconomic research which GAO believes is questionable from a subject matter perspective, while other priority research and analysis needs have not been given adequate attention.

Recommendations to Agencies

The Secretary of Agriculture, in cooperation with the state land-grant institutions, should: (1) examine and clarify the federal role in agriculture economics research and analysis, including the ERS role in relation to that of the land-grant institutions; and (2) prepare a statement of the ERS mission and role in relation to the state land-grant institutions and submit it to the appropriate congressional committees for their information and review.

Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF AGRICULTURE

Need for Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud
(RCED-83-40, 2-4-83)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act. Food Stamp Act of 1964. Food Stamp Act of 1977. Food Stamp Act Amendments of 1979. Food Stamp and Commodity Distribution Amendments of 1981. Omnibus Budget Reconciliation Act of 1981. Omnibus Budget Reconciliation Act of 1982. Agriculture and Food Act of 1981. Debt Collection Act of 1982 (P.L. 97-365). H. Rept. 97-759. S. Rept. 97-128. S. Rept. 97-504.

Background

GAO conducted a review of the Food Stamp Program to see if improvements have been made in the identification and recovery of overissuances and the adjudication of cases involving alleged fraud since a 1977 report.

Findings/Conclusions

During fiscal years 1980 and 1981, the federal government lost about $2 billion through state overissuances of food stamp benefits, and eligible households received about $500 million less than they should have. The erroneous issuances resulted from administrative and recipient errors and fraud. Only about 1 cent of each overissued dollar was recovered. Using semiannual quality control results, the Food and Nutrition Service (FNS) can project the total amount of overissued and underissued benefits, but it has no reliable data on how many of these errors states identify with specific households. Data from six states indicated that, compared with total estimated overissuances, relatively few specific cases have been identified. GAO stated that the use of computer matching to identify and ultimately recover specific overissuances holds considerable promise, and legislation implemented in recent years provides needed financial incentives to identify more overissuance cases. Although states are required to establish claims against households identified as receiving overissuances, they have not always done so because collection was difficult; however, recent legislation provides financial incentives and requires offsets against benefits to households still in the program of recipient-caused errors. GAO found that states have not investigated or adjudicated many identified cases of potential fraud because of the problems they perceived in pursuing them and FNS has not acted in a concerted way to solve or lessen barriers to state fraud pursuit.

Recommendations to Congress

Congress should amend the Food Stamp Act of 1977, as amended, to require recovery of overissuances by reducing monthly benefits of recipient households regardless of the reason for the improper issuance.
Status: Action not yet initiated.

Congress should add a new section 13(b)(3) to require states to promptly take all necessary steps to recover any overissuances from households no longer participating in the program.
Status: Action not yet initiated.

The congressional legislative and appropriations committees should direct the Secretary of Agriculture to evaluate and inform them of the results of any legislative changes and administrative efforts to improve the identification and collection of overissuances and the potential impact of any additional initiatives being considered in this area.
Status: Action not yet initiated. *No legislation has been enacted. GAO expects action next session.*

Recommendations to Agencies

The Secretary of Agriculture should explore with the states ways in which error-prone profiles could be used, in conjunction with computer matching and other identification techniques, to pinpoint household circumstances which have high error potential so that states' administrative resources can be directed toward corrective actions that will result in maximum benefits.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should require FNS to solicit, compile, and distribute to the states information on the availability of different kinds of data files that could and should be used to verify household data items that have a major bearing on program eligibility and benefit levels.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should require FNS to revise the present claims report received from the states monthly to include information on the number and value of erroneous issuance cases identified through each of the various identification methods that are available. This information should be assessed and distributed to inform the states of the effectiveness of the different identification methods being used.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should evaluate each state s performance in establishing and collecting claims. Such evaluations should reveal individual states', as well as programwide, strengths and weaknesses in the claims establishment and collection process and provide a basis for a FNS determination of whether administrative sanctions are warranted. As a minimum, these evaluations should

include: (1) a review of the information in states' Status of Claims Against Households reports to ensure that all claims and collection activity are reported accurately; (2) systematic reviews of Office of Inspector General reports, state management evaluations, and other analytical reports and statistical information on the states' success in claims and collection activity; and (3) onsite reviews of the effectiveness of each state's collection techniques, especially the required offset procedure.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should provide technical assistance, based on evaluation and monitoring efforts and other available information, to improve state claims establishment and collection activity as may be needed. Such assistance should include but not be limited to: (1) advice and help to states in developing appropriate accounting systems and controls needed to use the offset procedures most effectively, particularly in cases involving amounts owed from prior periods of households' participation; (2) identification and dissemination of available information on alternative and innovative collection techniques that states use in other programs, and that some states may use in this program, which could be used, or used more, to enhance collection of food stamp overissuances not subject to offset authority; and (3) assistance in implementing alternative collection strategies that hold promise for good results.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should determine the extent of recipient fraud within the Food Stamp Program and establish the appropriate level of state pursuit and adjudicative efforts needed to control recipient fraud.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should require that states' program operating plans include adequate: (1) methods and criteria for identifying cases in which a question of fraud may exist; (2) procedures, developed in cooperation with states' legal authorities, for referring to law enforcement officials cases in which a valid reason to suspect fraud exists; and (3) procedures for referring to an administrative fraud hearing process all cases not referred to or accepted for court prosecution for reasons other than insufficient evidence.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should require states to periodically report pertinent information on their fraud pursuit activities. These reports should include information on all phases of fraud pursuit and adjudication, including the numbers and dollar amounts of all referrals to and from various levels of the investigative and adjudicative processes and the ultimate dispositions of the cases. Such data should identify backlogs in any of the investigative steps or adjudication procedures used.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should periodically evaluate states' investigation and adjudication efforts to determine whether states collectively and individually are adequately pursuing potential food stamp fraud.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should assess the problems that state officials have reported or may report as barriers to adjudicating alleged food stamp fraud and, to the extent practical, provide the guidance and technical assistance necessary for resolving or decreasing the adverse effect of those problems.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

Skewed Bidding Presents Costly Problems for the Forest Service Timber Sales Program
(RCED-83-37, 2-9-83)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)

Background

GAO was requested to examine the use of skewed bids on timber sales of the Department of Agriculture's Forest Service. Skewed bidding occurs when a bidder in a multispecies sale loads most of the bid value on a single tree species and offers the minimum price for the other species. GAO reviewed timber sales in the Service's three western regions where multispecies sales are common and skewed bidding occurs.

Findings/Conclusions

GAO found that the use of skewed bidding is causing costly problems for the Service timber sales program. During fiscal years 1980 and 1981, about $1.9 million in sales revenues was forgone on timber sales closed on 11 of the Service's western national forests, and the Forest must devote administrative resources to deal with the harvest management problems caused by skewed bidding. Timber harvesting on a species-by-species basis on skewed bid sales compounds the sale management problems. Species logging permits the purchaser to harvest the high-value trees on the sale last, thus delaying the receipt of sale revenues. Species logging also increases the risk that high-value trees will not be harvested and efforts to resell the timber may be unsuccessful in recouping the loss. Although skewed bidding affects the Service's three western regions, most Service efforts to control the practice have occurred at the individual region or forest levels rather than programwide. The three western regions have restricted bidding on minor species by setting various minimum volume bidding criteria. GAO found that restricting bidding to species with more than 10 percent of the sale volume had limited effect.

Recommendations to Agencies

The Secretary of Agriculture should direct the Forest Service to control the use of skewed bids on future timber sales. In the short term, the Service could adopt a bid premium distribution procedure whereby the total bid premium on a timber sale would be spread among the species offered for sale in proportion to the volumes and values of the individual species. In the long term, the Service could require adoption of the fixed-price, lump-sum, tree measurement sales method once industry's concerns about this method are resolved to the Service's satisfaction.

Status: Action in process. Intended completion date: 02/85

DEPARTMENT OF AGRICULTURE

Changes Are Needed To Assure Accurate and Valid Wheat Deficiency Payments
(RCED-83-50, 3-29-83)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: Agriculture and Consumer Protection Act of 1973 (P.L. 93-86).

Background

GAO reviewed the Department of Agriculture's (USDA) system for making deficiency payments to wheat farmers. These payments are designed to supplement eligible wheat farmers' income in the years when wheat prices are low.

Findings/Conclusions

Farmers participating in the wheat crop program receive deficiency payments from USDA based on the difference between a target price and the lower national average market price of wheat. GAO believes that changes are necessary to ensure that accurate and valid payments are being made. Under the current system, overpayments or underpayments to farmers could be caused by: (1) inaccurate data which are used to establish the national average market price; (2) procedures used to determine production for the purpose of computing program payment amounts which overstate farmers' actual production; and (3) the imprecise method being used to calculate yields for farmers submitting evidence of actual production.

Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator of the Statistical Reporting Service to adopt procedures to: (1) institute a system of quality control for the prices-received survey as suggested by the 1980 statisticians' report; (2) convey to enumerators the need for them to perform their job correctly and follow up to ensure that they do; (3) provide to each state a standard survey questionnaire with reporting instructions to eliminate possible reporting bias resulting from differing instructions and that clearly explain the purpose and importance of the survey; and (4) institute a followup program to obtain missing reports of quantities sold and amounts paid from grain buyers who were unable to provide requested data during the reported month; this would allow grain buyers more time to report accurate data and eliminate the need for using estimated average prices to compute the estimated average market price.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

Federal Regulation of Meat and Poultry Products--Increased Consumer Protection and Efficiencies Needed *(RCED-83-68, 5-4-83)*

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Meat Inspection Act (21 U.S.C. 601). Poultry Products Inspection Act (21 U.S.C. 451 et seq.).

Background

GAO reviewed the Department of Agriculture's (USDA) Food Safety and Inspection Service's (FSIS) regulation of processed meat and poultry products. The review was made to determine whether: (1) standards have been developed to help ensure consumers of the uniformity and consistency of products; (2) products are properly labeled; and (3) sampling procedures are efficient and effective.

Findings/Conclusions

Products made with mechanically separated meat and poultry contain some pulverized bone, bone marrow, and certain potentially harmful minerals. Consequently, to protect the public, FSIS established specific standards and labeling requirements on mechanically separated meat (MSM). Although a USDA study has shown that similar health and safety problems exist for mechanically separated poultry (MSP), FSIS has not established specific requirements for these products. Because MSM is different from hand-separated meat in that it contains higher amounts of calcium and cholesterol, FSIS established product standards and labeling requirements to prevent MSM products with misleading labels from being sold to consumers. However, similar action has not been taken to protect consumers from products produced with MSP. In a related issue, FSIS has also established standards on the maximum fat and added water that cooked meat sausage products can contain to ensure the products' nutritional quality, but similar standards on cooked poultry sausage products have not been established. To ensure product compliance, FSIS takes three types of samples on processed meat products; however, GAO believes that changes could be made in each type of sample to improve efficiency and consumer protection.

Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, FSIS, to establish specific standards on MSP and labeling requirements on products made with MSP as has been done for MSM and products made with MSM.
Status: Action in process. Intended completion date: 06/85

The Secretary of Agriculture should direct the Administrator, FSIS, to establish standards on the maximum fat and added water that cooked poultry and sausages can contain and appropriate sampling procedures to measure compliance with the standards.
Status: Action in process. Intended completion date: 06/85

The Secretary of Agriculture should direct the Administrator, FSIS, to reduce verification sampling at plants with partial quality control systems that have good histories of compliance and reduce split sampling at plants that have accredited laboratories with good histories of compliance.
Status: Action in process. Intended completion date: 12/84

The Secretary of Agriculture should direct the Administrator, FSIS, to enforce its procedures on investigating and resolving major discrepancies on split-sample results between FSIS field laboratories and the accredited laboratories.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF AGRICULTURE

Improved Management of Import Meat Inspection Program Needed
(RCED-83-81, 6-15-83)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Meat Inspection Act (21 U.S.C. 601 et seq.). Poultry Products Inspection Act (21 U.S.C. 451 et seq.).

Background

GAO reviewed the Department of Agriculture's administration of its import meat and poultry inspection program.

Findings/Conclusions

GAO found that, at the 10 highest volume ports where variances in the quantities of meat rejected ranged from 0.1 to 1.5 percent, procedures for controlling, sampling, and inspecting meat products differed because of: (1) regulations and instructions which were generally outdated, unclear, and inconsistent; (2) a lack of adequate supervision and training of inspection personnel; and (3) workload imbalance. The Automated Import Information System compiles inspection-result histories for countries and foreign plants. These histories are the basis for assigning the scope and extent of inspections. GAO found that, in some ways, regulations and instructions do not conform with the system's revised procedures. GAO and Food Safety and Inspection Service officials found that most inspectors cited the need for periodic training and better communication between inspectors from different ports as a way of standardizing inspections. Despite the apparent improvement in plant conditions, program changes are needed to better ensure that products are imported only from countries and plants meeting U.S. requirements. Recognizing the need for increased attention to foreign programs' regulatory comparability, the Service is developing a new systems approach for approving and monitoring foreign inspection systems. GAO believes that the new system should improve the Service's ability to assess these risks.

Recommendations to Agencies

The Secretary of Agriculture should direct the Food Safety and Inspection Service Administrator to revise the meat and poultry inspection regulations, the manual, and other written instructions to provide clear, concise, and up-to-date guidance on the procedures import inspectors are to use in controlling, sampling, and inspecting products offered for entry.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to develop criteria for distinguishing among minor, major, and critical defects in canned packaged meat products.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to establish new sampling techniques for wholesale cuts and carcasses which do not limit inspection to a predetermined portion of the product for major and critical defects.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to develop work measurement standards to use in ensuring that ports are adequately staffed by full-time and/or temporary inspectors.
Status: Action in process. Intended completion date: 06/85

The Secretary of Agriculture should direct the Food Safety and Inspection Service to develop a more systematic and objective way of compiling the results of plant reviews, using a statistically selected sampling of plants as a basis for apprising management of the overall effectiveness of foreign inspection systems in ensuring compliance with U.S. requirements. Periodic reviews of plants outside the sample should be made at least annually for considering such factors as volume of exports and rejections at U.S. ports. Plants not exporting to the United States should not be reviewed.
Status: Action in process. Intended completion date: 01/86

DEPARTMENT OF AGRICULTURE

Equitable Interest Rates Are Needed for Farmers Home Administration Loans
(RCED-83-157, 8-12-83)

Budget Function: Interest: Other Interest (902.0)
Legislative Authority: Consolidated Farm and Rural Development Act (7 U.S.C. 1921). Housing Act of 1949 (42 U.S.C. 1471). 7 U.S.C. 1927. 7 U.S.C. 1946. 42 U.S.C. 1490a.

Background

GAO reviewed the Farmers Home Administration's (FmHA) policies, procedures, and practices for setting and revising interest rates on farm, home, and community facility loans.

Findings/Conclusions

Between June 1981 and March 1982, FmHA approved about 94,000 housing and farm loans whose borrowers will receive subsidies or pay premiums totalling $112 million over the life of their loans. GAO noted that, because subsidies will exceed premiums, FmHA program costs on these loans could be increased by as much as $94 million. GAO found that FmHA has not developed an adequate rate review or decisionmaking process to allow judicious use of its discretionary authority to set interest rates on housing and farm loans. Specifically, the cutoff point for changing rates was an estimate established without analysis. Further, FmHA application of its own guidelines has resulted in inconsistencies. GAO stated that the lack of criteria resulted in inequitable treatment of borrowers within the same programs, and it questioned the 25-year period FmHA uses to set rates on real estate loans and the use of the municipal bond rate to set rates on community facility loans.

Recommendations to Agencies

The Secretary of Agriculture, to provide for changes in farm and home loan program interest rates in a timely, economical, and equitable manner, should direct the Administrator, FmHA, to revise interest rates monthly, setting new rates at the Treasury monthly cost-of-money rate with appropriate adjustments for limited-resource farm loans.
Status: Action in process. Intended completion date: 01/85

The Secretary of Agriculture, to facilitate this change without adversely affecting the FmHA workload, should direct the Administrator, FmHA, to implement rate changes by the 5th work day of each month and require FmHA county supervisors to determine the maximum rate applicants can pay.
Status: Action in process. Intended completion date: 01/85

The Secretary of Agriculture should require the Administrator, FmHA, before extending FmHA authority, to develop specific, quantitative criteria to identify and weigh other factors in setting loan program interest rates.
Status: Action in process. Intended completion date: 01/85

The Secretary of Agriculture, to better comply with the requirements of FmHA authorizing legislation, should direct the Administrator, FmHA, to use a 30-year maturity period to set interest rates on farm ownership, including limited-resource farm ownership, and single family housing loans.
Status: Action in process. Intended completion date: 01/85

The Secretary of Agriculture, to ensure continued validity of the maturity period being used to set interest rates, should direct the Administrator, FmHA, to periodically determine the actual maturity period of FmHA loans.
Status: Action in process. Intended completion date: 01/85

The Secretary of Agriculture should direct the Administrator, FmHA, to use a revenue bond index to determine bond market rates for the purpose of setting interest rates on community facility loans.
Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Observations on the National School Lunch Program's Assessment, Improvement, and Monitoring System *(RCED, 9-7-83)*

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 1758).

Background

GAO conducted a survey to obtain information on the operation of the Food and Nutrition Service's Assessment, Improvement, and Monitoring System which was implemented under interim regulations which established four standards to improve the management of the National School Lunch Program and ensure correct claims for federal program reimbursement. These standards provided that: (1) applications must be correctly approved or denied; (2) the number of meals claimed by each school must be no more than the number of children correctly approved in each school; (3) school recording systems must yield correct claims for reimbursement; and (4) meals must provide the required food components.

Findings/Conclusions

In the four states which GAO visited, GAO found that the local school food authorities failed to meet the first performance standard because they had more than the 10-percent error tolerance level allowed for invalid applications. In addition, GAO found that the follow-up review requirements for schools found to be not in compliance may to be lenient. Schools may not meet a performance standard and not be subject to another review for years. GAO found that none of the four states elected to require restitution for inaccurate meal counts on the basis of initial reviews, even though restitution is required. GAO found the second performance standard to be overly lenient as a measure of whether free and reduced-price lunch counts were excessive. In addition, GAO found that the third standard was not consistently applied. Furthermore, GAO found that the fourth performance standard does not ensure that the quantities served to each student comply with the regulations. Finally, GAO found that there is a need for a performance standard covering verification of information on applications, since ineligible children receive free meals because of inaccurate reporting of family income or size.

Recommendations to Agencies

The Administrator of the Food and Nutrition Service should consider requiring states to take financial action against school food authorities that do not meet the first performance standard, perhaps based on a sliding scale depending upon the extent to which the percent or number of invalid applications exceeds the tolerance set.
Status: Action in process. Intended completion date unknown.

The Administrator of the Food and Nutrition Service should consider setting a lower tolerance for the first performance standard, because the 10-percent tolerance seems high compared with error-rate tolerances established for the Food Stamp Program.
Status: Action in process. Intended completion date unknown.

The Administrator of the Food and Nutrition Service should consider requiring restitution from school food authorities that do not meet Assessment, Improvement, and Monitoring System standards on an initial review.
Status: Action not yet initiated. *FNS supports the concept of assessing claims based on the severity and longevity of problems. Accordingly, upon initial review next year, it plans to require restitution for severe and longstanding problems.*

The Administrator of the Food and Nutrition Service should consider requiring states to test meal counts under the third performance standard to provide a better degree of assurance that school food authority reimbursement claims are accurate. In addition, he should provide states additional guidance on what amount of restitution should be required when schools do not have, or use, an approved system for counting meals served.
Status: Action not yet initiated. *FNS plans to publish guidance which will implement this recommendation but has not established a timeframe for doing so.*

The Administrator of the Food and Nutrition Service should require that the needed guidance for monitoring the requirement that minimum quantities of various types of food be served to qualify for federal reimbursement be developed and provided to the states as long as Service regulations continue the requirement, and that compliance with the requirement be made a part of the Assessment, Improvement, and Monitoring System.
Status: Action in process. Intended completion date unknown.

The Administrator of the Food and Nutrition Service should develop an additional Assessment, Improvement, and Monitoring System standard for monitoring school

food authority compliance with the new program requirement that State agencies verify 3 percent or 3,000, whichever is less, of a school food authority's approved applications for free or reduced-price school meals.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

USDA's Oversight of State Meat and Poultry Inspection Programs Could Be Strengthened
(RCED-84-23, 10-21-83)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Meat Inspection Act. Poultry Products Inspection Act. Wholesome Meat Act (21 U.S.C. 601 et seq.). Wholesome Poultry Products Act (21 U.S.C. 451 et seq.).

Background

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA) oversight of state meat and poultry inspection programs to determine whether USDA certification procedures conform to the authorizing legislation and to evaluate the methods used in special USDA internal review studies of state inspection effectiveness. In addition, GAO summarized the results of USDA ratings of state-inspected plants to identify trends and the relative standings of state programs from 1980 through 1982.

Findings/Conclusions

Federal legislation gives USDA discretion in determining whether state programs are equal to the federal program. GAO believes that the USDA certification procedures are reasonable and consistent with legislative requirements. However, GAO identified several ways of making the certification procedures more effective. The Food Safety and Inspection Service has proposed substantial changes to its state program review guidelines which, if implemented, would establish a specific policy regarding frequency and scope of state-inspected plant followup visits. However, GAO believes that other proposed changes would strengthen federal evaluations of state programs. The basic methods used in an Inspection Service internal review to determine how state-inspected review results compared with the results of federally inspected plant review results were sound, but GAO could not determine whether the results were valid.

Recommendations to Agencies

The Secretary of Agriculture should instruct the Administrator of the Food Safety and Inspection Service to include this area in all regular reviews of circuit operations made by the review and evaluation staff. The Administrator likewise should include this area in similar reviews of regional operations should such reviews be implemented on a regular basis in the future.
Status: Action in process. Intended completion date: 04/85

The Secretary of Agriculture should direct the Administrator of the Food Safety and Inspection Service to eliminate, or substantially reduce, the influence of custom/exempt plant reviews on state program ratings. This should be done by either basing ratings solely on reviews of official state-inspected plants or, if the Secretary deems it more appropriate, making revisions to the present rating system.
Status: Action in process. Intended completion date: 01/85

The Secretary of Agriculture should direct the Administrator of the Food Safety and Inspection Service to include uncorrected items found during followup visits at state-inspected plants with unacceptable items when computing state ratings.
Status: Action in process. Intended completion date: 01/85

The Secretary of Agriculture should direct the Administrator of the Food Safety and Inspection Service to implement proposed policy changes that would specify the number of times a state-inspected plant with unacceptable items should be revisited and the number of basic inspection items that should be covered.
Status: Action in process. Intended completion date: 01/85

The Secretary of Agriculture should direct the Administrator of the Food Safety and Inspection Service to emphasize to circuit supervisors the importance of accurately reporting federal plant review results and require that area supervisors place special emphasis on this area during their normal oversight of circuit supervisor performance.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

Agriculture's Soil Conservation Programs Miss Full Potential in the Fight Against Soil Erosion
(RCED-84-48, 11-28-83)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Soil and Water Resources Conservation Act of 1977. 16 U.S.C. 590a et seq.

Background

GAO reported on those aspects of the Department of Agriculture's (USDA) three major conservation programs which deal with soil erosion, including: (1) the seriousness of soil erosion; (2) USDA bases for allocating resources to, and measuring the results of, the programs; (3) possible changes that could improve the program's effectiveness; and (4) USDA followup on previous report recommendations.

Findings/Conclusions

USDA has estimated that about 6.5 billion tons of soil erode annually and that conservation programs are not keeping up with the problem. Data are not presently available to give a clear estimate of the consequences and costs of erosion or to enable allocations of resources to be made in such a way that federal conservation programs obtain the greatest benefit for the resources spent. USDA decisions for allocating resources to combat soil erosion have generally not been predicated on factors directly linked to minimizing erosion's harmful effects. USDA plans to modify its resource allocation approaches to base judgments on erosion abatement needs on the extent of soil displacement. It may be some time before USDA is able to obtain the optimum data needed on erosion's harmful effects and to allocate soil conservation resources on that basis. However, some improvements for more effective use of resources at local levels are possible in the near term. GAO found that some disagreement exists as to whether soil erosion could be substantially reduced through more widespread use of conservation tillage farming methods. Finally, GAO questioned the purposes of USDA cost sharing of conservation practices in certain situations, but found that USDA policy has been changed in this area to meet the specifications of a previous GAO report.

Recommendations to Agencies

The Secretary of Agriculture should require that SCS test the feasibility of variable-rate cost sharing for its Great Plains Conservation Program.
Status: Action in process. Intended completion date: 09/85

The Secretary of Agriculture should require that SCS include in its report to the local ASCS committee, where applicable, a list of alternative practices that could effectively address an applicant's erosion problem.
Status: Action in process. Intended completion date: 09/85

DEPARTMENT OF AGRICULTURE

Government Could Save Millions by Revising Its Purchase Specification for Ground Beef
(RCED-84-29, 2-21-84)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: School Lunch Act (42 U.S.C. 1755). 7 U.S.C. 612c. Interim Federal Specification PP-B-2120.

Background

The major federal agencies that buy ground beef require that the product meet certain formulation and certification specifications, some of these specifications increase the material costs and restrict the flexibility of suppliers without increasing the quality, flavor, or nutritional value of the meat. GAO reviewed this matter to determine whether the federal government could buy ground beef at a lower cost.

Findings/Conclusions

Ground beef suppliers and meat experts told GAO that, despite the Government's formulation and certification requirements for its meat purchasing, the commercial product, which accounts for more than 95 percent of U.S. ground beef production, is adequate for the government's use. Commercial customers rely on the Department of Agriculture's Food Safety and Inspection Service (FSIS) to ensure the quality of their meat products. The government could have saved about $20 million of the $181 million it spent for ground beef in fiscal year 1982 if it had purchased commercial ground beef. Further, if the responsibility for product quality assurance were transferred to FSIS, at least 2 cents per pound could be saved by eliminating some duplication in the certification process.

Recommendations to Agencies

The Secretary of Agriculture should modify the federal purchase specification for ground beef to enable the government to purchase ground beef more economically.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

Improved Administration of Special Surplus Dairy Product Distribution Program Needed
(RCED-84-58, 3-14-84)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: Agricultural Act of 1949. Dairy Production Stabilization Act of 1983 (P.L. 98-180). Agriculture and Food Act of 1981 (P.L. 97-98). Commodity Credit Corporation Charter Act. Agricultural Trade Development and Assistance Act of 1954. Temporary Emergency Food Assistance Act of 1983 (P.L. 98-8). P.L. 97-6. P.L. 97-253. P.L. 98-92.

Background

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA) program for distributing surplus dairy products to the needy. Specifically, GAO was asked to determine whether program administration adequately ensured that products were provided only to the needy and to develop estimates on the extent to which donated products displaced commercial sales.

Findings/Conclusions

GAO believes that the absence of national program guidelines on key issues, such as the target population to be served and controls to ensure that participants are eligible, contributed to widely varying programs among the states and, in some cases, among localities. GAO found that: (1) three of the eight states studied had not established any needs tests for program participants; (2) distribution frequencies and quantities of products made available to participants varied; (3) controls over the distribution of products were generally inadequate; and (4) until April 1983, when the quantities of products made available were cut back, the states were able to order virtually unlimited amounts of dairy products. As a result, abuses occurred and displacement of commercial sales was greater than necessary. Legislation enacted in September 1983 required the establishment of program criteria and required the Department of Agriculture to: (1) provide commodities in quantities which can be used without waste; (2) ensure that the commodities provided do not displace commercial sales; and (3) minimize the paperwork requirements imposed on distribution agencies. To the extent that products given away displace commercial sales, they increase market surpluses which USDA is obligated to purchase under the Dairy Price-Support Program and increase USDA inventories of dairy products. GAO estimated that about 31 percent of the cheese distributed from December 1981 to April 1983 in the eight states would have displaced commercial sales of cheese.

Recommendations to Agencies

The Secretary of Agriculture should direct the FNS Administrator to make sure that the final regulations issued by FNS minimize program abuse by requiring states to develop reasonable program controls. Such controls should, as a minimum, require program participants to provide identification and evidence of eligibility.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

More Attention Needed in Key Areas of the Expanded Crop Insurance Program
(RCED-84-65, 3-14-84)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: Federal Crop Insurance Act of 1980 (P.L. 96-365).

Background

GAO reviewed actuarial practices of the Federal Crop Insurance Corporation (FCIC), the rates at which private sector companies are compensated for selling and servicing crop insurance, and the distribution of gains and losses on crop insurance sold by private companies and reinsured by FCIC.

Findings/Conclusions

Congress has expressed concern regarding FCIC progress in implementing the Federal Crop Insurance Act of 1980, the effectiveness of program changes when insurance losses in 1981 and 1982 are considered, and the annual increases in FCIC appropriation requests. GAO found that, following enactment of the legislation, FCIC made substantial progress in expanding the program and involving the private sector in selling and servicing crop insurance. However, FCIC did not give appropriate attention to ensure that its insurance was actuarially sound, did not carefully evaluate its actions involving the private sector, nor make a detailed cost study when it established the compensation rates for the private sector companies' sales and service activities. Under the expanded reinsurance program, private insurance companies obtain reinsurance coverage from FCIC as protection against part of the risk of insuring crops. Allowed annual revisions to the standard reinsurance agreement have resulted in increased costs and risks to FCIC. GAO noted that FCIC has initiated numerous actions that should improve the insurance paperwork submitted by independent insurance agents and taken steps to develop a comprehensive quality control program and a plan for an independent audit of the reinsured companies.

Recommendations to Agencies

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to correct any inaccuracies that may be found in the recently established county insurance offers of FCIC and, if necessary, correct its older county insurance offers that may be inappropriate in light of the increased risk that may be associated with implementing the legislative requirements for higher coverages.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to consider the potential for obtaining actual crop yield data and using such data to establish homogeneous risk groups and the proper relationships among each group's yields and risk rates.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to evaluate the rates established for compensating the private sector in relation to the current or expected premium base and the private sector's costs to provide such services; the rate structure should, if warranted, be adjusted to provide reasonable compensation to the private sector for its services and, at the same time, be cost effective to the federal government.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to moderate further expansion of the reinsurance program until the operation of the current program can be evaluated to ensure that it is cost effective for both the Government and the insurance companies.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to tailor the reinsurance agreements to each company's area of operation and base the gain and loss formula on the loss experience for the geographic area in which the company operates.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

Opportunities for Greater Cost Effectiveness in Public Law 480, Title I Food Purchases
(NSIAD-84-69, 4-19-84)

Budget Function: Agriculture: Import-Export Issues (352.1)
Legislative Authority: Agricultural Trade Development and Assistance Act of 1954 (P.L. 83-480; 7 U.S.C. 1691 et seq.). 7 C.F.R. 17.6(b)(2).

Background

GAO discussed opportunities to improve the effectiveness of subsidized food purchases by recipient, developing countries under the Public Law 480, Title I program.

Findings/Conclusions

Under the program, the Department of Agriculture's Foreign Agricultural Service in fiscal year (FY) 1982 financed about $722 million worth of purchases of agricultural commodities by developing countries. GAO examined 54 of the 86 purchases made in FY 1982 and found that opportunities exist to better control or reduce program costs. In 26 percent of the cases GAO reviewed, buyer purchasing practices were not conducive to achieving the full benefits of open competitive tendering or obtaining the lowest prices. Delays in signing Title I agreements and overlapping of purchases with the Title II program caused prices to rise. GAO found that the Foreign Agricultural Service is financing price premiums for individualized and nonstandard specifications when lower cost alternatives are available. GAO noted that the legal requirement that the United States receive a fair share of the increase in recipients' commercial imports over time is not monitored or emphasized. Finally, GAO concluded that: (1) the credibility of the price evaluation system is questionable; (2) the Foreign Agricultural Service price reviewers routinely approved sale prices that exceeded the market price as determined by the Stabilization and Conservation Service; and (3) the Stabilization and Conservation Service needs to survey a broader cross-section of the industry to better establish market prices for certain commodities.

Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service, to: (1) work for earlier signings of Title I annual agreements and a wider spread of procurements over the year; (2) establish a required minimum amount of time between (a) the issuance of invitations for bids and bid openings and (b) bid openings and the first delivery dates; (3) reemphasize the requirement of the Title I regulations that buyers select the lowest responsive bids and that the Foreign Agricultural Service require and document the justification for any exceptions; and (4) eliminate close or overlapping Title I and Title II, Public Law 480 purchases.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service, to require that recipients finance any additional premiums for individualized or nonstandard specifications unless a definite need has been established and justified.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service, to more carefully monitor import statistics and emphasize the legislative requirements to take reasonable precautions to safeguard the usual U.S. markets and to take steps to ensure the United States a fair share of any increase in commercial purchases in countries which have rising imports.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Administrator, Agricultural Stabilization and Conservation Service, to strengthen the export market price-gathering function of the Kansas City Commodity Office for wheat flour and spring wheat.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service, to: (1) disapprove any Title I bid price that exceeds an FA-5P export market price for the comparable commodity specification and shipping mode and (2) develop a system for evaluating Title I rice prices that uses the broadest practical range of information sources.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

ASCS Needs Better Information To Adequately Assess Proposed County and State Office Automation
(IMTEC-84-11, 5-25-84)

Budget Function: Automatic Data Processing (990.1)

Background

GAO examined the Agricultural Stabilization and Conservation Service's (ASCS) cost-benefit analysis to determine whether ASCS adequately justified the automation of its state and county offices.

Findings/Conclusions

Before automating the state and county offices that administer ASCS commodity and land use programs, ASCS tested the idea in seven county offices. The ASCS cost-benefit analysis shows greater estimated benefits than costs. GAO determined that the ASCS analysis may be overly optimistic. GAO found that the estimates are uncertain because ASCS relied on judgment rather than historical data to project many costs and benefits, and available evidence does not support some of the projections. Most of the estimated benefits are based on projections of saved staff time and improved accuracy. Further, the accuracy improvement is not substantiated by evidence, and other benefits are overstated. Estimated costs for equipment and maintenance appear to have been understated. Finally, ASCS plans to use untested technology for the implementation phase, which increases the risk of unforeseen expenses.

Recommendations to Agencies

The Secretary of Agriculture should direct ASCS to proceed with the prototype project in three states and defer the planned nationwide automation of state and county offices until the prototype has provided credible cost-benefit information and tested the technology.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better
(RCED-84-94, 5-30-84)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Food Stamp Act of 1964. Food Stamp Act of 1977 (7 U.S.C. 2011). Omnibus Budget Reconciliation Act of 1981. Omnibus Budget Reconciliation Act of 1982 (P.L. 97-253).

Background

GAO reviewed the corrective action process used by the Food and Nutrition Service to encourage states to solve Food Stamp Program problems.

Findings/Conclusions

GAO found that the Service has taken some actions to help states develop and implement corrective action plans. However, the Service regions had approved some state plans which did not cover all major problems or which proposed corrective actions which were inadequate for solving the problems that were identified. In addition, the Service and the states did not always analyze and summarize all available data to ensure that all identified problems were being addressed in the plans. Of five states reviewed, only one had developed corrective actions for solving most major problems. GAO found that even when corrective action plans included major problems, the planned solutions were not always adequate. Furthermore, because states and Service regional offices failed to analyze and summarize the results of local program evaluations, they were unaware of some problems which needed to be addressed. In addition, the Service did not ensure that states' plans were carried out in a timely manner or that the states monitored the effectiveness of planned actions. Three of the five states reviewed had inadequate procedures for monitoring corrective actions or improperly used such procedures. GAO also found that regional offices lacked clear-cut criteria for determining when to warn states that federal funds might be withheld due to errors. Finally, GAO found that Service requirements for state management evaluations of local program operations were burdensome and did not cover all recent program changes.

Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to revise Service regulations to expand the definition of what constitutes a major program weakness that must be included in state corrective action plans. Dollar losses or the percent of affected cases could be a better benchmark in some situations than the number or percent of project areas involved, which is the present criterion.
Status: Action not yet initiated. *The agency plans to revise the relevant regulations during fiscal year 1985.*

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to notify Service regional offices and states that corrective action plans should be comprehensive. All major problems should be included in the plans, and proposed solutions should be sufficient to eliminate or substantially reduce the identified problems. Target dates for initiating and completing planned actions should reflect the relative priority for solving each problem.
Status: Action not yet initiated. *The agency agreed with the need for timely and comprehensive corrective action plans, but has not given priority to carrying out this recommendation.*

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to obtain and review all state management evaluation reports and the states' analysis of those reports to make sure that states do not omit major problems from their corrective action plans. Doing this should ensure that states follow regulation requirements to analyze results of management evaluations to identify problems that should be addressed in state plans.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to assist states to do the amount and type of analysis of program information needed to develop effective corrective action plans. One option might be to extend the Mid-Atlantic Region's error rate reduction analysis and research system to other Service regions and to expand that initiative to include the results of management evaluation reviews as well as quality control reviews.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to analyze at the headquarters level all approved state corrective action plans. Such analyses could give the Service a national perspective on the adequacy of state corrective action plans, offer ideas for further technical assistance, and provide Service headquarters with the information needed to evaluate and guide regional approval of corrective action plans.
Status: Action not yet initiated. *Service headquarters is receiving, but not routinely analyzing, all state corrective action plans. The Service plans to begin having its Program Integrity Branch begin routine analysis of these plans in the near future.*

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to notify the states that corrective actions are to be implemented in accordance with approved dates.
Status: Action not yet initiated. *The Service agreed with, but has not yet carried out, this recommendation. It plans to do so in fiscal year 1985.*

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service to make sure that states adequately monitor and evaluate corrective actions as required by Service regulations. For particularly serious problems, the Service should consider requiring states to send it periodic status reports on actions not yet completed. States not having adequate monitoring and evaluation techniques should be required to include these as problems in their corrective action plans and correct them just as they would any other program problems.
Status: Action not yet initiated. *The Service plans to collect information on effective monitoring and evaluation and plans to implement this recommendation based on the information it gathers sometime in fiscal year 1985.*

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to develop and issue policy guidance to regions on when to use the formal warning process. The policy guidance should include a list of the most appropriate program problems which the Service believes should be subject to this process.
Status: Action not yet initiated. *The Service said it would develop flexible guidance for its regions to use in fiscal year 1985.*

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to use the formal sanction warning process as needed to improve states' administration of the corrective action process. It could be used to encourage states to develop comprehensive plans, carry them out in an effective and timely manner, and monitor and evaluate progress toward eliminating or substantially reducing major problems.
Status: Action not yet initiated. *The Service said it would be very deliberate in implementing this recommendation because it fears that extensive reliance on formal warnings might strain federal and state relations. It has, therefore, delayed implementing this recommendation.*

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to withhold approval of any state requests for establishing management units for review purposes which would materially reduce a state's ability to identify statewide problems.
Status: Action in process. Intended completion date unknown.

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to revise regulations and manuals to streamline and restructure management evaluation requirements and update review coverage. This guidance should help states target their management evaluations on those program areas needing the most attention while ensuring adequate review coverage and consistent review efforts among the states. The Service should, as part of this revision to regulations and manuals, add any review requirements originating from legislative changes adopted since 1980 when the most recent regulations and handbooks were issued.
Status: Action not yet initiated. *In fiscal year 1985, the Service plans to revise the regulations which govern management evaluations.*

DEPARTMENT OF AGRICULTURE

Congress Needs Better Information on Forest Service's Below-Cost Timber Sales
(RCED-84-96, 6-28-84)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Forest Management Act of 1976 (16 U.S.C. 472a). 16 U.S.C. 471.

Background

GAO analyzed 3,244 advertised timber sales made in four western Forest Service regions in fiscal years 1981 and 1982 to determine (1) whether individual sales were being made below cost and, if so the general magnitude of this practice in terms of the number, amount of loss, and geographic location; (2) the justification for it; and (3) whether better data could be given to Congress.

Findings/Conclusions

GAO found that, overall, Forest Service revenues exceeded its costs by $712 million. However, although the timber was sold at or above appraised value, some of the sales did not generate enough revenues to cover the costs of making the sales. Below-cost sales had shortfalls of $64 million in 1981 and $92 million in 1982. Such sales occurred more frequently in Forest Service regions that had mostly low productivity timberlands, low sales values for predominant tree species, and relatively low volumes of timber sold. Generally, these sales were in areas that had steep terrain, which increased harvesting costs and involved engineering and construction costs. GAO found that, because the Forest Service does not identify and accumulate its costs for individual timber sales, it is hampered from taking timely actions to reduce costs or improve sale economics. GAO found that 47 to 89 percent of total sale costs were incurred after sale award. Limited cost data on individual sales hampered the Forest Service's response to its annual reporting requirement. The Forest Service makes below-cost sales to encourage the use of damaged timber, improve the growth of individual stands, or satisfy the needs of local communities dependent on national forest timber sales. Although the primary reason for selling timber below cost is to remove relatively low valued timber stands and replace them with higher valued timber stands, GAO found that this rationale was not validated by the net present value of the next stand of timber.

Recommendations to Congress

Congress should require the Secretary of Agriculture to revise the annual reporting to Congress on Forest Service activities to include an estimate of the number and volume of timber sales sold below cost, the amount lost on these sales, and the justification on a summary basis for making such sales.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of Agriculture should require the Chief of the Forest Service to develop a capacity to systematically determine the costs to sell timber for all national forest timber sales and on a statistically valid basis compare these costs with the estimated value to be received from the sale.
Status: Action in process. Intended completion date: 10/85

DEPARTMENT OF AGRICULTURE

Private Mineral Rights Complicate the Management of Eastern Wilderness Areas
(RCED-84-101, 7-26-84)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Environmental Policy Act of 1969 (National) (P.L. 91-180). Wilderness Act (P.L. 88-577). Land Policy and Management Act. Weeks Act (Protection of Watersheds). P.L. 97-466. P.L. 93-622.

Background

Pursuant to a congressional request, GAO studied the problems associated with private mineral rights for wilderness areas in the eastern United States. While the government has some regulatory control over mineral resource development in wilderness areas, it cannot deny the development of private mineral rights. However, such development conflicts with the legislation that created the National Wilderness Preservation System. That legislation restricted activities in wilderness areas to recreational, scenic, scientific, educational, historical, and conservation uses by the public.

Findings/Conclusions

GAO found that the Forest Service, which manages wilderness areas, has experienced problems resulting from the possible development of private mineral rights in four wilderness areas and one potential wilderness area in the eastern United States. In one wilderness area, the owner of mineral rights for the area submitted a plan to mine coal. The Forest Service determined that such mining could be destructive to the area, and attempted to acquire the mineral rights. However, the owner and the Forest Service could not agree on a price for the rights, and the Forest Service believes that it must allow mining. Based on this and other such experiences, GAO and the Forest Service believe that such problems could increase because the Forest Service cannot legally prevent mineral development and Congress is unlikely to appropriate funds to acquire mineral rights for more wilderness areas. GAO also found that, in 1979, the Forest Service submitted recommendations to Congress regarding expansion of the wilderness system. However, the Forest Service did not consider the problems associated with private mineral rights for proposed wilderness areas. The Forest Service is currently reevaluating its wilderness recommendations.

Recommendations to Congress

Before Congress enacts legislation to create additional eastern wilderness areas, it may wish to: (1) consider the extent and development potential of private mineral rights in these areas; and (2) specify whether the Forest Service should acquire mineral rights or allow mining in wilderness areas.

Status: Action in process.

Recommendations to Agencies

Because the Forest Service did not analyze the potential problems or costs associated with private mineral rights when it developed its 1979 wilderness recommendations, the Secretary of Agriculture should direct the Forest Service's southern and eastern regional offices to perform this type of analysis when evaluating the wilderness recommendations. This analysis should include for each area consideration of private mineral development potential, the government's ability to control mineral development if it occurs, the need to acquire private mineral rights, and a range of estimated acquisition costs.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF AGRICULTURE

Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity
(RCED-84-112, 9-11-84)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Food Stamp Act Amendments of 1980 (P.L. 96-249). Internal Revenue Code (IRC). Social Security Act. Food Stamp and Community Distribution Amendments of 1981 (P.L. 97-98). Deficit Reduction Act of 1984 (P.L. 98-369). Social Security Amendments of 1977 (P.L. 95-216). P.L. 98-204. H. Rept. 96-788.

Background

GAO reviewed states' wage-matching activities in the Food Stamp Program to determine whether the Department of Agriculture's and states' wage-matching efforts have effectively addressed the benefit overissuance problem. GAO also analyzed the effectiveness of Aid to Families with Dependent Children (AFDC) Program matching operations on a smaller scale.

Findings/Conclusions

GAO found that underreporting of beneficiary earnings is the most significant cause of food stamp overissuances, which currently are about $1 billion annually. Although congressional requirements to match wages with external sources can be an effective method for improving the program's integrity, GAO found that wage matching could be made more effective and efficient through the use of automated procedures, broader program coverage, and effective tolerances in pursuing wage differences. Active federal involvement in guiding and assisting states to improve their matching systems would benefit not only the Food Stamp Program, but also the AFDC Program. Thorough follow-up actions should ensure that appropriate measures are taken to identify and recover overissuances. GAO noted, however, that follow-up action in most of the cases it reviewed was either not taken, was incomplete, or was inappropriate and the potential benefits from wage matching were not fully achieved.

Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service to issue policy guidance to improve the efficiency of states' wage-matching systems for identifying and referring for follow-up specific cases involving potential overpayments. This initiative should: (1) describe the most efficient automated methods for identifying participants who have not reported their total income; (2) require states to obtain and compare earned income information of households for which external wage data is obtained; and (3) establish dollar criteria on the amounts of potential income errors which require local office followup.
Status: Action not yet initiated. *The agency has not prepared a sixty day letter detailing corrective action plans. It has not determined what specific actions will be initiated.*

The Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service to modify Service regulations concerning increased federal participation in states' cost to develop, install new, or upgrade existing computer systems to require that states' systems retain historical data on participant-reported earnings.
Status: Action not yet initiated. *The agency has not prepared a sixty day letter detailing corrective action plans. It has not determined what specific actions will be initiated.*

The Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service to work with states which already have computer capability to establish and implement systems to conduct automated comparisons of external and participant-reported wage information for the same calendar period.
Status: Action not yet initiated. *The agency plans to, but has not yet, taken any action on this recommendation. It has not yet responded to the final report.*

The Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service to modify Service regulations and establish policy guidance to set forth specific Service expectations regarding state follow-up actions. This should include details on how wage match follow-up work should be conducted, reasonable timeframes for completing follow-up actions, and the types of management controls necessary to make sure that accurate and timely follow-up actions are taken. The Service regulations should stipulate that state procedures must provide for: (1) comparing external earnings information with participant-reported earnings as shown in food stamp records applicable to the same time periods; (2) obtaining supporting documentation on actual earnings for the match period and, as appropriate, for any other past or subsequent months the participant received benefits; and (3) establishing claims and adjusting current benefits within a specific time period.
Status: Action not yet initiated. *The agency has not prepared a sixty day letter detailing corrective action plans. It has not determined what specific actions will be initiated.*

DEPARTMENT OF AGRICULTURE

Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-in-Kind Program
(RCED-84-137, 9-25-84)

Budget Function: Agriculture: Farm Income Stabilization (351.0)

Background

Pursuant to a congressional request, GAO reviewed the Department of Agriculture's (USDA) payment-in-kind (PIK) program, which compensates farmers who withhold production of any of five types of commodities with certain amounts of the crops they would otherwise have harvested.

Findings/Conclusions

GAO found that in 1983, producers idled about 48 million of the 212 million acres USDA had expected to be planted in the five PIK commodities. USDA did not have enough of four of the commodities and purchased additional quantities from producers with outstanding Commodity Credit Corporation (CCC) loans. Such producers forfeited a portion of the crops they had used for loan collateral in return for forgiveness of their loans and the right to retain a percentage of the collateral. USDA used competitive bidding to select bids from the producers who retained the lowest percentage of their collateral. GAO also found that, in most cases, USDA met its PIK obligations by providing acceptable commodities in a timely manner. However, USDA could have spent less money to acquire PIK commodities from CCC debtors by using a unit cost approach to bidding. GAO estimated that USDA could have saved between $58 million and $256 million using a unit cost approach because USDA did not consider the varying rates at which CCC loaned money to producers. In addition, GAO found that USDA positioned about 1 percent of the total commodities exchanged in localities where they were not needed for the program.

Recommendations to Agencies

Because comparing bids on a unit cost basis will allow USDA to acquire commodities at the lowest cost, the Secretary of Agriculture should use the unit cost approach in future acquisitions of commodities held as loan collateral.

Status: Action not yet initiated. *The agency has not had time to respond to this recommendation.*

DEPARTMENT OF COMMERCE

A $4 Billion Census in 1990? Timely Decisions on Alternatives to 1980 Procedures Can Save Millions
(GGD-82-13, 2-22-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Privacy Act of 1974 (5 U.S.C. 55a(n)). Census Act. U.S. Const. art. I, § 2, cl. 2. 13 U.S.C. 141. 13 U.S.C. 221. 31 U.S.C. 412. 39 U.S.C. 411.

Background

To aid Congress and the Census Bureau in planning for the next census, GAO reviewed portions of the 1980 census program concerning mailing list development, followup on nonrespondents, and activities to reduce the number of persons missed.

Findings/Conclusions

Census results are extremely important to the nation because they determine the apportionment of representation and affect the distribution of billions of federal dollars annually. By changing current census procedures, millions could be saved in conducting the 1990 census. Attempting to get a complete count is a costly and complex process. GAO believes that the value of individual procedures in reducing the undercount should be reviewed and efforts made to control their costs while maintaining reasonable accuracy. Compiling a national mailing list prior to census day is critical to ensure as complete a count as possible. However, the cost of compiling mailing lists can be reduced by obtaining addresses directly from the Postal Service. Increasing the time between mailout and start of followup operations could alleviate wasteful followup practices. Programs aimed at reducing the undercount, namely the vacancy check program and the records check program, were the least cost-effective operations conducted during a census.

Recommendations to Congress

Congress should enact legislation, if the Secretary of Commerce decides to purchase address information for the 1990 census from the Postal Service, that: (1) specifically authorizes the Postal Service to provide the Census Bureau address information; and (2) protects the confidentiality of address information provided to the Census Bureau by the Postal Service.
Status: Action in process.

Recommendations to Agencies

The Secretary of Commerce should, in cooperation with the Postmaster General, comprehensively evaluate alternatives for developing address data for the 1990 census.
Status: Action in process. Intended completion date: 01/87

The Secretary of Commerce should test the feasibility of using mail reminder cards and followup mailings. If one or both of the techniques prove to be adequate to meet the Department's needs, they should be used as alternatives to reduce the need for personal visit interviews for the 1990 census.
Status: Action in process. Intended completion date: 09/88

The Secretary of Commerce should extend the time between census day and the start of followup operations to allow field staffs enough time to sort out duplicate and inappropriately mailed questionnaires and to allow them time to check in late mail returns.
Status: Action in process. Intended completion date: 09/88

The Secretary of Commerce should evaluate the feasibility of increased use of imputation, where legally permissible, as a method for developing census information on difficult-to-enumerate households.
Status: Action in process. Intended completion date unknown.

The Secretary of Commerce should evaluate the cost and effectiveness of 1980 census coverage improvement programs to determine if they should be used in the 1990 census. When practical, the evaluation should: (1) identify the cost and result of each 1980 coverage improvement program for various geographical areas and target groups; (2) test the sensitivity of program costs and results to changes in the assumptions upon which the programs are based, such as increasing and decreasing the levels of program activity on target groups and in geographic areas; and (3) express 1990 estimates of cost and results for coverage improvement programs in ranges of values by target groups and geographic areas rather than just a single national value.
Status: Action in process. Intended completion date unknown.

The Secretary of Commerce should evaluate coverage improvement programs used in future censuses by compiling aggregate cost and results data on the operations. The data to be gathered should track the results of coverage improvement programs at the state and sub-state levels, also by target groups.
Status: Action in process. Intended completion date unknown.

The Secretary of Commerce should, by 1984: (1) have the Census Bureau conduct pilot tests to develop better cost and effectiveness information on updating the 1980

mailing lists and for purchasing lists from the Postal Service to ascertain the quality and cost of mailing lists produced by these alternatives; and (2) compare the results of the pilot tests with comparable information compiled on the 1980 census and any other alternative the Census Bureau may identify and, after considering the quality and cost of the mailing lists produced, select the best method.
Status: Action in process. Intended completion date: 09/87

DEPARTMENT OF COMMERCE

The Census Bureau Needs To Plan Now for a More Automated 1990 Decennial Census
(GGD-83-10, 1-11-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: OMB Circular A-109.

Background

In response to a congressional request, GAO reviewed the 1980 census data processing procedures to identify the reasons for the time needed by the Bureau of the Census to publish the data and to determine whether changes in procedures and equipment could reduce the time and cost involved.

Findings/Conclusions

Processing 88 million questionnaires which contain 3 billion items of data on the nation's population and housing is an enormous task; because of the large volume of data, the desire for accuracy, and a great reliance on manual procedures, the Bureau expects to take 3.5 years to process the data. The time required to perform clerical operations contributed to a 1-year slip in the publishing schedule. Other problems included: the underestimation of housing units, uncertain funding, data errors, and the need to update boundaries. Since the early 1970's, when planning started for the 1980 census, the automatic data processing (ADP) industry has made major technical advances which could provide the Bureau with the opportunity to automate much of the manual processing and lower future census processing time and costs. GAO stated that, although the Bureau has expressed an interest in increased automation, its initial planning efforts for the 1990 census need better coordination and development coupled with a provision for the amount of time required to acquire and test new equipment.

Recommendations to Agencies

The Secretary of Commerce should require the Director, Bureau of the Census, to develop a 1990 census plan that includes decision points for evaluating the acquisition, testing, and installation of ADP equipment that are based on past times for planning the 1980 census and acquiring new ADP equipment. The plan should provide for: (1) an analysis of alternative data processing systems that meet census needs and identify the total cost to perform the task including acquisition, maintenance, and personnel; (2) the possibility of redesigning the 1980 census questionnaire to eliminate or reduce responses requiring manual coding; (3) an estimate of the expected time to release 1990 census data based on data processing improvements; (4) clearly defining the responsibilities of the organizational units working on Census Bureau ADP modernization and identify how their activities will be integrated with 1990 census planning; (5) a budget for implementing the plan with initial funding requested in the Census Bureau's fiscal year 1984 budget submission to Congress; and (6) internal periodic reports to assess the progress of the plan and identify any revisions needed.
Status: Action in process. Intended completion date: 10/86

DEPARTMENT OF COMMERCE

Federal Efforts Regarding Automated Manufacturing Need Stronger Leadership
(AFMD-83-68, 5-26-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Stevenson-Wydler Technology Innovation Act of 1980 (P.L. 96-480).

Background

GAO determined how federal efforts collectively influence the adoption of automated manufacturing technologies and whether any changes in overall federal involvement or leadership are indicated.

Findings/Conclusions

GAO found that the government is taking an uncoordinated approach in its activities and policy decisions that can facilitate or impede private sector adoption of automated manufacturing. GAO believes that, to improve the effectiveness of federal automated manufacturing efforts and to keep pace with other countries adopting such technologies, more focused leadership is needed. The Department of Commerce should take on a leadership role to bring together interested parties and ensure that federal efforts to encourage automated manufacturing are rational and cost effective.

Recommendations to Agencies

The Department of Commerce should assume leadership in guiding federal efforts related to automated manufacturing. Specifically, Commerce should work with affected agencies and industries to develop an appropriate federal mechanism for: (1) planning, assessing, and coordinating federal efforts related to automated manufacturing; (2) evaluating the impact of these federal efforts; (3) identifying research gaps; and (4) maintaining a continuing dialogue with affected parties in both the public and private sectors.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF COMMERCE

NATIONAL TECHNICAL INFORMATION SERVICE

Proposed National Technical Information Service Revolving Fund
(RCED-83-218, 8-25-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: 15 U.S.C. 1151 et seq.

Background

In response to a congressional request, GAO examined selected activities and functions of the Department of Commerce's National Technical Information Service (NTIS) clearinghouse, focusing on the need to establish a new revolving fund as proposed by companion bills H.R. 2514 and S. 808. The current NTIS special fund facilitates payments to cover most operating costs associated with its information clearinghouse functions and acquiring inventory and equipment.

Findings/Conclusions

The proposed legislation would establish a revolving fund to permit NTIS to recover all clearinghouse costs, retain net earnings, and purchase equipment and inventory from the fund. GAO believes that, although the revolving fund would not substantially change clearinghouse operations and procedures, it could be an appropriate funding mechanism to finance clearinghouse operations. However, stricter controls would be needed on the fund because the proposed legislation does not provide for congressional oversight.

Recommendations to Congress

H.R. 2514 and S. 808 should be amended to increase congressional oversight over clearinghouse operations.
Status: Action not yet initiated.

DEPARTMENT OF COMMERCE

Implementation of Trade Restrictions for Textiles and Apparel
(NSIAD-84-18, 11-4-83)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: 3 C.F.R. 676. Executive Order 11651. Executive Order 12356. General Agreement on Tariffs and Trade, October 30, 1947, Multilateral, 61 Stat. A3, T.I.A.S. 1700. Arrangement Regarding International Trade in Textiles, January 1, 1974, Multilateral, 25 U.S.T. 1001, T.I.A.S. 7840. Arrangement Regarding International Trade in Cotton Textiles, October 1, 1961, Multilateral, 12 U.S.T. 1674, T.I.A.S. 4884. Long Term Arrangement Regarding International Trade in Cotton Textiles, October 1, 1962, Multilateral, 13 U.S.T. 2672, T.I.A.S. 5240. 13 U.S.C. 221 et seq.

Background

In response to a congressional request, GAO reviewed the current administration of the Multifiber Arrangement (MFA), an international agreement that provides the legal framework for regulating textile trade.

Findings/Conclusions

In the United States, the MFA is implemented by the Committee for the Implementation of Textile Agreements (CITA) which consists of representatives from the Departments of Commerce, State, Labor, and the Treasury, and from the Office of the U.S. Trade Representative. CITA determines whether and when to request consultations with an exporting country about restricting its exports of a particular category of textiles or apparel. GAO found that the structure of the decisionmaking process within the administration and CITA is generally adequate. However, weaknesses in information on the domestic economy lessen the persuasiveness of market disruption statements which are required with each request for consultation on restricting imports. The data for these statements are collected annually and, therefore, are too old to reflect current conditions. They are not compatible with the categories in the consultation requests and contain only vague assertions as to the current state of the market for the category in question.

Recommendations to Agencies

The Secretary of Commerce should direct the Chairman of CITA to arrange with the Bureau of the Census to begin collecting data compatible with the MFA categories on a quarterly basis. If Census finds that information obtained from domestic manufacturers on a voluntary basis is not sufficient for statistical validity, then the Secretary of Commerce should request Congress to enact legislation making such response mandatory.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF EDUCATION

Use of Program Income by Evaluation, Dissemination, and Assessment Centers Supported by OBEMLA
(HRD-82-63, 4-14-82)

Budget Function: Education, Training, Employment, and Social Services: Elementary, Secondary, and Vocational Education (501.0)
Legislative Authority: Bilingual Education Act. 34 C.F.R. 74. OMB Circular A-110.

Background

GAO reviewed the use of income accrued by three Evaluation, Dissemination, and Assessment Centers established through Department of Education grants and supported by Education's Office of Bilingual Education and Minority Languages Affairs. The purpose of these centers is to assess, evaluate, and disseminate instructional materials for use in bilingual education. The objectives of the review were to: (1) determine whether the centers used program income according to federal requirements; and (2) assess whether Education adequately monitored program income.

Findings/Conclusions

Education's monitoring of program income was lax. Centers have accumulated and retained large year-end balances of program income funds, and Education has not issued adequate rules or directives governing such funds. Centers have used program income to purchase equipment, and there is a serious question as to whether Education can transfer such equipment to succeeding grantees as can be done with equipment purchased with grant funds. Centers have also spent program income for purposes which may be inconsistent with the intent of the grant.

Recommendations to Agencies

The Secretary of Education should determine the total program income balances that the centers should have returned to Education, require centers to return such balances and, in the future, require the prompt return of any unobligated program income when completing a grant period, or offset such balances, against succeeding grants.
Status: Action in process. Intended completion date unknown.

The Secretary of Education should establish a federal prerogative similar to that which exists for equipment purchased with grant funds. This would allow Education to transfer equipment purchased with program income funds to a third party upon termination of the grant or when no longer used for the grant purpose.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF EDUCATION

Adverse Opinion on the Financial Statements of the Student Loan Insurance Fund for FY 1980
(AFMD-82-52, 7-8-82)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Higher Education Act of 1965 (20 U.S.C. 1071). 20 U.S.C. 1082(b)(2).

Background

As required by the enabling legislation of the Guaranteed Student Loan Program, GAO reported to Congress its opinion on the Student Loan Insurance Fund's financial statements for the fiscal year (FY) ended September 30, 1980.

Findings/Conclusions

Since the Fund's inception, serious accounting and reporting problems have resulted from inadequate internal controls and noncompliance with generally accepted accounting principles. Although GAO has regularly reported these problems since 1969, Fund management has done little to correct them. In the opinion of GAO, the Fund's financial statements do not fairly present its financial position at September 30, 1980, or the results of its operations and the changes in its financial position for FY 1980. This adverse opinion was necessary because: (1) control account balances, representing 64 percent of the Fund's assets, could not be reconciled with computerized subsidiary records; (2) procedures have not been developed for several accounts, resulting in material misstatements; (3) canceled checks totaling $14 million were added to the Fund's cash balance without determining whether they had been recorded when initially issued; (4) supervisory reviews and other verification procedures were frequently ineffective; and (5) the uncollectible portion of insurance premiums receivable was not recorded.

Recommendations to Agencies

The Secretary of Education should direct the Office of Student Financial Assistance to: (1) prepare appropriate written accounting procedures; (2) record all cash transactions promptly; (3) analyze the Fund's collection experience and establish an allowance for loss rates which are based on this experience; (4) properly train and supervise accounting personnel; and (5) consistently verify manual computations when necessary to ensure the integrity of files and processing.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF EDUCATION

Controls Over Foreign Students in U.S. Postsecondary Institutions Are Still Ineffective
(HRD-83-27, 3-10-83)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Immigration and Nationality Act (8 U.S.C. 1101). P.L. 97-116. 8 U.S.C. 1324(a)(4). 18 U.S.C. 371. 18 U.S.C. 1001. 18 U.S.C. 1341.

Background

In response to a congressional request, GAO reviewed the recruitment of foreign students by U.S. colleges and universities and the controls over foreign students in the United States. GAO work focused on determining the current situation regarding foreign students, efforts made to resolve problems previously identified by GAO, and the status of criminal investigations now underway.

Findings/Conclusions

GAO found that the number of foreign students in the United States is increasing, and Iran continues to be the leading source of these students. Seventy institutions accounted for more than one-third of the foreign students in this country, although more than 2,700 schools reported that they had foreign students in 1980-81. It is estimated that the cost of foreign student education is about $2.5 billion a year. While problems in controls over foreign students noted in previous GAO reports continue to exist, legislation will be introduced and regulations have been proposed that are aimed at their solution. Legislation will be introduced that would require students to return home for 2 years before becoming eligible for immigration. Also, regulations have been proposed to strengthen controls over foreign students by the schools and the Immigration and Naturalization Service (INS). INS is developing a new data base on foreign students and approved schools that will enable it to better identify and monitor foreign student activity in this country. Criminal investigations are being conducted concerning illegal activities in connection with recruiting foreign students by postsecondary schools and foreign students illegally obtaining federally supported financial aid. In addition, regulations are being designed to prevent future recruiting abuses. Indictments have been made and are anticipated as a result of these investigations.

Recommendations to Agencies

The Secretary of Education should review the information disclosed by the investigations now being conducted by the Alien Student Loan and Grant Fraud Project. If this review shows that the problem of foreign students fraudulently receiving federal financial aid is widespread, the Secretary should require each applicant for student aid to submit proof of citizenship or residency to the institution in which he or she is enrolled.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF EDUCATION

Review of the Upward Bound Program
(HRD-83-19, 3-18-83)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Higher Education Act of 1965.

Background

GAO was requested to review the Department of Education's Special Programs for Students from Disadvantaged Backgrounds. As part of that review, GAO evaluated the administration of the Upward Bound Program.

Findings/Conclusions

GAO found that, although Upward Bound has been in operation since 1965, it is unclear whether the program is achieving its intended purpose. At the 12 Upward Bound projects visited, about 50 percent of the participants who entered the program dropped out before graduating from high school. Ten of the 12 projects either did not properly measure the academic improvements made in the remaining participants' skill levels or did not adequately report to Education the academic skills obtained. In addition, the projects generally did not assess the postsecondary performance of participants. Because of the lack of data on academic skills and postsecondary performance, neither Education nor the projects know whether all of the program's goals are being achieved.

Recommendations to Agencies

The Secretary of Education should consider project dropout rates, the changes in participants' academic skills levels, and participants' postsecondary success when awarding new Upward Bound grants.

Status: Action in process. Intended completion date unknown.

The Secretary of Education should require Upward Bound projects to measure the academic growth of participants and to report such growth to Education.

Status: Action in process. Intended completion date unknown.

The Secretary of Education should develop a system to obtain accurate data on participants' postsecondary success.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF EDUCATION

Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Program Requirements
(HRD-84-17, 8-20-84)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Higher Education Act of 1965.

Background

In response to a congressional request, GAO assessed the administration of the Pell Grant program by proprietary schools.

Findings/Conclusions

Proprietary schools are usually private, for-profit vocational schools, and the objective of the Pell Grant program at post-secondary proprietary schools is to help financially needy students get training to prepare them for employment. Since the program began in 1973, the number of recipients has grown over twelvefold and, during the 1980-1981 school year, proprietary schools received and administered $278 million in federal Pell Grant funds. GAO estimated that school practices which are not in the best interests of the students and do not comply with program requirements are costing the government millions of dollars. These practices include: (1) the admission of unqualified students, who have a greater tendency to drop out of school before completing their training than do qualified students; (2) the failure to establish or enforce academic program standards; (3) schools' misrepresenting themselves to prospective students; and (4) errors in computing and disbursing Pell Grant awards and refunds. In its efforts to assess whether schools comply with Pell Grant program requirements, the Department of Education conducts on-site program reviews at some schools each year; however, GAO believes that these reviews are not adequate and are hampered by the agency's limited staff resources.

Recommendations to Agencies

In view of the significantly higher dropout rate for students admitted on the basis of the ability-to-benefit criterion, the Secretary of Education should explore the feasibility of developing criteria that would provide schools a better indication that such students have a reasonable likelihood to complete training. In developing criteria, the Secretary might consider, among other things, the characteristics of successful students enrolled on the basis of ability to benefit, where determinable. If suitable criteria cannot be developed, the Secretary should seek a legislative change to limit admission to students with a high school diploma or general education development certificate and to provide that exceptions to this requirement be justified in writing and approved by Education.
Status: Action not yet initiated. *The agency has not yet advised GAO of its position.*

The Secretary of Education should request that the Inspector General (IG): (1) gather information on why regional offices reject the audit work and reports of independent public accountants; and (2) use the analysis of this information as a basis for assessing and, when necessary, increasing the quality and reliability of public accountant audit work. The overall result of this effort would be the development of better information for Education to use in monitoring compliance. Such information, together with Education's program reviews and IG audits, should allow Education to better ensure that problems such as those noted regarding recruiting practices, adherence to academic progress standards, and administering federal funds are identified and remedial or other enforcement action is taken where appropriate.
Status: Action not yet initiated. *The agency has not advised GAO of its position.*

DEPARTMENT OF ENERGY

FEDERAL ENERGY REGULATORY COMMISSION

Federal Energy Regulatory Commission Has Expedited Case Processing; Additional Improvements Needed *(RCED-83-51, 6-10-83)*

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Administrative Procedure Act. Natural Gas Policy Act of 1978 (15 U.S.C. 3301). Public Utility Regulatory Policies Act. Energy Tax Act of 1978. National Energy Conservation Policy Act. Powerplant and Industrial Fuel Use Act of 1978. 18 C.F.R. 1.28(a). 18 C.F.R. 1.28(c).

Background

In response to a congressional request, GAO reported on the status of the Federal Energy Regulatory Commission's (FERC) current caseload and the improvements it has made in its caseload management in response to a prior GAO report.

Findings/Conclusions

GAO found that FERC has implemented most of the recommendations which GAO made in regard to problems in FERC technical and environmental reviews, hearings procedures, post-hearing legal reviews, and managerial problems. A major time-consuming factor was found to be the large number of incomplete applications received, which necessitated an inordinate amount of staff followup time. The report also noted that many of the lengthiest cases could be expedited if FERC administrative law judges (ALJ) were stricter about granting extensions. The prior report also concluded that FERC could expedite case processing by: (1) delegating the more routine cases to staff for decision; (2) ensuring that its management information system contains sufficient data; and (3) establishing rules on issues common to many cases. The improvements already made by FERC have resulted in faster processing of several major types of cases, which has helped reduce the backlog from about 3,600 cases in fiscal year (FY) 1978 to about 2,000 cases in FY 1982 despite an increase in FERC responsibilities and caseload under the National Energy Act. However, GAO noted that further FERC actions are possible and would yield benefits.

Recommendations to Congress

Congress should require regulatory agencies, such as FERC, to develop ALJ performance standards.
Status: Action not yet initiated.

Congress should assign the responsibility for periodically evaluating ALJ performance to another organization, such as the Office of Personnel Management or the Administrative Conference of the United States.
Status: Action not yet initiated.

Recommendations to Agencies

The Chairman, FERC, should reject incomplete natural gas applications to discourage unnecessary applicant delays in resolving deficiencies, when such action is in the public interest.
Status: Action in process. Intended completion date unknown.

The Chairman, FERC, should obtain the timely involvement of the Director, Office of Electric Power Regulation, to expedite those cases where interagency comments are required on the environmental impact of new hydroelectric projects.
Status: Action in process. Intended completion date unknown.

The Chairman, FERC, should improve the efficiency and effectiveness of the FERC review of cases pending final action or reconsiderations by: limiting and expediting the Office of Opinions and Reviews (OOR) review process and revising OOR review policy to reflect those opinions that best accomplish this objective; summarily affirming all ALJ initial decisions not meeting the criteria it establishes under this review policy; placing a higher priority on FERC action in cases pending rehearing by initially limiting extensions of time for decisions on rehearing requests to a firm, but reasonable, time period (90 days) and, thereafter, allowing further extensions only upon finding certain exceptional case characteristics that it should define in its rules of practice and procedure.
Status: Action in process. Intended completion date unknown.

The Chairman, FERC, should complete ongoing actions to ensure that complete processing milestone dates are entered into the Management Information System.
Status: Action in process. Intended completion date unknown.

The Chairman, FERC, should use currently available monetary penalties to discourage unnecessary delay by applicants when prescribed deadlines have not been met and such action is in the public interest.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF ENERGY

FEDERAL ENERGY REGULATORY COMMISSION

Need To Revise Eligibility Criterion for One Natural Gas Price Category and Eliminate Backlog in Refund Control Work

(RCED-83-3, 8-18-83)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Natural Gas Policy Act of 1978. 18 C.F.R. 271.805. 44 Fed. Reg. 44660. 44 Fed. Reg. 49660. Phillips Petroleum Co. v. Wisconsin, 347 U.S. 672 (1954).

Background

GAO conducted a follow-on review to assess the accuracy of natural gas well determinations for Natural Gas Policy Act incentive-priced categories to determine whether: (1) prices received by producers and ultimately paid by consumers are in agreement with the prices prescribed by the act; and (2) procedures are sufficient for making accurate pricing determinations.

Findings/Conclusions

Most of the wells which GAO reviewed were correctly categorized under the act's and Federal Energy Regulatory Commission's (FERC) implementing criteria. However, the FERC criterion for certain natural gas stripper wells does not meet act requirements. FERC interpretations allow wells which subsequently begin earning a higher return to retain their qualification for this higher price category. The act allows only natural gas which is not produced in conjunction with crude oil to receive stripper prices because revenues from crude oil production would obviate the need for incentive prices for the low volume of natural gas produced. Consequently, consumers are charged higher prices for this natural gas. FERC has developed a huge backlog in its program to detect and require refunds of overcharges in various categories by natural gas producers because: (1) the staff is unable to keep current with cases received; and (2) a surge of cases was created by closing a loophole in regulations. Although FERC has taken some measures to expedite case processing, it has not been able to process fund reports and cases in a timely manner. This backlog and the associated processing timelag may allow overcharges to increase, and the eventual refunds may not reach the consumers who paid the charges. The backlog may also present difficulties in effecting an orderly completion of the compliance program when price controls end.

Recommendations to Agencies

FERC should take timely and aggressive action to identify the actual size and type of backlog work and the procedural or staffing problems causing the backlog in the refund control program and use this information to eliminate the backlog of refund reports and cases and keep caseload processing current through the end of Natural Gas Policy Act price controls.

Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF ENERGY

Policies Governing BPA's Repayment of Federal Investment Still Need Revision
(RCED-84-25, 10-26-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Bonneville Dam Act (16 U.S.C. 832). Columbia River Transmission System Act (16 U.S.C. 839g). Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. 839e(a)(1)).

Background

Federal law requires the Bonneville Power Administration (BPA) to repay the federal investment in its power generation facilities. In a followup to a previous report, GAO examined BPA policies regarding repayment.

Findings/Conclusions

Through 1964, BPA used a fixed annual payment approach to repayment. In 1964, BPA adopted the repayment study method to determine revenue requirements. Under this method, estimated revenues are projected to cover estimated expenses over the repayment period of a facility. If actual revenues are insufficient to cover all expenses, the federal repayment is deferred. BPA has also adopted a policy of making repayments on its highest interest-bearing debt rather than repaying its oldest debts. In its earlier report, GAO recommended that BPA use a fixed annual payment approach to amortizing the federal investment. In response, BPA prepared a plan to catch up on deferred payments by 1985; however, BPA recently estimated that it will fall behind by an additional $119.4 million because of a $350 million shortfall in revenues. GAO found that the practice of paying higher interest debts first reduces the BPA payment to the Treasury and costs money because of the difference between the borrowing cost paid by BPA and that paid by the Treasury. While this has had little effect because of the small amount repaid since the policy was adopted, under a fixed-payment approach the effect would be more significant.

Recommendations to Agencies

The Secretary of Energy should direct BPA to replace its repayment study method of determining revenue requirements with a cost-based method incorporating a fixed annual repayment schedule. Incorporated into the cost-based method should be a provision that late or missed repayments incur interest costs at the higher of project interest costs or the Treasury's current cost of borrowing.
Status: Action not yet initiated. *Energy/BPA is looking into alternative repayment systems.*

The Secretary of Energy should abandon the policy of repaying highest-interest projects first and require scheduled repayment of each increment of the federal investment in the power system based on its cost and repayment period. If revenues in any given year exceed the annual debt service, BPA should be authorized to apply surplus revenues to the highest interest-bearing projects.
Status: Action not yet initiated. *Energy/BPA is looking into alternative repayment systems.*

DEPARTMENT OF ENERGY

DOE Allocation of Costs for Uranium Enrichment Services
(RCED-84-64, 11-15-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2201(v)).

Background

Pursuant to a congressional request, GAO examined issues related to the Department of Energy's (DOE) uranium enrichment services program.

Findings/Conclusions

GAO found that DOE allocates its enrichment services costs and prices its enrichment services based on separative work units. Customers of both high and low enriched uranium are charged the same average price for each separative work unit required to produce their specific products. DOE calculates the price per separative work unit by dividing the total projected enrichment costs for a 10-year period by the estimated total number of separative work units for the same period. Although DOE allocates and recovers enrichment services costs through a single average price per separative work unit, high enriched uranium costs more per separative work unit than low enriched uranium. GAO estimated that the DOE method of allocation resulted in the assignment of about $34 million of high enriched uranium costs to low enriched uranium in fiscal year 1983. It was estimated that, if DOE charged the same price for both types of uranium, the price of low enriched uranium would be reduced by about $1 per separative work unit.

Recommendations to Agencies

The Secretary of Energy should, to more fairly price uranium enrichment, account separately for the costs of providing high and low enrichment services.
Status: Action in process. Intended completion date: 10/85

The Secretary of Energy should, to more fairly price uranium enrichment and using such cost information, establish separate enrichment prices for customers of high and low enrichment uranium.
Status: Action in process. Intended completion date: 10/85

DEPARTMENT OF ENERGY

ENERGY INFORMATION ADMINISTRATION

The Energy Information Administration Needs To Strengthen Its Computer Systems Development Procedures
(RCED-84-42, 1-3-84)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)

Background

GAO reviewed Energy Information Administration (EIA) procedures for developing automated information systems, focusing on the application of those procedures to the development of an automated hydropower billing system for the Federal Energy Regulatory Commission (FERC). EIA regularly provides computer systems development services for other Department of Energy components.

Findings/Conclusions

GAO found that EIA did not have procedures for ensuring that systems development work was properly planned, reviewed, and tested. EIA did not ensure that a contractor's work was based on a study of the needs of potential system users and did not control changes to the system requested by FERC after the system design was agreed upon. GAO believes that, while new systems development standards issued by EIA will alleviate some identified problems, further improvements can be made.

Recommendations to Agencies

The Energy Information Administration should develop and implement specific procedures requiring that: (1) a user-needs analysis be performed for systems development projects; and (2) an appropriate management level, depending on the cost of the projects, conducts reviews when significant changes are made to the designs of the systems, at the end of each major development phase, and when planned costs or time frames are exceeded, or other significant problems are encountered.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF ENERGY

A Long-Term Plan Is Needed To Guide DOE and Multiprogram Laboratory Research and Development Activities
(RCED-84-30, 1-16-84)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)

Background

A review was completed of the Department of Energy's (DOE) research and development planning activities to determine whether DOE provided sufficient planning direction to its nine contractor-operated research laboratories and whether this direction was based on long-term DOE research and development goals, objectives, and priorities.

Findings/Conclusions

In March 1982, DOE initiated efforts to develop a 5-year research and development plan to identify its long-term goals for research and development including products to be delivered and to estimate funding requirements. The plan was not completed because, in mid-1982, the DOE staff that was working on the plan was reassigned to work on the annual budget process, and the plan was deferred until the budget process was completed. Although any long-term plan is to some degree speculative, such a plan is important for energy and research activities because DOE must both maintain support for ongoing projects and initiate work on new issues and potential technologies. GAO found that, in the absence of a DOE long-term plan, each laboratory prepares its multiyear plan based on the annual DOE budget process and ongoing work, rather than on work that will be needed to meet the agency's long-term research and development goals.

Recommendations to Agencies

The Department of Energy should develop a long-term research and development plan to guide and facilitate decisions on developing future energy technologies.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF ENERGY

DOE Needs To Evaluate Fully the Waste Management Effects of Extending the Useful Life of Nuclear Fuel
(RCED-84-111, 1-27-84)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Nuclear Waste Policy Act of 1982 (P.L. 97-425; 42 U.S.C. 10101 et seq.; 96 Stat. 2201; 96 Stat. 2201).

Background

GAO determined whether the Department of Energy (DOE) needs to do more to evaluate the potential impact of extended nuclear fuel burnup under its program for accepting spent commercial nuclear fuel under the Nuclear Waste Policy Act.

Findings/Conclusions

GAO found that, although DOE supports commercial utilities' creating their own storage programs which extend the useful life of nuclear fuel, it is uncertain whether the industry will pursue and develop such programs. GAO believes that DOE should continue to improve the spent fuel use and storage at commercial powerplants. In fiscal year 1984, Congress appropriated $4.5 million dollars for DOE to continue its participation in the program.

Recommendations to Agencies

The Secretary of Energy should complete a full evaluation of the potential to extend fuel burnup and the effects on DOE efforts to subsequently manage the higher burnup fuel by considering the merits of continued government funding of the DOE extended fuel burnup program in terms of: (1) the potential budgetary costs; (2) the potential benefits and beneficiaries; and (3) the likelihood that the nuclear industry would continue extending fuel burnup.
Status: Action in process. Intended completion date: 03/85

The Secretary of Energy should complete a full evaluation of the potential to extend fuel burnup and the effects on DOE efforts to subsequently manage the higher burnup fuel by quantifying, to the extent possible, the effect of increases in fuel burnup on its spent fuel acceptance schedule, and clearly identify the potential impact on its requirements for providing the necessary facilities and services to carry out the Nuclear Waste Policy Act.
Status: Action in process. Intended completion date: 03/85

The Secretary of Energy should report the results of this evaluation to cognizant congressional committees: (1) for their consideration of the DOE Mission Plan for carrying out the Nuclear Waste Policy Act; and (2) as another factor for their fiscal year 1985 budget deliberations on whether to continue funding for the DOE extended burnup program.
Status: Action in process. Intended completion date: 03/85

DEPARTMENT OF ENERGY

FEDERAL ENERGY REGULATORY COMMISSION

FERC Can Improve Its Operational Performance by Broadening and Deepening Current Management Efforts *(AFMD-84-8, 1-30-84)*

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)

Background

GAO examined the overall operational performance of the Federal Energy Regulatory Commission (FERC) to assess its management of operational performance and to identify opportunities for improvement. Operational performance is measured by timeliness, productivity, and quality of work and is a key indicator of management's effectiveness in using its resources to accomplish its workload.

Findings/Conclusions

Although FERC operational performance has improved since 1980, GAO found the need for further improvement in the areas of productivity and quality. Increases in productivity were significantly less than in previous years and were more moderate than improvements in timeliness. Despite overall gains in productivity, many organizational subdivisions experienced declines. GAO was unable to evaluate the quality of work because FERC has not developed any evaluation criteria but GAO feels that this performance attribute requires attention to improve overall operational performance. FERC improved its timeliness by initiating specific improvement projects and emphasizing the importance of timeliness to all levels of management through techniques such as developing measures, setting goals, and developing a system of accountability.

Recommendations to Agencies

The Executive Director, FERC, should develop objective measures for quality. A first step in the process should be to review the 54 FERC activities and identify those that could be measured for quality. Also, in this development process, FERC should review similar organizations' experiences in developing and using quality measures.

Status: Action in process. Intended completion date: 03/85

DEPARTMENT OF ENERGY

Additional Improvements Needed in Logistics Support for the Strategic Petroleum Reserve
(RCED-84-12, 4-13-84)

Budget Function: Energy: Emergency Energy Preparedness (274.0)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

Background

GAO reviewed the Department of Energy's (DOE) efforts to develop an integrated logistics support system for the Strategic Petroleum Reserve (SPR) storage locations. The review was made as part of a comprehensive effort to evaluate DOE performance in developing, filling, and maintaining the SPR.

Findings/Conclusions

During initial planning and construction of the SPR, emphasis was placed upon meeting oil storage goals as quickly as possible rather than developing a logistics support system, which resulted in difficulties in acquiring spare parts and replacing defective equipment at storage locations. DOE initiated logistics support planning, with the intention of making its operations and maintenance contractor responsible for this work, but the scope of the contract work was not clear and the contractor used support planning funds for other activities. In 1982 DOE hired a new contractor and redefined the logistics support planning responsibilities more clearly; however, the new contractor's progress has been slower than expected, and DOE due dates for various segments of the system have been consistently missed. As of September 1983, the contractor had not developed the system's data base for operating and maintenance histories and, without the complete data base, the system cannot accurately estimate spare parts requirements. Despite the slow progress, GAO found that DOE has paid performance incentive bonuses to contractors for logistics support work as well as for other tasks. In addition, the actual development cost of the logistics support planning system is uncertain because DOE has not been able to track the costs incurred by some of its contractors.

Recommendations to Agencies

The Secretary of Energy should instruct the SPR Project Manager to more closely monitor contractor activities to ensure that logistics support activities at the Big Hill site are properly completed and implemented in a timely manner.
Status: Action in process. Intended completion date unknown.

The Secretary of Energy should instruct the SPR Project Manager to more closely monitor contractor activities to ensure that equipment and spare parts acquired for the Big Hill site are standardized to the maximum extent possible.
Status: Action in process. Intended completion date unknown.

The Secretary of Energy should instruct the SPR Project Manager to take appropriate steps to determine the optimum level of SPR spare and repair parts inventories and warehousing facilities based on operational experience and design specifications.
Status: Action in process. Intended completion date unknown.

The Secretary of Energy should instruct the SPR Project Manager to develop a cost-tracking system that clearly identifies costs being expended in the development and operation of the SPR integrated logistics support system.
Status: Action in process. Intended completion date unknown.

The Secretary of Energy should instruct the SPR Project Manager to structure the contract award fee plans in future contracts so that (1) award fees are not paid for less than satisfactory performance and (2) award fee payments are clearly linked to the contractor's actual achievement in meeting stated objectives.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF ENERGY

Improvements Needed in the DOE Petroleum Pricing and Allocation Compliance Program
(RCED-84-51, 4-18-84)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Emergency Petroleum Allocation Act of 1973 (15 U.S.C. 751 et seq.). Economic Stabilization Act of 1970 (12 U.S.C. 1904). Department of Energy Organization Act (42 U.S.C. 7151). Executive Order 11790. Executive Order 12287. 38 Fed. Reg. 22536. P.L. 98-63. P.L. 97-257.

Background

In response to a congressional request, GAO reviewed aspects of the Department of Energy's (DOE) petroleum allocation and pricing compliance program established under the Emergency Petroleum Allocation Act of 1973. In addition, GAO reviewed the proposed compliance budgets for the past 3 years, the DOE basis for resolving major refiners' alleged violations, and the status of prior GAO recommendations to improve the compliance program.

Findings/Conclusions

GAO found that the Economic Recovery Administration (ERA) did not initially request sufficient funds in three budgets for audit and investigation work. Although alleged violations have been resolved or tentative settlement agreements have been reached in most cases involving major refiners, the status of five cases has not changed since 1982. GAO found that documentation of alleged violations involving billions of dollars was inadequate in selected cases. In addition, ERA cannot identify the impact of potential overcharges on individual customers or ensure that the final settlements with major refiners include sufficient refunds for all overcharged customers. GAO believes that ERA has not adequately responded to the June 1982 GAO recommendation which required that ERA provide audit coverage of selected major refiners' crude oil sales and purchase activities that were not precluded by a settlement agreement.

Recommendations to Agencies

The Secretary of Energy should direct the ERA Administrator to establish a case history for each of the 12 major refiners with unresolved issues. This history should include all relevant data, including audit reports, compliance documents, computer runs, and records of manual calculations of potential violations. The resolution of all alleged violations should be clearly traceable in this history.

Status: Action not yet initiated. *DOE disagrees with this recommendation. However, as part of an ongoing assignment, GAO will be following up on the need for this recommendation and the extent to which it should be pursued.*

The Secretary of Energy should direct the ERA Administrator to reevaluate the computer program and the attendant manual calculations used in settlements and litigation to determine whether a new program or modification to the existing program is needed to enable ERA to effectively meet its responsibility for obtaining restitution for overcharged parties.

Status: Action not yet initiated. *DOE disagrees with this recommendation. However, as part of an ongoing assignment, GAO will followup on the need for this recommendation and the extent to which it should be pursued.*

DEPARTMENT OF ENERGY

ENERGY INFORMATION ADMINISTRATION

Performance Evaluation of the Energy Information Administration
(PART-84-1, 6-15-84)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Department of Energy Organization Act (P.L. 95-91). P.L. 97-257. OMB Bulletin 81-16. OMB Circular A-3.

Background

The Professional Audit Review Team's (PART) report presented its evaluation of the performance of the Energy Information Administration (EIA), as required by law.

Findings/Conclusions

PART found that EIA: (1) is strengthening internal controls to better ensure its objectivity and independence from political and commercial considerations; (2) is assessing staffing needs; (3) has enhanced its annual planning needs; and (4) has improved its evaluation of the relevancy of its energy data and publications. However, EIA needs to expand and improve its quality control and assessment activities to ensure the accuracy and credibility of the information which it disseminates.

Recommendations to Agencies

The Administrator, EIA, to control and document the quality of the EIA data, should take actions to develop guidance to ensure that specific quality assessment and quality control activities are clearly understood to be the responsibility of the Office of Statistical Standards or of the program offices.
Status: Action in process. Intended completion date: 12/84

The Administrator, EIA, to control and document the quality of the EIA data, should take action to have the directors of program offices develop broad, office-wide written procedures for performing their quality control functions to guide the further development of detailed quality control procedures for specific data collection forms, systems, and publications.
Status: Action in process. Intended completion date unknown.

The Administrator, EIA, to control and document the quality of the EIA data, should take action to have the Directors of the Office of Planning and Resources and the Office of Statistical Standards evaluate the comparative effectiveness and efficiency of the various quality control strategies employed by the program offices.
Status: Action in process. Intended completion date unknown.

The Administrator, EIA, to control and document the quality of the EIA data, should take action, when a report based on an analytical model is issued, to have the directors of the program offices have documentation for the model available to the public which meets the EIA standards for model documentation.
Status: Action in process. Intended completion date unknown.

The Administrator, EIA, to control and document the quality of the EIA data, should take action to have the Director of the Office of Statistical Standards develop a plan for expediting its audits of the quality of the EIA data and for providing more current and detailed coverage in assessing the quality of EIA major data series.
Status: Action in process. Intended completion date unknown.

The Administrator, EIA, to control and document the quality of the EIA data, should take action to have the Director of the Office of Statistical Standards continue the development of the concept of quality audits by: (1) issuing guidelines which describe quality audits, including recognition of the quantitative measures that result from the statistical process and can be used to describe the level of quality; and (2) request that an independent statistical professional group, such as the American Statistical Association's Committee on Energy Statistics, evaluate the concept of quality audits and the frequency and scope of coverage of accuracy controls.
Status: Action in process. Intended completion date unknown.

The Administrator, EIA, should obtain the recommendations of the Director, Office of Statistical Standards, on the findings noted in the "Frames Status Report," dated May 31, 1983, and have the program office directors develop a plan for correcting the problems in the quality of the frames.
Status: Action in process. Intended completion date unknown.

The Administrator, EIA, should have the Director, Office of Planning and Resources, ensure that a central process and uniform procedures are used to record the assumptions that requesters want to have incorporated into EIA forecasts and analyses and that the resulting products clearly describe the requesters' specifications.
Status: Action in process. Intended completion date unknown.

To ensure that each EIA office has the capability to carry out its specialized functions as effectively and efficiently as possible, the Administrator, EIA, should have the Director, Office of Planning and Resources, assess the number and types of skills EIA needs to meet its overall requirements and to determine whether staffing allocations to each office are appropriate.
Status: Action in process. Intended completion date unknown.

The Administrator, EIA, should have each director of the three program offices develop a plan for conducting a comprehensive data requirements study in his energy topic areas and for periodically updating these studies.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF ENERGY

The Funding of Generic Activities Within DOE's Office of Assistant Secretary for Nuclear Energy
(RCED-84-186, 8-31-84)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Energy and Water Development Appropriation Act, 1984 (P.L. 98-50). DOE Order 5160.1.

Background
Pursuant to a congressional request, GAO reviewed questions concerning the Department of Energy's (DOE) Office of the Assistant Secretary for Nuclear Energy's funding certain generic activities not previously identified in the DOE budget request. Specifically, GAO determined: (1) whether this practice is in accordance with DOE internal budgeting regulations; (2) the impact this practice has on DOE accounting records; and (3) the extent to which these activities should be disclosed in the budget.

Findings/Conclusions
GAO found that DOE internal regulations and congressional guidance do not specifically prohibit the funding of generic activities. Nevertheless, the practice of funding such activities from various nuclear program budgets does detract from the accuracy of DOE accounting records and could misrepresent the actual obligations and cost that DOE is incurring for a specific amount. The practice can overstate the cost of carrying out individual projects within the nuclear programs, while understating the cost of managing the various nuclear programs. GAO concluded that the magnitude of the practice, as well as the consistency in the projects funded over the past 3 fiscal years, suggests that the practice should be disclosed on DOE budget submission.

Recommendations to Agencies
The Assistant Secretary for Nuclear Energy should take the necessary actions to ensure that obligations and costs are more accurately recorded in DOE accounting systems.
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

The Assistant Secretary for Nuclear Energy should disclose the magnitude and scope of funding for generic activities in the budget submission for nuclear energy programs.
Status: Action not yet initiated. *The agency has not yet responded to the final report.*

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Need for HEW To Recover Federal Funds in Uncashed AFDC Checks
(HRD-79-68, 4-5-79)

Budget Function: Income Security: Other Income Security (604.0)
Legislative Authority: Social Security Act (42 U.S.C. 601).

Background

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 ensure 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 to Agencies

The Secretary of HEW should direct the Commissioner of SSA to establish uniform requirements for states to credit the federal government for its portion of uncashed AFDC checks.
Status: Action in process. Intended completion date: 12/84

The Secretary of HEW should direct the Commissioner of the Social Security Administration (SSA) to establish a mechanism for ensuring that these credits are timely and accurate.
Status: Action in process. Intended completion date: 12/84

The Secretary of Health, Education, and Welfare (HEW) should take action to identify and recover the total amount of federal funds in uncashed AFDC checks that have not been refunded the federal government.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Action Needed To Avert Future Overpayments to States for AFDC Foster Care
(HRD-81-73, 4-20-81)

Budget Function: Income Security: Other Income Security
Legislative Authority: Social Security Act. Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272).

Background

Until the Adoption Assistance and Child Welfare Act was enacted, the Department of Health and Human Services (HHS) matched payments available to the states under the the Aid to Families with Dependent Children (AFDC) program for foster home care of dependent children. The act established fiscal year 1978 as a base year for the computation of future allotments of foster care moneys. A GAO review showed certain unallowable practices regarding fiscal year 1978 reimbursements which, if not given prompt attention, could continue to improperly increase future foster care allotments to some states.

Findings/Conclusions

GAO found that over $12 million in private nonprofit agency foster family home administration costs, not eligible for federal sharing, were incurred by New York City and federally reimbursed. The states of New York and California were also reimbursed an undetermined amount for costs attributable to ineligible foster care enrollees. Since 1978, GAO has unsuccessfully attempted to have HHS take corrective action to recover amounts reimbursed to New York City for unallowable administrative costs. The longer HHS takes to correct the level of fiscal year 1978 federal reimbursements, the larger the overpayments will be. Using fiscal year 1978 as a basis for allotments to New York and California without adjusting for incorrect federal payments has resulted and will continue to result in reimbursements higher than those authorized. If there is a dispute between any state and HHS as to expenditures for a base year, the base amount may only be changed in the fiscal year after the one in which the dispute is resolved. The foster family home administrative services, in dispute in several New York City contracts with private nonprofit agencies, are normally provided by state social service agencies.

Recommendations to Agencies

The Secretary of HHS should recover overpayments made to New York city for unallowable administrative costs.
Status: Action in process. Intended completion date: 12/84

The Secretary of HHS should (1) require that all foster care reimbursements to the states for fiscal year 1978 be audited to identify any unallowable costs, determine the correct level of fiscal year 1978 federal reimbursements, and act to recover unallowable costs.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HHS Moves To Improve Accuracy of AFDC Administrative Cost Allocation: Increased Oversight Needed *(HRD-81-51, 5-18-81)*

Budget Function: Income Security: Other Income Security (609.0)
Legislative Authority: Social Security Act. P.L. 96-226. Federal Management Circular 74-4.

Background

The Department of Health and Human Services (HHS) is responsible for ensuring that state cost-allocation plans, upon which federal financial participation in administrative costs for the Aid to Families with Dependent Children (AFDC) program are based, accurately reflect the federal reimbursable share of costs.

Findings/Conclusions

The principal oversight agencies of HHS are not adequately reviewing, analyzing, and questioning data in state cost-allocation plans either before or after their approval. A GAO review of administrative costs in four states indicated that the federal government may be incurring unnecessary charges which, in two of these states, could amount to $6.6 million annually. Overcharges are occurring because HHS has not provided its oversight agencies with adequate review guidance, a clear definition of their respective roles for reviewing cost-allocation plan implementation, and sufficient staff to accomplish their work effectively. Erroneous reimbursement claims have been a longstanding problem. HHS has not required a uniform method of accumulating and allocating states' costs and has approved some methods which cannot ensure that administrative cost expenditures in a given program are as directly proportional to the administrative support received as possible. The varying methods of cost allocation also preclude HHS from making meaningful comparisons of administrative cost expenditures among states. HHS has not developed guidelines for distributing costs in welfare cost-allocation plans and does not require states to distribute administrative costs on any standardized basis. States are allowed considerable latitude in developing cost accumulation and allocation methodology. By developing a welfare cost allocation guide, some corrective action is underway.

Recommendations to Agencies

The Secretary of HHS should issue guidelines establishing a system of uniform cost principles, procedures, and methodology for all welfare cost-allocation plans.

Status: Action in process. Intended completion date: 09/86

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Improving Medicaid Cash Management Will Reduce Federal Interest Costs
(HRD-81-94, 5-29-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Intergovernmental Cooperation Act of 1938 (42 U.S.C. 4201 et seq.). Social Security Act (42 U.S.C. 1396). Social Security Amendments of 1965. 12 C.F.R. 204.5.

Background

GAO reviewed the state systems for managing Medicaid cash and recovering Medicaid overpayments to providers and for returning the federal share of these overpayments to the Department of Health and Human Services (HHS).

Findings/Conclusions

GAO found that over $11 million in Medicaid and other program funds were in noninterest-bearing checking accounts in three states. Because the banks had use of this money, the federal and state governments lost incurred interest of over $1.3 million. One of the banks involved reported earning $512,000 on the Medicaid funds it held for an 11-month period. Some states drew federal funds in excess of current disbursement needs, invested the balances, and retained the interest earned. States had not returned the federal share of $23 million in identified but uncollected overpayments. The time that elapsed between when states made cash collections and when they returned the federal share enabled states to earn substantial amounts of interest on federal funds.

Recommendations to Agencies

The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to modify the procedures through which the federal share of recovered Medicaid overpayments are returned to eliminate the long elapsed time between recovery and return of the federal share.

Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Family Planning Clinics Can Provide Services at Less Cost but Clearer Federal Policies Are Needed *(HRD-81-68, 6-19-81)*

Budget Function: Health: Health Care Services (551.0)

Legislative Authority: Family Planning Services and Population Research Act (P.L. 91-572). Social Security Act. Social Security Amendments of 1967 (P.L. 90-248). Public Health Service Act (42 U.S.C. 300). Economic Opportunity Amendments of 1967 (P.L. 90-222).

Background

In fiscal year 1980, the Department of Health and Human Services (HHS) spent about $375 million for family planning services and contraceptive supplies through several different programs. GAO reviewed several aspects of the family planning program authorized by the Public Health Service Act.

Findings/Conclusions

The family planning clinics reviewed generally provided the medical services required by HHS. However, HHS guidelines recommended or required too many clinic revisits by women using oral contraceptives, education that does not appear to be needed by all clients, and routine medical tests that do not seem to be necessary for all clients. Many of the clinics reviewed were performing tests and examinations not required by HHS or professional medical standards. Some of these HHS policies and clinic practices unnecessarily add to program cost and contribute to long waits for appointments and long office visits at some clinics, perhaps deterring initial or continuing participation in the program. Clinics have lost revenue and, in some cases, have treated clients inequitably because HHS and state policies were not clearly understood or consistent. HHS has failed to: update its official definition of a low-income family, issue guidance on charging fees to teenagers, and uniformly enforce fee requirements. The adequacy of the management information system used to allocate program funds and monitor the program is questioned by many HHS and grantee officials. The position of the Deputy Assistant Secretary, in managing the program, should be strengthened by clarifying his responsibilities and authority so that he could more effectively coordinate and evaluate all the component agencies' administration of family planning programs. The use of funds for program implementation research should be clarified.

Recommendations to Congress

Congress should reassess whether the Deputy Assistant Secretary for Population Affairs needs to administer all of the HHS family planning programs which provide for or authorize grants or contracts.

Status: Action not yet initiated.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicare Home Health Services: A Difficult Program To Control
(HRD-81-155, 9-25-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Medicare-Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142). Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Social Security Act. Social Security Amendments of 1965. Social Security Amendments of 1972. 42 C.F.R. 400. 42 C.F.R. 405.237. 42 C.F.R. 405.1227. S. Rept. 89-404.

Background

GAO assessed various Medicare claims to determine the reasonableness and medical necessity of skilled nursing care and therapy, the need for home health aide services, and compliance with the homebound and other requirements of the Medicare program. Aide services provide for the personal care of the beneficiary and represent about one-third of all visits provided under the program. Because family and friends provide similar services, GAO visited 150 beneficiaries in their homes to determine if the use of home health aides was supplanting the support provided by family and friends.

Findings/Conclusions

In a review of a sample of beneficiary medical files at 37 home health agencies, GAO found that 27 percent of the home health visits were not covered under the program or were questionable. Two major reasons were that beneficiaries were not homebound and the services provided were not reasonable or medically necessary. GAO noted that other studies also disclosed similar results. GAO found that Medicare contractors or intermediaries deny few claims for payment because they receive from home health agencies little information on which to base a judgment. GAO found the homebound requirement of the program to be especially difficult to administer because of a lack of clear criteria as to the ambulatory status of the beneficiaries and the nature and frequency of absences from home. For 42 or 28 percent of the cases, GAO was of the opinion that the beneficiary was capable of self care or family or friends were willing and able to provide the services required. GAO found several other factors which were adversely affecting proper utilization of the home health benefits: (1) physicians who authorize program services do not appear to be taking a very active role in the program; (2) Medicare contractors had little specific comparative information about the utilization practices of home health agencies; (3) the medical documentation in agency case files was often not complete; (4) home visits with beneficiaries are needed to verify various program requirements; and (4) contractors have little incentive to make proper coverage determinations.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to clarify and make more specific the criteria for determining homebound status.
Status: Action not yet initiated. *The agency believes the problem results more from interpretation of criteria than the need for clearer criteria. HHS plans to provide a training effort to ensure more consistent interpretations of the criteria, but action has been held up while the agency meets with industry representatives and congressional staff. The action date is not known.*

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require home health agency nurses and aides to specifically document the ambulatory status of beneficiaries, including the nature and frequency of absences from the home.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require intermediaries to apprise physicians of the noncovered services provided under plans of care they approve.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to emphasize to home health agencies the documentation requirements for clinical records and to strengthen the requirements.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to include home visits to beneficiaries as part of the onsite coverage audits of home health agencies.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to, where home health agencies provide aide services, require them to submit with their bills a copy of the aide needs assessment.
Status: Action not yet initiated. *Although the agency intends to act, it has not yet assigned any specific component to implement this recommendation. An action date is not known.*

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Speeding Up the Drug Review Process: Results Encouraging but Progress Slow
(HRD-82-16, 11-23-81)

Budget Function: Health: Health Research (552.0)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301).

Background

GAO reviewed the Food and Drug Administration's (FDA) drug review process to determine the status and effectiveness of the FDA efforts to reduce the processing time of new drug applications. The review concentrated on three areas: (1) recent new drug application approval data to determine whether FDA was making progress in speeding up the process, (2) a number of recent FDA initiatives aimed at speeding up the drug review process to determine the status of their implementation, and (3) other suggestions that have been made to speed up the drug review process and to determine the extent to which they might be implemented by FDA. GAO compared the time required to approve new drug applications received by FDA during fiscal years 1976 and 1977 with the time required to approve those received in fiscal years 1979 and 1980.

Findings/Conclusions

FDA has made some progress in reducing processing time for new drug applications, particularly for important new drugs. The review showed that applications for approval of important new drugs received in fiscal years 1979 and 1980 were processed an average of 36 percent faster than similar applications received in fiscal years 1976 and 1977. However, progress among the six FDA reviewing divisions has not been consistent; four divisions have increased review time. FDA efforts to speed up the review of chemistry data by having firms submit this information for drugs classified as major or modest therapeutic advances before submitting the full new drug application can help expedite review, but firms rarely do this. Because FDA requirements for giving priority review to important new drug applications have not been communicated in writing, many reviewers have not understood the FDA priority and, therefore, treat some important drugs no differently from other drugs. Validation of the methods used by the sponsor to ensure the quality, strength, purity, and identity of a drug continues to take much longer than the FDA 45-day goal despite FDA efforts to speed up the process. Additional efforts are needed to speed up the work of the Biometrics Division and the Biopharmaceutics Division. These divisions' data requirements are not being adequately communicated to new drug application sponsors. Finally, reviewers in some FDA divisions wait until they are well into their review before identifying the material to be reviewed by these divisions.

Recommendations to Agencies

The Secretary of HHS should direct the FDA Commissioner to decide what FDA will require for methods validation, communicate these requirements to new drug application sponsors and all FDA review and laboratory chemists, and establish controls to see that these requirements are followed.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should direct the FDA Commissioner to make statistical guidelines available to all new drug application sponsors as soon as they are completed.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should direct the FDA Commissioner to prepare a report to the Chairman, Subcommittee on Natural Resources, Agriculture Research and Environment, House Committee on Science and Technology, detailing each change it has made or plans to make to speed up the drug approval process and estimating the amount of review time the change has saved or is expected to save.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Guidance and Information Needed on the Use of Machine Readable Claims Under Medicare and Medicaid *(HRD-82-30, 12-16-81)*

Budget Function: Health: Health Care Services (551.0)

Background

GAO surveyed the: (1) extent that Medicare and Medicaid providers use machine readable claims and billing service companies; and (2) implications of their use on claims processing agent operations such as administrative costs, utilization and quality control reviews, and reimbursement determinations. GAO was also interested in whether there were any potential conflicts of interest between claims processing agents and billing service companies.

Findings/Conclusions

The Health Care Financing Administration (HCFA) needs to improve controls over machine readable claim systems in use under Medicaid and should obtain information so that it can develop policies for implementing the most effective and efficient systems for processing such claims. HCFA has established controls for the use of machine readable claims in the Medicare program, but not in the Medicaid program. In addition, it has not issued similar guidelines to state Medicaid agencies or assisted them in developing machine readable claims systems. State Medicaid agencies using fiscal agents could experience problems if fiscal agents have ownership interests in billing companies because potential conflicts of interest could arise from the relationship between the fiscal agent processing the claims and the billing company submitting them. Although there is no HCFA guidance for the Medicaid program on this conflict of interest issue, HCFA has developed a proposed new Medicaid Management Information System which requires states to be able to receive inpatient hospital claim data in the machine readable format required by the Medicare Program. However, the system's requirements will not establish any guidelines for the use of machine readable claims. HCFA needs to gather and analyze data on the benefits of machine readable claims. Limited available data show that machine readable claims offer significant potential savings to the federal government and the states.

Recommendations to Agencies

The Administrator of HCFA should gather and analyze sufficient data on the different types of machine readable claims systems used by Medicare and Medicaid claims processing agents to determine their relative costs and benefits so that policies encouraging the most effective and efficient systems for Medicare and Medicaid can be developed.

Status: Action in process. Intended completion date: 08/85

The Administrator of HCFA should establish an acceptable error rate for machine readable claims and revise current policy on onsite verification audits to allow less frequent audits of providers demonstrating compliance rates that meet the established requirements. Medicaid requirements should be made compatible with Medicare requirements so that a single audit for both programs would be possible.

Status: Action in process. Intended completion date: 08/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Physician Cost-Containment Training Can Reduce Medical Costs
(HRD-82-36, 2-4-82)

Budget Function: Health: Education and Training of Health Care Work Force (553.0)

Background

GAO reviewed the current status of cost-containment training for physicians in medical schools, residency programs, and continuing medical education.

Findings/Conclusions

GAO found that the collective decisions of the nation's physicians greatly affect the national demand for and utilization of medical resources. Knowledge of cost-containment principles is an important element in efforts to control health care costs, and cost-containment training is an important first step in these efforts. Medical schools and residency training programs have led the way in developing programs to increase physician sensitivity to the cost of health care and to train their students in methods and techniques for providing cost-effective care. However, these programs vary widely in approach, content, and emphasis because health care cost containment is still a relatively new issue for which no standard teaching and training approach has been developed. The commitment of medical school faculties will determine the extent of further development of cost-containment training programs. GAO believes that one possible means to increase faculty and student sensitivity to the importance of such training could be the inclusion of cost-containment material in required medical examinations.

Recommendations to Agencies

The Secretary of Health and Human Services should provide impetus to the continued development and expansion of physician cost-containment training by monitoring the medical profession's progress as it incorporates such training into medical curricula and by providing funding on a carefully selected basis for seminars and conferences at which medical school faculty and residency program directors can develop and share strategies, approaches, and methods for teaching cost-effective medicine.

Status: Action in process. Intended completion date: 12/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Social Security's Field Office Management Can Be Improved and Millions Can Be Saved Annually Through Increased Productivity
(HRD-82-47, 3-19-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Act. Social Security Amendments of 1980 (P.L. 96-265).

Background
GAO reviewed selected Social Security Administration (SSA) field office operations.

Findings/Conclusions
GAO found that SSA can save millions of dollars annually by improving the management and productivity of its field offices. Gains can be achieved by: (1) establishing field office productivity goals and increasing management focus on potential productivity gains; (2) improving field office management information systems to improve the management and monitoring of goals; (3) improving headquarters communications to field offices, including improving the design and control of forms used by field offices; and (4) increasing automation of field office clerical tasks, program eligibility decisions, and benefit computations. SSA measures three dimensions of field office work: processing time, quality, and productivity. Some of the improvements in processing time and quality are attributable to improved computer support and new techniques. Management interest in productivity would achieve improvements in that area. Field office personnel need simple and clearly written operating instructions. GAO tested the readability of several instructions by applying a fog index which approximates the number of years of education needed to read and understand SSA instructions. To understand the material required at least 15 years of education. However, GAO believes that the continuing problems that SSA has with instructions demonstrates a need for more field testing of and increased controls over the instructions. The lack of data and design standards for SSA forms result in inconsistencies between forms, which hamper productivity and lead to errors.

Recommendations to Agencies
The Commissioner of SSA should establish productivity goals for field operations along with accurate and reliable systems to monitor them.
Status: Action in process. Intended completion date unknown.

The Commissioner of SSA should develop and implement an automated field office workload control and management information system for managing the workload and appraising individual employee performance.
Status: Action in process. Intended completion date: 06/85

The Commissioner of SSA should establish and enforce standards for common data. Handling common data in a consistent manner may reduce operational complexity, the number of forms currently in use, and the potential for errors.
Status: Action in process. Intended completion date unknown.

The Commissioner of SSA should aggressively pursue opportunities to improve field office productivity through increased automation of field office tasks, and achievement of these opportunities should be an integral part of any SSA plan for resolving the current computer system problems.
Status: Action in process. Intended completion date: 06/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Need To Establish Medicaid Standards for Intermediate Care Facilities for the Mentally Retarded
(HRD-82-57, 4-16-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1396). 42 C.F.R. 442. 42 C.F.R. 442.30(a). 42 C.F.R. 442.30(b). 42 C.F.R. 442.105(a). P.L. 92-223.

Background

GAO reviewed the growth of small, community-based intermediate care facilities for the mentally retarded (ICF/MR), primarily in New York state.

Findings/Conclusions

In certain circumstances, states can temporarily waive compliance with federal ICF/MR standards and can certify for Medicaid reimbursement facilities which do not meet all of the standards. With few exceptions, the ICF/MR's having 15 clients or fewer initially certified by New York state had major deficiencies, and more than half still had major deficiencies when recertified. The Health Care Financing Administration (HCFA) is attempting to recover about $7 million of federal Medicaid funds which it believes were inappropriately provided to those facilities since their initial certification. Medicaid payments for services in an ICF/MR are authorized if the facility's primary purpose is to provide health or rehabilitation services for mentally retarded individuals, the facility meets the HCFA standards, and individuals in the facility are receiving active treatment. Regulations allow termination of provider agreements based on recurring deficiencies. However, the regulations do not define when a facility's capacity to give adequate care is seriously limited or provide adequate guidance as to when a state should deny certification because of a lack of active treatment. Appropriate guidelines would ensure that clients receive adequate care, Medicaid funds are appropriately spent, and regional offices have guidelines to review state programs.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator, HCFA, to establish which standards for intermediate care facilities for the mentally retarded cannot be waived and must be met before a state can certify a facility as eligible for Medicaid reimbursement.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Discontinuing Social Security's Currently Insured Benefit Provision Would Save Millions and Eliminate Inequities
(HRD-82-51, 4-23-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Act.

Background

GAO reviewed the Social Security Administration's (SSA) eligibility insurance provision, known as the currently insured provision.

Findings/Conclusions

SSA currently insured benefit eligibility insurance provision no longer has relevance. Discontinuance of the provision could save SSA trust funds about $180 million through 1990 and will not affect survivors now receiving benefits. Further, discontinuance will end some inequities to survivors of fully insured workers and to some survivors of workers who do not qualify for benefits.

Recommendations to Congress

Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes: these amendments shall be effective in determining the insured status of individuals who die after [the effective date to be determined].
Status: Action not yet initiated.

Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes: Title II of the Social Security Act is amended by striking out the words "or currently" wherever they may appear in connection with the status of an individual insured under this title.
Status: Action not yet initiated.

Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes: section 214(b) of the Social Security Act is repealed.
Status: Action not yet initiated.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Oversight of State Medicaid Management Information Systems Could Be Further Improved *(HRD-82-99, 7-30-82)*

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1396). Medicare-Medicaid Anti-Fraud and Abuse Amendments. P.L. 92-603. P.L. 95-142.

Background

GAO reviewed the Medicaid Management Information System (MMIS) to follow up on actions taken by the Department of Health and Human Services (HHS) to implement prior GAO recommendations. On the federal level, MMIS is administered by the Health Care Financing Administration (HCFA).

Findings/Conclusions

The newly designed Systems Performance Review, which contains the performance standards developed in response to revised statutory requirements that approved systems must meet, has been successful in identifying some program weaknesses. While the performance standards include measures of system effectiveness and efficiency, economy of operations, a major purpose of MMIS, is not measured. Thus, HHS does not know whether states' systems are meeting standards at a reasonable cost. HCFA recognizes the need to evaluate operational economy, but it has deferred action on this, anticipating that HHS will require states to implement a functional cost reporting system to ensure accurate and comparable cost data. Current performance standards do not include any measures of the states' effectiveness in identifying and correcting program misutilization by Medicaid providers and recipients or the contributions of the surveillance and utilization review subsystem (SURS) to that activity. GAO found that states were having problems with the SURS methodology which affected the subsystem accuracy in identifying potential misusers. Also, states: (1) were underreporting systems operating costs; and (2) had proceeded with automatic data processing (ADP) equipment or services purchases without obtaining prior HHS approval. HHS regulations require states to obtain prior HHS approval before purchasing ADP equipment and services exceeding certain dollar limits, but HCFA requires states to follow this procedure only when they desire 90-percent federal funding.

Recommendations to Agencies

The Secretary of HHS should direct the Administrator of HCFA to include in future systems performance review standards and methodology a requirement to measure: (1) operational economy, (2) the states' effectiveness in identifying and correcting program misutilization, (3) contributions of SURS to overall surveillance and utilization review accomplishments, and (4) exception process methodology to better ensure accuracy of SURS data.
Status: Action in process. Intended completion date: 10/85

The Secretary of HHS should direct the Administrator of HCFA to revise the state Medicaid Manual so that it is consistent with the HHS regulation which requires prior approval or advance notice of ADP equipment and services purchases.
Status: Action in process. Intended completion date: 04/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Restrictions on Abortion and Lobbying Activities in Family Planning Programs Need Clarification
(HRD-82-106, 9-24-82)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Public Health Service Act. Family Planning Services and Population Research Act (P.L. 91-572). Omnibus Budget Reconciliation Act of 1981.

Background

In response to a congressional request, GAO reviewed the family planning program authorized by title X of the Public Health Service Act to determine whether title X funds have been used to finance lobbying activities or to support abortion-related activities.

Findings/Conclusions

GAO found no evidence that title X funds have been used either for abortions or to advise clients to have abortions. The Department of Health and Human Services (HHS) has held that these restrictions on the use of funds are applicable only to that part of a recipient's operation which is supported by title X. Title X recipients are allowed to carry out abortion-related activities if those activities are separate from the title X family planning services. This creates some public confusion on the matter. Congressional guidance may be needed if Congress does not want title X funds to go to organizations which provide abortions. However, family planning clinics need formal guidance on abortion-related matters. GAO found some variations in clinic practices that it believed were questionable such as: (1) counseling practices which do not present alternatives to abortion; (2) abortion referral practices which may go beyond HHS referral policy; and (3) the use of educational materials which present barrier methods of contraception together with early abortion as a method of family planning in the event of failure. Title X recipients also need more specific guidance on lobbying activities. All of the recipients which GAO reviewed had incurred expenses that raised questions regarding adherence to federal restrictions. The organizations used program funds to pay dues to lobbying organizations and, in two cases, used small amounts of program funds to lobby themselves. To establish more specific guidance on lobbying, HHS has initiated action to amend the cost principles for grantees.

Recommendations to Congress

Congress should consider providing guidance to HHS to clarify the intent of section 1008 if it does not want title X funds to go to organizations providing abortions.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of HHS should establish clear operational guidance by incorporating into the title X program regulations and guidelines of the HHS position on the scope of the restriction in section 1008. In doing so, the Secretary should provide as explicit guidance as possible on the activities that are not allowed.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Improving Medicare and Medicaid Systems To Control Payments for Unnecessary Physicians' Services (HRD-83-16, 2-8-83)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395; 42 U.S.C. 1396). Omnibus Budget Reconciliation Act of 1981. Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248). 42 C.F.R. 447.45(f)(1)(ii). P.L. 96-398.

Background

GAO reviewed the Medicare and Medicaid programs to assess the mechanisms that paying agents under these programs are using to identify and prevent reimbursement to physicians and suppliers for medically unnecessary services and to recoup payments made for such services. The objectives of the review were to: (1) assess and compare the costs and benefits of the prepayment and postpayment utilization review (UR) functions and a representative number of carriers and state Medicaid agencies; (2) identify probable causes for the variations in the performance of these UR functions; and (3) evaluate the Health Care Financing Administration's (HCFA) role, particularly under Medicare, in providing direction to these activities.

Findings/Conclusions

The nine Medicare carriers GAO visited supplied information which showed that their prepayment UR activities were cost beneficial, but the performance in terms of cost/benefit ratios and other indicators varies widely. Those making extensive use of automated edits to identify unnecessary services generally performed better and saved comparatively more Medicare program dollars. There are also opportunities for increased effectiveness in the carriers' postpayment UR activities. The HCFA policies and practices have tended to provide disincentives to carriers for performing effective prepayment UR's. Medicare carriers are incurring extraordinary costs to continually review the claims of habitual overutilizers. GAO found that only 3 of the 11 state Medicaid programs it reviewed used automated prepayment edits to detect possible overutilization. Only one of these programs could provide enough information for GAO to estimate the costs and benefits of prepayment UR operations in Medicaid. Regarding postpayment UR's, GAO could identify few tangible benefits resulting from medical necessity issues raised through this activity. Congress has given the states financial incentives to develop effective UR programs. However, neither HCFA nor the states have effectively implemented these incentives.

Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Administrator of HCFA to: (1) compare the prepayment utilization edits used by Medicare carriers, identify the more effective ones in terms of valid denials, and require their implementation, except where a carrier has a reasonable basis for believing that the implementation on a particular edit would not be cost beneficial; and (2) require that prepayment UR costs be reported separately from other claims processing costs to allow for valid analysis of carrier costs and related benefits in conducting prepayment UR.
Status: Action in process. Intended completion date: 10/85

The Secretary of HHS should direct the Administrator of HCFA to: (1) require that the costs and benefits associated with carrier postpayment UR be reported separately from claims processing costs for use in determining the effectiveness of postpayment UR operations; and (2) ensure that the HCFA regional offices evaluate carrier effectiveness on postpayment UR's regarding the appropriateness of the selection criteria used for full-scale reviews, and whether overpayments are computed and recovered when overutilization is identified.
Status: Action in process. Intended completion date: 10/85

The Secretary of HHS should direct the Administrator of HCFA to: (1) add to 42 C.F.R. 447.45(f)(1)(ii) a requirement that a minimum number of automated medical necessity edits be tested and, where cost effective, implemented in all states with the Medicaid management information system; (2) develop guidelines for state Medicaid programs seeking reapproval of their Medicaid management information systems to use in reporting costs and benefits of their UR efforts; and (3) provide state Medicaid programs information on prepayment UR edits that are being successfully used by Medicare carriers and encourage the exchange of information on the edits between carriers and state agencies.
Status: Action in process. Intended completion date: 10/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Savings Possible by Modifying Medicare's Waiver of Liability Rules
(HRD-83-38, 3-4-83)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act. 42 C.F.R. 405.332(b).

Background

GAO reported on proposed legislation to modify Medicare's waiver of liability provision with respect to payments to hospitals, skilled nursing facilities, and home health agencies. The waiver of liability provision protects both beneficiaries and providers from having to pay for services they receive that Medicare will not pay for. The administration proposed legislation that would delete the authorization to waive provider liability for claims for services submitted under the Medicare part A program. Under the proposal, health care providers would no longer be paid when Medicare determined that a service was medically unreasonable, unnecessary, or custodial in nature. The proposal would not affect the protection afforded beneficiaries.

Findings/Conclusions

GAO believes that, while the proposed legislation would achieve the administration's goal of savings and establish provider incentives, it is not needed. In addition, the proposed legislation does not take into consideration provider concerns. GAO found that there are several ways to achieve savings without amending Medicare law. The Health Care Financing Administration (HCFA) currently presumes that beneficiaries and providers did not know that payment would be denied unless there is evidence to the contrary; currently all of the savings methods identified by GAO would modify the provider's presumptive status, but the provider would retain the right to appeal for waiver: (1) HCFA could eliminate the presumption and the applicability of the waiver provision could be determined on a case-by-case basis; (2) the denial rate criteria used to determine presumed eligibility for waiver of liability could be tightened; or (3) the method for establishing whether a provider is presumed eligible for a waiver could be changed.

Recommendations to Agencies

The Acting Secretary of Health and Human Services should direct the Administrator of HCFA to establish more stringent eligibility requirements for the application of waiver of liability for health care providers under part A of Medicare.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Legislative and Administrative Changes Needed To Improve Regulation of Drug Industry
(HRD-83-24, 4-5-83)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301). Radiation Control for Health and Safety Act of 1968 (42 U.S.C. 263h(a)). Meat Inspection Act (21 U.S.C. 672). Poultry Products Inspection Act (21 U.S.C. 467a). Egg Products Inspection Law (21 U.S.C. 1048). 21 U.S.C. 334. 21 U.S.C. 381. 21 U.S.C. 679(b). 21 U.S.C. 467f. 21 U.S.C. 1052(d).

Background

Due to recent congressional concern about the significant decrease in the number of regulatory actions taken by the Food and Drug Administration (FDA), GAO reviewed FDA compliance activities to determine whether appropriate and timely regulatory actions are being taken against firms violating the law.

Findings/Conclusions

GAO found that, while the number of regulatory actions taken by FDA decreased considerably in fiscal year (FY) 1981, they increased in the category of regulatory letters during FY 1982 because of what may be a one-time intensive effort against the manufacture of "look-alike" drugs. The primary factor influencing the decline of regulatory actions was increased FDA emphasis on voluntary compliance. Other significant factors included: (1) a 24-percent reduction in the number of inspectors; (2) an emphasis on abbreviated inspections; and (3) merit pay contracts which may discourage the submission of proposed regulatory actions because disapproved actions adversely affect performance ratings. GAO believes that, because FDA does not know how well voluntary compliance is working, it should develop a mechanism to measure whether the voluntary approach is resulting in compliance. Finally, GAO concluded that more timely and appropriate regulatory actions could be taken if the number of disapproved recommended actions could be reduced.

Recommendations to Congress

Congress should amend section 304(g) of the Food, Drug and Cosmetic Act by adding drug products to the language which gives FDA the authority to administratively detain medical devices.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the FDA Commissioner to develop a mechanism to measure the extent to which voluntary corrective actions result in compliance.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Several States Have Not Properly Implemented Certain AFDC Provisions of the Omnibus Budget Reconciliation Act of 1981
(HRD-83-56, 6-8-83)

Budget Function: Income Security: Other Income Security (609.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). 45 C.F.R. 200. 45 C.F.R. 300. 45 C.F.R. 400.

Background

GAO reviewed the implementation of provisions of title XXIII of the Omnibus Budget Reconciliation Act of 1981, which affects the Aid to Families with Dependent Children (AFDC) Program.

Findings/Conclusions

GAO found variances in the way some states implemented the following provisions: (1) the 150-percent income limit for eligibility; (2) the treatment of lump-sum income tax refunds as either a resource or income for eligibility or benefit payment amount purposes; and (3) special-need allowances for pregnant women. The administration expected these provisions to save the government about $22 million in fiscal year 1982. The variances that GAO found in implementation could result in the government's not realizing the full savings anticipated and may result in inequitable treatment of segments of the AFDC population.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of Social Security to issue regulations after litigation has been completed on the issue of whether income tax refunds are to be considered as income for AFDC purposes, describing how income tax refunds are to be treated under the lump-sum payment provision by the states, or seek appropriate clarifying legislation if final court decisions are not consistent.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Social Security Administration Needs To Protect Against Possible Conflicts of Interest in Its Disability Programs
(HRD-83-65, 6-10-83)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: P.L. 96-265.

Background

In response to a congressional request, GAO conducted a survey of the consultative examination process used by the Social Security Administration (SSA) to make disability benefit eligibility determinations.

Findings/Conclusions

GAO identified a loophole in SSA policies whereby physicians who are working for various state disability determination services (DDS) and under contract to SSA are prohibited from performing consultative examinations but are permitted to have familial or financial interests in firms or organizations that do perform these examinations. SSA policy pertaining to physician independence states that all implications of possible conflicts of interest must be avoided. GAO believes that this policy should be strengthened and enforced. As a result of the current policy, a situation existed in the SSA Chicago regional office where the Chief Regional Medical Advisor and one other medical consultant were associated with a firm which received almost $2 million in 1982 for performing consultative examinations. While these arrangements were approved in advance by SSA and did not violate government standards of ethics, they did create a conflict of interest. Both medical consultants recently terminated their contracts with SSA.

Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should require that the Commissioner of SSA revise SSA policies regarding physician independence or consultative examinations to prohibit all SSA and DDS physicians, whether under contract or employees, from having familial or financial interests in firms or organizations doing consultative examinations. Contracts with physicians should be modified to include this prohibition.
Status: Action in process. Intended completion date: 12/84

The Secretary of HHS should have the Commissioner of SSA determine whether conflict situations, such as the one identified in Chicago, exist elsewhere at either the state or SSA level.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

The Social Security Administration's Management of Personal Property at Headquarters Needs Improvement
(HRD-83-50, 6-21-83)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

Background

GAO reviewed the management of personal property which consists of office furniture and equipment required for operations at the Social Security Administration (SSA) headquarters.

Findings/Conclusions

GAO noted that the capitalized value of SSA personal property nationwide is about $164 million, of which $143 million is located at SSA headquarters. GAO found that SSA does not: (1) keep accurate inventory records of its stored personal property; (2) adequately coordinate the disposal of excess property with the General Services Administration (GSA); or (3) make annual property accountability surveys. GAO further noted that these problems existed partly because SSA reorganized several times without monitoring personal property.

Recommendations to Agencies

SSA should make annual physical inventories of personal property as required by SSA regulations.
Status: Action in process. Intended completion date unknown.

SSA should develop and maintain accurate inventory records of stored personal property.
Status: Action in process. Intended completion date unknown.

SSA should adequately coordinate the disposal of excess personal property with GSA.
Status: Action in process. Intended completion date unknown.

SSA should make annual property accountability surveys at SSA headquarters.
Status: Action in process. Intended completion date unknown.

SSA should require that custodial officers obtain signed receipts when they issue sensitive property.
Status: Action in process. Intended completion date unknown.

SSA should emphasize to property management officials the need for controls over sensitive property to avoid loss or theft.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicare/Medicaid Funds Can Be Better Used To Correct Deficiencies in Indian Health Service Facilities
(HRD-83-22, 8-16-83)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395). Indian Health Care Improvement Act (P.L. 94-437).

Background

GAO reviewed the Indian Health Service's (IHS) management of funds collected from Medicare and Medicaid programs for services provided in its facilities to Indians eligible for these programs. IHS is required by law to use the funds collected to make improvements in its facilities to enable them to meet and remain in compliance with Medicare/Medicaid standards.

Findings/Conclusions

In 1976, only half of IHS hospitals met the Medicare/Medicaid standards. IHS began applying its Medicare/Medicaid funds toward the objective of bringing all of its facilities into compliance with the standards and, by October 1981, the objective was achieved. IHS now spends the funds primarily on recurring costs needed to maintain compliance. However, IHS has established a practice that results in the allocation of available Medicare/Medicaid collections to the facility that provided the services rather than redirecting them to the most needy facilities. This practice has not ensured that the facilities most in need of funds receive them and has resulted in the accumulation of a large, unobligated balance of Medicare/Medicaid collections. GAO also found that the IHS Medicare/Medicaid billing and collection system is much more costly than those of private hospitals because: (1) IHS is not able to take advantage of the economies afforded by volume billing; and (2) the involvement of multiple IHS organizational levels in the primarily manual system is cumbersome and results in additional work through the maintenance of duplicate records.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Assistant Secretary for Health to increase the efficiency of the IHS Medicare/Medicaid billing and collection system by such means as eliminating duplicative functions among the various IHS organizational levels and increasing automation of the system where justifiable by cost savings.

Status: Action in process. Intended completion date: 10/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Improvements Needed in Clinical Testing of Anticancer Drugs
(HRD-83-52, 9-26-83)

Budget Function: Health: Health Research (552.0)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). 21 C.F.R. 50. 21 C.F.R. 50.25. 21 C.F.R. 50.27. 21 C.F.R. 56.111(a)(2). 21 C.F.R. 312.1(a). 42 Fed. Reg. 49612.

Background

In response to a congressional request, GAO reviewed the clinical testing of anticancer drugs and the regulation of that testing by the Food and Drug Administration (FDA) to determine: (1) how well, during its review of new anticancer drug applications, FDA discharges its responsibility to protect human test subjects; (2) the manner in which drug sponsors and institutional review boards carry out their responsibilities; and (3) whether there is therapeutic intent during testing of anticancer drugs.

Findings/Conclusions

GAO found that FDA and the National Cancer Institute (NCI) have made some improvements to better ensure that patients involved in clinical testing of anticancer drugs are protected. These improvements include: (1) more monitoring of investigators who perform the clinical studies for the sponsors; (2) improved reporting of adverse drug reactions (ADR); and (3) increased controls over investigational new drug (IND) supplies. However, GAO believes that additional actions are needed. Delays by FDA reviewers in completing written reports on deficiencies resulted in FDA sending deficiency letters to sponsors 2 to 5 months after an application was received. GAO found instances where FDA was notified that its recommendations were not implemented because of a lack of a reporting system. Also, sponsors do not always submit amendments to FDA for review and, when they are submitted, FDA frequently does not review them or does not review them in a timely manner. GAO found 12 protocols involving five drugs that had not been submitted to FDA for review. FDA regulations are not specific regarding: (1) the definition of ADR; and (2) the timeframes during which these reactions should be reported to FDA. In addition, it is difficult to determine in many instances whether a change in a patient's condition was caused by the IND or by some other factor. Finally, GAO found that NCI does not require monitoring visits, but plans to expand the number of investigators visited.

Recommendations to Agencies

The Secretary of Health and Human Services should require the Commissioner of FDA to give sponsors and clinical investigators more precise guidance as to what types of reactions they should report as ADR and when they should report possible ADR in cases in which the reaction's relationship to the drug is uncertain. This should include specific timeframes for reporting ADR to FDA.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should require the Commissioner of FDA to urge sponsors, if they have not already done so, to establish definite timeframes for clinical investigator reporting of ADR which will allow the sponsors time to meet FDA reporting requirements.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should instruct sponsors to label or otherwise highlight ADR forms or mailing envelopes to ensure that ADR's will be recognized and dealt with immediately upon their arrival at FDA.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should require the Director of NCI to review the need for and usefulness of its drug study data base. If needed, NCI should require clinical investigators to submit data in a more timely and complete manner. If not needed, NCI should terminate the effort.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should require the Commissioner of FDA to: (1) issue final sponsor-monitoring regulations; and (2) establish specific requirements for information to be included in progress reports submitted by sponsors of drug studies.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Commissioner of FDA to revise its regulations to require sponsors to approve and submit for FDA review, before clinical testing begins, all clinical protocols.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Commissioner of FDA to develop a system for identifying major IND amendments and promptly distributing them to reviewers.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Regulation of Medical Devices--Problems Still To Be Overcome
(HRD-83-53, 9-30-83)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Medical Device Amendments of 1976 (P.L. 94-295). Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). H. Rept. 94-853. S. Rept. 94-33.

Background

GAO discussed the Food and Drug Administration's (FDA) efforts to regulate the medical device industry under amendments to the Food, Drug and Cosmetic Act which require FDA to: (1) protect the public against unsafe or ineffective new devices' gaining entry to the market; (2) review devices on the market before passage of amendments; and (3) classify all devices according to risk and regulate them.

Findings/Conclusions

GAO found that FDA does not have a comprehensive system to collect and analyze data on medical device problems or their causes and severity. The system focuses on problems with individual devices and has rarely been used to analyze trends with a particular group of devices. In addition, manufacturers and distributors are not required to notify FDA when they become aware of a death, injury, or hazard caused by a medical device. FDA could also use an improved information system to give the private sector better information on user and maintenance problems. Many device experts whom GAO interviewed questioned the feasibility and utility of developing standards for over 1,000 devices because standards do not ensure safe and effective devices and may be obsolete by the time they are developed. GAO found that: (1) FDA has not reviewed the devices which were on the market before 1976; (2) a large number of devices will be involved; and (3) the process is time-consuming. GAO also believes that the FDA review of risky new devices on the basis that they are substantially equivalent to preenactment devices is not effective since FDA has not reviewed preenactment devices for safety and effectiveness as required by the amendments.

Recommendations to Congress

Congress could give FDA the flexibility to develop Class II performance standards on a case-by-case basis by amending section 513(a)(1)(B) of the act to read: "(B) Class II. Performance Standards.--A device which cannot be classified as a Class I device because the controls authorized by or under sections 501, 502, 510, 516, 518, 519, and 520 by themselves are insufficient to provide reasonable assurance of the safety and effectiveness of the device, for which there is sufficient information to establish a performance standard to provide such assurance. The Secretary shall identify those Class II devices for which it is considered necessary to establish a performance standard to provide reasonable assurance of their safety and effectiveness and shall do so in accordance with section 514."
Status: Action in process.

Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should require the Commissioner of FDA to expand the device experience network system to include available medical device literature and studies.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should require the Commissioner of FDA to encourage more complete and continued reporting of medical device incidents by developing an effective means of providing feedback to reporters on the use made of the information furnished and the results achieved.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should require the Commissioner of FDA to develop capabilities to permit greater use of information contained in the device experience network in order to identify trends and potential problems and to devise appropriate resolutions to those problems.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should instruct the Commissioner of FDA to: (1) collect information on the scope and nature of device problems caused by user error and inadequate maintenance through an expanded device experience reporting network; (2) analyze the data to identify special problems, concentrations, and trends; and (3) disseminate the results internally and to the private sector to aid in developing solutions.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Better Case File Monitoring of the Workers' Compensation Offset Provision by the Social Security Administration Could Save Millions
(HRD-83-90, 9-30-83)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Act. P.L. 97-35.

Background
GAO reviewed the losses that the Social Security Disability Insurance (DI) trust fund incurs each year because DI payments to disabled workers are not being reduced as required by the workers' compensation offset provision of the Social Security Act. The DI trust fund is the nation's primary source of income replacement for disabled workers. Many DI recipients are also entitled to federal disability or workers' compensation benefits. These benefits can overlap causing disabled workers to receive more in disability benefits than they were earning before they became disabled.

Findings/Conclusions
Although the offset provision saved the Social Security Administration (SSA) $168 million in fiscal year 1981, GAO estimates that claims that were not offset cost the trust fund about $43 million. GAO believes that many claims were not offset because SSA had no indication that the DI claimants had received other benefits or had claims pending. However, in other cases, SSA could have prevented the loss by acting on evidence in the case files. In applying the offset provision, SSA relies heavily on claimants' voluntary reports of compensation awards or changes in award amounts. SSA has acknowledged that this reliance has contributed significantly to overpayments and it has begun several activities designed to investigate claimants' failure to report benefits payments. SSA is making inquiries into data exchanges with state agencies, but it reports that serious obstacles remain to be overcome before that objective can be achieved. SSA plans to select a state to participate in a pilot program and to evaluate the results of the program to determine the potential of file-matching programs. GAO stated that SSA could reduce or eliminate lost offsets for federal employee cases by matching its files with the Department of Labor's files. Since the beginning of the GAO review, SSA has initiated several actions to reduce the number of offsets not imposed, and the SSA Office of Assessment is planning to make several recommendations to improve the processing of offset cases.

Recommendations to Agencies
The Secretary of Health and Human Services should work with the Secretary of Labor to establish regular matches between the DI file and Labor's workers' compensation files.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services, to facilitate the matches, should explore with the Secretary of Labor the feasibility of including additional identifiers in Labor's computer files.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Hospital Merger Increased Medicare and Medicaid Payments for Capital Costs
(HRD-84-10, 12-22-83)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: 42 C.F.R. 405.419(b). Social Security Act (42 U.S.C. 1395). Social Security Amendments of 1983 (P.L. 98-21). HCFA Medicare Provider Reimbursement Manual 203.

Background

Pursuant to a congressional request, GAO investigated the acquisition of the assets of Hospital Affiliates International, Inc. (HAI) by the Hospital Corporation of America (HCA). GAO used the merger as an example of changes in hospital costs under current Health Care Financing Administration (HCFA) Medicare policies for reimbursement of capital expenses after changes in hospital ownership. GAO focused on changes in interest, depreciation, and home office expenses because these costs are most likely to increase as a result of such acquisitions.

Findings/Conclusions

GAO found that costs at the acquired hospitals increased by about $55 million during the first year after the acquisition. This resulted from increased interest and depreciation expenses. These increases were only partially offset by decreases in home office costs. While HCA believes that management improvements instituted in the acquired hospitals will result in substantial savings, GAO was unable to evaluate the claimed savings because HCA was unable to quantify them. GAO also found that, at the two hospitals evaluated, per-patient-day Medicare and Medicaid costs increased. GAO questioned the procedures HCA used to allocate interest to, and compute depreciation on, the acquired hospitals. GAO found that: (1) HCA allocated debt and related interest to Medicare using a method different from that prescribed by HCFA, resulting in higher capital costs' being allocated; (2) HCA discounted the debt assumed from HAI that bore below-market interest rates at the time of acquisition, increasing the amount of interest claimed from Medicare; and (3) HCA assigned inaccurate values to the real assets because of inconsistent appraisal and depreciation practices. GAO also questioned the accuracy and independence of the appraisal because the appraised values were changed at the request of HCA.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator of HCFA to ensure that the intermediaries consider the GAO findings when finalizing the amount of increased costs associated with this acquisition that will be recognized as allowable by Medicare.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Administrator of HCFA to clarify Medicare guidelines as they relate to: (1) procedures for allocating debt and interest expenses for multiasset acquisitions; (2) prohibiting the discounting of assumed debt; and (3) acceptable asset valuation procedures when appraisals are used, including independence of the appraiser, consideration of the ownership of the assets, and useful life consistency.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Department of Health and Human Services Should Improve Policies and Practices on Grant-Related Income *(GGD-84-20, 2-10-84)*

Budget Function: General Government: Executive Direction and Management (802.0)

Background

GAO reviewed federal agencies' and grantees' practices and policies for reporting and disposing of federal grant-related income.

Findings/Conclusions

GAO found that a number of federal agencies, including the Department of Health and Human Services (HHS), have not established regulations conforming to the Office of Management and Budget's (OMB) grant-related income standards or were not adequately implementing their grant-related income regulations. As a result, the OMB objectives for utilizing program revenues to increase program size or to decrease program costs are not always being met.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Office of the Assistant Secretary for Management and Budget to amend the HHS department-wide regulations on grant-related income to provide that: (1) income under all options be spent before federal funds unless the granting agency authorizes deferral to a later period; (2) all types of grant-related income, including sales proceeds and interest, be reported; (3) when the deductive option is used, grant budgets not be allowed to increase merely because unexpected program income was generated; and (4) interest earned on the federal share of funds not pending disbursement for program purposes be returned.

Status: Action not yet initiated. *HHS agrees with the recommendation but has not initiated action pending OMB completion of the study of program income, the completion date of which is unknown.*

The Secretary of Health and Human Services should direct the Office of the Assistant Secretary for Management and Budget and the Office of Human Development Service (OHDS) to review and, where appropriate, revise their regulations and policies on the options available to grantees for using program income to ensure that they reflect statutory requirements, and to clarify them to remove internal conflicts.

Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Public Health Service (PHS) and OHDS, in concert with the Office of the Assistant Secretary for Management and Budget, to revise their financial reporting forms to provide for reporting on the source, amount, and disposition of all grant-related income.

Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct PHS and OHDS to enforce their regulations requiring non-state grantees to return interest earned on advanced federal funds.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Inadequate Controls Over Medicare Payments for Once-in-a-Lifetime Physician Procedures
(HRD-84-23, 2-13-84)

Budget Function: Health: Health Care Services (551.0)

Background

GAO evaluated the controls that medicare carriers have over payments for once-in-a-lifetime physician procedures. The Health Care Financing Administration (HCFA) promulgates program regulations and defines such procedures as certain types of surgical operations and initial service visits.

Findings/Conclusions

GAO found that there is a fairly widespread lack of compliance with the HCFA requirement to control payments for these physicians procedures. Overpayments at the two carriers reviewed by GAO indicated that overpayments are probably substantial nationwide.

Recommendations to Agencies

The Administrator of HCFA should develop a core list of codes to be controlled as once-in-a-lifetime procedures while implementing the HCFA Common Procedure Coding System and require carriers to have edits for these procedures.

Status: Action in process. Intended completion date: 10/85

The Administrator of HCFA should examine the desirability of requiring carriers to make use of procedures that can only be performed once on a beneficiary a permanent part of beneficiaries' records.

Status: Action in process. Intended completion date: 10/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Medicare Reimbursements for Conventional Eyeglasses
(HRD-84-44, 3-7-84)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: 42 U.S.C. 1395(a)(7).

Background
GAO reviewed the administration of Medicare reimbursements for cataract surgeries and prosthetic lenses by seven carriers in seven states.

Findings/Conclusions
In addition to the prosthetic lenses which physicians prescribe to restore useful vision in patients who have aphakia because the natural lens of the eye is absent or was removed because of a cataract, conventional eyeglasses are usually prescribed for patients to provide refractive correction. Medicare has been paying for cataract eyeglasses or any combination of prosthetic lenses determined to be medically necessary to restore vision after the removal of the natural lens. However, Medicare does not pay for routine eye care or for conventional eyeglasses for the nonaphakic beneficiary and has specifically excluded conventional eyeglasses from coverage. GAO estimated that the seven Medicare carriers reviewed paid about $6 million in 1982 for conventional eyeglasses worn by aphakic and pseudophakic beneficiaries. GAO found that the conventional eyeglasses worn by the aphakic or pseudophakic patient perform the same function as eyeglasses worn by the nonaphakic patient. Because coverage of conventional eyeglasses which provide refractive correction is specifically excluded under Medicare, covering such eyeglasses for aphakic and pseudophakic beneficiaries is inconsistent with Medicare law.

Recommendations to Agencies
The Administrator of the Health Care Financing Administration should discontinue Medicare payments for conventional eyeglasses for aphakic and pseudophakic beneficiaries.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Absenteeism at the Social Security Administration's Office of Central Operations
(HRD-84-55, 4-13-84)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)

Background

GAO reviewed the leave management practices in the Office of Central Records Operations and the Office of Disability Operations of the Social Security Administration (SSA).

Findings/Conclusions

GAO found that, although these two Offices comprise only 13 percent of the total SSA work force, they used 16 percent of the agency's total sick leave, 21 percent of its leave without pay, and 24 percent of its total overtime during fiscal year 1982. GAO estimated that overtime savings of $750,000 could have been achieved if the leave without pay used in the two Offices had more closely paralleled the leave without pay used in other SSA components. GAO believed that the Offices' higher sick leave and leave without pay usage resulted because: (1) top management was not aware of the extent of sick leave and leave without pay usage that was occurring in its units; and (2) supervisors were not timely in following existing procedures to counsel and discipline employees who followed poor leave practices. During this review, SSA began actions to combat absenteeism and it is developing and refining a mechanism for monitoring leave usage.

Recommendations to Agencies

The Associate Commissioner for Central Operations, SSA, should develop and implement a reporting system that will provide top SSA management with current comparative leave usage data so that it can monitor leave usage and combat absenteeism.
Status: Action in process. Intended completion date unknown.

The Associate Commissioner for Central Operations, SSA, should require supervisors to take more timely and progressive disciplinary action against employees following poor leave practices.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Expanded Federal Authority Needed To Protect Medicare and Medicaid Patients From Health Practitioners Who Lose Their Licenses
(HRD-84-53, 5-1-84)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395 et seq.).

Background

GAO obtained information on health care practitioners in three states who had their licenses revoked or suspended to determine whether they were relocating and continuing to treat patients under the Medicaid and Medicare programs in other states.

Findings/Conclusions

GAO found that, when a state licensing board revokes or suspends a practitioner's license, Medicare and Medicaid are informed that he can no longer legally provide services in that state. However, sanctioning action by one state does not automatically result in sanctioning by other states where the practitioner holds licenses. GAO obtained information on 328 sanctioned practitioners who had their licenses revoked or suspended for a year or more during the period from January 1977 to December 1982. The practitioners were sanctioned for such offenses as drug trafficking, malpractice, alcohol and drug abuse, immoral conduct, private insurance fraud, and submitting false Medicare or Medicaid claims. Of the 328 sanctioned practitioners, 122 held licenses in at least one state other than the state which took action against them; 39 relocated and enrolled in the Medicare and/or Medicaid programs; 10 relocated, but no Medicare or Medicaid participation was identified; and 43 held licenses in other states but could not be located. Under Medicare and Medicaid law, the Department of Health and Human Services (HHS) can exclude practitioners from participation in these programs only for acts committed against the program or its beneficiaries. GAO believes that HHS could better protect Medicaid and Medicare beneficiaries if it had extended authority to exclude unqualified practitioners from participating in these programs.

Recommendations to Agencies

The Secretary, HHS, should direct the HHS Inspector General to include in the Health Care Program Violation Information System all practitioners sanctioned by state licensing boards.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Effectiveness of Mental Health Clinical Training Programs Cannot Be Evaluated
(HRD-84-37, 6-12-84)

Budget Function: Health: Education and Training of Health Care Work Force (553.0)
Legislative Authority: Public Health Service Act. Mental Health Systems Act (P.L. 96-398).

Background

In response to a congressional request, GAO reviewed the extent to which the National Institute of Mental Health (NIMH) has allocated clinical training funds among mental health disciplines during fiscal years 1980-83 and targeted such funds to priority mental health needs.

Findings/Conclusions

Accurate nationwide data on the supply and distribution of various mental health providers would help NIMH focus its clinical training grants in areas with identified shortages. GAO found that inherent problems exist in developing such data because of lack of staff and funding resources and lack of universal definitions of the various mental health professions. In addition, licensing and certification requirements vary among the states which do not collect data on mental health providers. GAO noted that, during fiscal years 1980-83, Congress identified 18 funding priorities for the NIMH clinical training program, which generally paralleled the recommendations of the President's Commission on Mental Health. NIMH estimated the number of grants and funding amounts that addressed the various priorities but did not develop data on the extent to which project funds were actually used for priorities. Although NIMH policies encourage participants of clinical training projects to work in underserved locations, NIMH does not routinely follow up to determine where grantees or trainees work after graduation. GAO found that, because of inadequate reporting and monitoring systems, NIMH finds it difficult to enforce the payback obligations of students receiving stipends. Finally, GAO noted that uncertainty about the continuation of the clinical training program and decreases in funding and staffing have affected NIMH evaluation efforts.

Recommendations to Agencies

The Secretary of Health and Human Services should discuss with cognizant congressional committees the acceptability of continuing to use estimates as the bases for measuring program effectiveness.
Status: Action not yet initiated. *The Department agrees with this recommendation and will take action in fiscal year 1985.*

The Secretary of Health and Human Services should instruct the Director, NIMH, to estimate the funds and staff needed to develop reliable data to measure program effectiveness for Congress to consider.
Status: Action not yet initiated. *The Department agrees with this recommendation and will take action in fiscal year 1985.*

The Secretary of Health and Human Services should direct the Director, NIMH, to develop a system requiring recipients of stipends with payback obligations to report to NIMH, in a timely fashion, as to how they are satisfying that obligation and a system for monitoring this process and enforcing the payback obligation.
Status: Action in process. Intended completion date: 03/85

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HHS Needs To Determine If Massachusetts' AFDC Program Meets Federal Requirements and, If Not, Take Compliance Action
(HRD-84-8, 7-9-84)

Budget Function: Income Security: Other Income Security (609.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Refugee Act of 1980 (P.L. 96-212). 45 C.F.R. 201.6(a)(2).

Background

GAO discussed its findings regarding the Massachusetts Department of Public Welfare's administration of the Aid to Families with Dependent Children (AFDC) program.

Findings/Conclusions

GAO found that the department made erroneous AFDC payments in 1981, 1982, and 1983 and that the federal share of these payments was over $3 million. In 1981, the department: (1) made estimated payments of $168,000 to ineligible AFDC dependents aged 18 through 20 who were not regularly attending school and to refugees for whom reimbursements were claimed under the Refugee Act beyond the act's 3-year payment limit; (2) made estimated AFDC payments of $240,000 to ineligible dependents aged 21 years or older and took an average of more than 6 months to adjust benefits after these dependents became ineligible; and (3) recorded an estimated 61 percent of the dependents' eligible status incorrectly in the automated welfare files. From February 1982 to August 1983, the department experienced related problems in implementing federal requirements and made erroneous payments of which the federal share was $2.8 million. GAO found that the department has experienced substantial data problems in its automated welfare files such as erroneous or missing social security numbers and incorrect information about dependents' status. Further, there is no provision for automated cross-referencing between the separate files maintained on recipients and dependents, and there is no tracking system to ensure that caseworkers follow through to update case files.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to validate and correct AFDC dependent case information in its automated welfare master files.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to record U.S. entry dates for all refugee recipients and dependents in its automated welfare master files.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to develop, for those cases identified as requiring changes, a tracking system to ensure that caseworkers follow through in making the changes.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to emphasize that field offices act to remove ineligible dependents from cases, adjust benefits accordingly, and otherwise improve case maintenance activities.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SSA Data Communications Contracts With Paradyne Corporation Demonstrate the Need for Improved Management Controls
(IMTEC-84-15, 7-9-84)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: SSA Administrative Directives System Guide 200-5. OMB Circular A-123.

Background
In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) two contracts with the Paradyne Corporation for improving the agency's data communications network.

Findings/Conclusions
The SSA terminal replacement contract with Paradyne was the largest in the agency's history. The first contract, valued at about $115 million, required Paradyne to install leased terminals in SSA offices nationwide for records management. The second sole-source contract award, valued at more than $2.5 million, called for Paradyne to enhance the data transmission capabilities of its terminals. This contract was terminated for the convenience of the government. GAO found that management weaknesses caused the acquisition of a data communications system that did not begin to meet contractual performance requirements until 2 years after contract award. Furthermore, the system is still experiencing a high equipment failure rate. A 1982 purchase of some leased terminals and the sole-source award demonstrated inherent flaws in the systems procurement management structure of the agency such as: (1) internal control deficiencies resulting from a realignment of the responsible SSA office; and (2) inadequate oversight of the procurement by the Department of Health and Human Services (HHS). Until corrected, these problems will continue to threaten the integrity of the SSA systems procurement process. These problems will affect a proposed purchase of the remaining leased Paradyne terminals and an upcoming acquisition of new terminals.

Recommendations to Agencies
The Secretary of HHS should direct the Assistant Secretary for Management and Budget to actively monitor all phases of ongoing and future SSA procurement actions requiring HHS approval. The Assistant Secretary should monitor the SSA reconsideration of whether to buy the remaining leased Paradyne equipment to see that the agency has all the information it needs to make an informed decision.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should direct the Commissioner of Social Security to provide for greater depth and scope in technical reviews of ADP and data communications acquisition proposals by reviewing the superseded version of Administrative Directives Systems Guide 200-5 and identifying, for incorporation into the current version, those specific and detailed proposal review instructions needed to achieve thorough technical reviews.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should direct the Commissioner of Social Security to review SSA systems organizational structure and make adjustments to provide for separation of functions within the procurement process for systems modernization-related data communications acquisitions, especially with regard to separating the procurement request (specifications development) function from the technical specifications review function.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should direct the Commissioner of Social Security to limit requests for further delegations of procurement authority from GSA for acquiring ADP and data communications resources until HHS and GSA agree that the SSA systems procurement process is sufficiently strengthened. Such requests should be restricted to those systems procurements which all three organizations agree cannot be deferred without jeopardizing agency operations.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should direct the Commissioner of Social Security to defer further consideration of the agency proposal to spend $16.2 million to purchase the remaining leased Paradyne terminals until: (1) equipment failures have been reduced to a rate approximately that experienced by similar systems; and (2) the agency has a clearer idea of what further use should be made of the Paradyne equipment at SSA. At that time, all viable alternatives for meeting SSA needs should be carefully considered, including replacement of the Paradyne terminals through the upcoming terminal acquisition effort.
Status: Action in process. Intended completion date unknown.

The Secretary of HHS should direct the Commissioner of Social Security to ensure that the poor procurement practices used on the Paradyne acquisitions are not repeated on the upcoming 17,000-plus terminal procurement by: (1) closely reviewing the validity of the procurement justification; (2) performing an independent, in-depth review of the technical specifications contained in the pending solicitation to ensure that they include unambiguous and workload-specific criteria for measuring vendor equipment

performance during preaward and acceptance testing; and (3) using appropriately stringent performance validation techniques in conducting preaward and acceptance tests.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Payment Rates for Ambulatory Surgery Centers Are Higher Than Intended by HCFA
(HRD-84-67, 7-12-84)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Omnibus Reconciliation Act of 1980 (P.L. 96-499).

Background

GAO examined the methodology used by the Health Care Financing Administration (HCFA) for establishing the standard overhead amounts to be paid to ambulatory surgery centers (ASC's) and compared the cost to Medicare for surgery performed in ambulatory versus inpatient settings.

Findings/Conclusions

The Omnibus Reconciliation Act of 1980 authorized payments under Medicare to ASC's to cover their operating costs. The payment amounts, called standard overhead amounts, were to be based on the HCFA estimate of the costs generally incurred by ASC's in furnishing services in connection with ambulatory surgery. Also, the standard overhead amounts were to be set at a level that would ensure that the Medicare costs of services in ASC's would be substantially less than the costs of the surgeries if performed on a hospital inpatient basis. GAO found that HCFA set standard overhead amounts for ambulatory surgery that appear to save Medicare program dollars. However, in computing the standard overhead amounts, HCFA does not adjust charge data by the cost-to-charge ratio as intended. As a result, the standard overhead amounts are 10 percent higher than intended. GAO believes that better data should be available than the limited information HCFA had when it establised the ASC payment rates. HCFA should begin the process of re-evaluating the rates.

Recommendations to Agencies

The Administrator, HCFA, should recompute the ASC payment rates to incorporate the cost-to-charge adjustment.

Status: Action not yet initiated. *The agency intends to implement this recommendation at the same time it implements the other recommendation in this report. An action date is unknown.*

The Administrator, HCFA, should obtain more complete and current data on ASC costs and develop payment rates from it.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Better Federal Program Administration Can Contribute to Improving State Foster Care Programs
(HRD-84-2, 8-10-84)

Budget Function: Education, Training, Employment, and Social Services: Social Services (506.0)
Legislative Authority: Adoption Assistance and Child Welfare Act of 1980 (42 U.S.C. 627; P.L. 96-272). Social Security Act. Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Child Abuse Prevention and Treatment and Adoption Reform Act of 1978 (P.L. 95-266).

Background

In response to a congressional request, GAO reviewed the implementation, by the Department of Health and Human Services (HHS) and selected states, of the Adoption Assistance and Child Welfare Act to determine the guidance which HHS has given to the states and how HHS has determined whether states have complied with the act's requirements.

Findings/Conclusions

During the initial year of implementation, much confusion existed among the states reviewed about how to implement the requirements and what constituted an acceptable inventory of children in care or a case review system. In addition, some states had not made all of the required improvements to receive the authorized incentive funds. This confusion resulted from inadequate HHS guidance on how the act was to be implemented. States had no formal guidance until 3 years after the act's passage, and the final regulations failed to give specific guidance and allowed the states maximum flexibility in interpreting the requirements. Furthermore, HHS permitted states to certify their own eligibility for incentive funds. The GAO review found four states ineligible for fiscal year 1981 incentive funds they had already received. Five other states withdrew their certifications in anticipation of being found ineligible. In addition, the criteria HHS uses to determine eligibility for incentive funds are less demanding than the law requires and do not ensure that all of the improvements and safeguards mandated by the act are adopted by all of the states. HHS could find a state in compliance even if none of its cases included all of the required elements to receive incentive funds. GAO believes that the HHS position that only 13 of 18 elements must be implemented is not consistent with the legislative intent.

Recommendations to Agencies

The Secretary, HHS, should revise the program regulations to provide additional guidance to states as to what is required to implement section 427 of the act. At a minimum, the regulations should require that: (1) the appropriateness of and necessity for a child's current placement be recorded on the inventory; (2) the data in the statewide information systems be readily available at the state level; (3) case plans, periodic reviews, and dispositional hearings contain all the elements and make all the determinations specified by the act; (4) a dispositional hearing be other than court proceedings dealing with the custody or other issues related to the child's initial placement; and (5) subsequent dispositional hearings be held within a time period established by HHS.
Status: Action not yet initiated. *HHS has not yet responded to this recommendation as required by 31 U.S.C. 720, but intends to do so by December 31, 1984.*

The Secretary, HHS, should direct that: (1) compliance review guidelines conform to the provisions in the revised regulations and contain specific criteria that HHS can use to ensure that each state has fully implemented section 427; and (2) states wishing to receive section 427 incentive funds, including those that have previously certified, be required to certify their compliance under the HHS revised regulations.
Status: Action not yet initiated. *HHS has not yet responded to this recommendation as required by 31 U.S.C. 720, but intends to do so by December 31, 1984.*

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

New York Requires Employed Medicaid Recipients To Enroll in Employer-Sponsored Health Insurance (HRD-84-86, 8-10-84)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1396).

Background

As a part of its review of the use of recipient health insurance coverage to avoid Medicaid costs, GAO reported on the New York State practice of requiring working recipients to enroll in available employer-sponsored health insurance plans.

Findings/Conclusions

GAO found that, if the insurance programs require employee contributions, the state is using Medicaid funds to make contributions to private health insurance programs for employed Medicaid recipients. Even though this practice appears to have the potential for Medicaid savings, the state's imposition of this additional Medicaid eligibility criteria is not permitted by federal law. Such conditions for eligibility are only permissible if the state requests and is granted a waiver from Medicaid requirements for demonstration project purposes.

Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should direct the New York State Medicaid agency to discontinue the practice of requiring Medicaid recipients to enroll in employer-sponsored health insurance as a condition for eligibility until, and unless, it seeks demonstration project status for this practice, and HCFA approves the necessary waiver.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Proposal To Improve Identification and Collection of Medicare Part B Duplicate Payments
(HRD-84-88, 8-17-84)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395).

Background

GAO reviewed the operations of selected Medicare claims processing contractors to determine whether it would be cost beneficial for the carriers to periodically screen their claims on a postpayment basis to recover duplicate payments.

Findings/Conclusions

GAO found that screening paid claims to identify duplicate payments could be cost beneficial. For two of the contractors, GAO identified an estimated $184,700 in duplicate payments on which it believed the carriers should follow up. The carriers estimated that their costs to investigate and take the necessary recovery steps would be about $77,800. Prior work showed that carriers' programs to identify or recover overpayments for medically unnecessary services on an after-the-fact or postpayment basis had not been cost beneficial at six of nine carriers reviewed and had about broken even at the other three. Although GAO has supported the postpayment utilization review function because of the deterrent effect on program abuse and other nonquantifiable benefits, GAO believes that a postpayment duplicate payment detection effort offers opportunities for substantially more favorable cost benefit results than the carriers' postpayment utilization review activities. Detecting and denying duplicate claims before payment is far better than identifying and attempting to recover an erroneous payment. GAO believes that, in the long run, the most important benefit of screening paid claims may be that carriers will be better able to identify and correct the billing or processing problems that allowed the duplicate payments to be made. If so, duplicate payments may be reduced to the point that screening paid claims will not be worthwhile.

Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should require Maryland Blue Shield to follow up on the 6,130 potential duplicates GAO identified.
Status: Action in process. Intended completion date unknown.

The Administrator of HCFA should require carriers to screen their paid claims computer records at least once a year and to recover the duplicate payments they identify.
Status: Action in process. Intended completion date unknown.

The Administrator of HCFA should monitor the results achieved by the carriers so that the screening criteria: (1) can be modified as necessary; and (2) can be discontinued for any carriers that reduce their duplicate payments enough that screening paid claims is no longer cost beneficial.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Evaluation of Selected Aspects of FDA's Food Manufacturing Sanitation Inspection Efforts
(HRD-84-65, 8-30-84)

Budget Function: Health: Consumer and Occupational Health and Safety (554.0)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301). 21 C.F.R. 110.

Background

In response to a congressional request, GAO developed information on the status of sanitation conditions in the food manufacturing industry and the Food and Drug Administration's (FDA) management of its inspection activities. In addition, GAO reviewed the ability of FDA to enforce regulations which ensure that foods are manufactured under sanitary conditions.

Findings/Conclusions

GAO found that 93 percent of the food manufacturers sampled nationwide have sanitary conditions that would likely prevent products from becoming contaminated. In response to a GAO request, FDA inspected 97 randomly selected food manufacturing plants and 69 percent of the plants had insanitary conditions in both large and small establishments covering a variety of products. FDA took action to deal with 11 of these establishments. GAO found that the FDA food establishment inventory is inaccurate and contains establishments that are out of business or misclassified. Furthermore, over half of the manufacturers included in the sample which GAO reviewed have interstate sales of 10 percent or less and, therefore, are more appropriately subject to routine inspections by state or local governments. Although FDA has been adjusting its food establishment inventory, GAO has found that opportunities exist for FDA to further reduce the inventory. Finally, GAO found that regulations, aimed at ensuring that establishments operate under sanitary conditions, are valid and substantive and are enforceable when a departure from the regulations represent insanitary conditions sufficient to meet the definition of adulterated food as defined in the Federal Food, Drug and Cosmetic Act. However, the act does not impose any sanctions for departures from the regulations.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of FDA to continue to review the current food manufacturing establishment inventory and remove those establishments with little or no interstate shipment of foods unless FDA finds a compelling need for continued inspection of such establishments.
Status: Action in process. Intended completion date unknown.

The Secretary of Health and Human Services should direct the Commissioner of FDA to consider the sufficiency of the current level and allocation of inspection resources devoted to the food sanitation and quality control programs and make appropriate adjustments recognizing the reduced inventory and extent of inspection coverage needed to adequately monitor food manufacturing establishments.
Status: Action not yet initiated. *The agency agrees with the recommendation; but has not established an action date.*

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Legislative Changes and Administrative Improvements Should Be Considered for FDA To Better Protect the Public From Adulterated Food Products
(HRD-84-61, 9-26-84)

Budget Function: Health: Consumer and Occupational Health and Safety (554.0)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301). Medical Device Amendments of 1976. Freedom of Information Act. 7 U.S.C. 136(1). 15 U.S.C. 2068(a)(5).

Background

Pursuant to a congressional request, GAO evaluated the Food and Drug Administration's (FDA) efforts to remove adulterated food products from the market and attempted to determine whether FDA needs additional authority to carry out its mission. GAO reviewed food recalls, food seizures, and prosecution actions carried out by FDA from 1980 to 1982.

Findings/Conclusions

GAO found that, while FDA is authorized to seize adulterated foods, it is not authorized to detain such products while seizure actions are being processed by FDA and the Justice Department. FDA frequently requests states to detain adulterated foods or requests firms to voluntarily hold food products. However, GAO found several instances where products were unavailable for seizure by the time seizure actions were processed. GAO believes that: (1) if FDA had detention authority over adulterated foods, similar to its authority over medical devices, it could prevent greater amounts of adulterated foods from reaching the market; and (2) FDA could more easily remove adulterated foods from the market if it had the authority to review food manufacturers' production and distribution records. GAO also found that: (1) FDA could hasten the seizure process by eliminating several levels of review within FDA; (2) FDA has not adequately monitored recalled foods to ensure that recalled products are reconditioned; and (3) fines assessed for violations of federal laws pertaining to adulterated foods are relatively small.

Recommendations to Congress

Congress should consider whether FDA needs specific authority to detain adulterated foods while the agency processes seizure requests internally and through the Department of Justice.
Status: Action not yet initiated.

Congress should consider amending the Food, Drug, and Cosmetic Act to give FDA authority to review production and shipping records after it has found that a firm is producing adulterated food products.
Status: Action not yet initiated.

Congress should consider amending section 303(a) of the Food, Drug, and Cosmetic Act to increase the amount of the fine authorized for criminal prosecutions.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of FDA to initiate steps to improve the timeliness of seizure actions by identifying more routine seizure cases involving filth and economic adulteration that could be referred by district directors to U.S. attorneys after concurrence by the FDA Office of the General Counsel.
Status: Action not yet initiated. *The agency agrees with this recommendation but has not yet initiated action.*

The Secretary of Health and Human Services should direct the Commissioner of FDA to develop guidelines specifying required verification procedures to ensure that the destruction and reconditioning of recalled foods is adequately verified directly by FDA or through some alternative means, such as appropriate state or local officials.
Status: Action not yet initiated. *The agency agrees with this recommendation but has not yet initiated action.*

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Reimbursing Physicians Under Medicare on the Basis of Their Specialty
(HRD-84-94, 9-27-84)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395). 42 C.F.R. 405.504(b).

Background

Federal regulations permit Medicare carriers to allow differences in prevailing reimbursement rates based on differences in charging patterns among various physician specialties. The regulations require carriers to compare charging patterns among physician specialties and justify either single or multiple prevailing rates. In addition, Medicare permits carriers to recognize each physician in the specialty of his choice, regardless of training or certification. GAO studied: (1) the bases for carriers' prevailing rate structures; and (2) the practice of allowing physicians to designate their own specialties.

Findings/Conclusions

GAO found that, in some cases, the use of different prevailing rates leads to wide variances in the amount different specialists are paid for similar procedures. GAO also found that: (1) carriers have done little analysis to support their prevailing rate structures; (2) the lack of support for prevailing rate structures came about partially because the Health Care Financing Administration (HCFA), which administers Medicare, has not provided adequate guidance for carriers to use in determining prevailing rates. In addition, GAO found that: (1) about 50 percent of the physicians who self-designated specialties were not board-certified in their designated specialties; and (2) about 25 percent of the physicians who designated internal medicine subspecialties were not board-certified in their designated subspecialties. Many carriers believe that the only alternative to self-designation would be to: (1) require board certification for Medicare specialists; or (2) not recognize specialties under Medicare.

Recommendations to Agencies

The Administrator of HCFA should establish specific criteria on: (1) what constitutes a specialist for Medicare reimbursement purposes; and (2) how Medicare carriers are to analyze physician charging patterns. The latter should conclude guidance on: (1) the physician specialties and subspecialties that should be compared; (2) the physician procedures that should be compared; (3) how comparisons should be made; and (4) what constitutes a material difference in charging patterns which would justify the establishment of separate prevailing rates.

Status: Action not yet initiated. *The agency had not yet commented on this report.*

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD's Loan Servicing Contracts for Multifamily Mortgages Need Better Management
(RCED-83-78, 3-14-83)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Executive Order 12352. OMB Circular A-76.

Background

In response to a congressional request, GAO evaluated the Department of Housing and Urban Development's (HUD) reply to formal congressional questions concerning the HUD Region III contract and proposed nationwide contract with the private sector for loan services. HUD plans to utilize the private sector contracts to improve the servicing of HUD-held mortgages resulting in increased revenues from the collection of outstanding debt.

Findings/Conclusions

GAO found that, since HUD has limited data on its own past performance and costs in collecting debts, it has had difficulty in establishing a basis for comparing the Region III contractor's work against its own. To help monitor performance, HUD plans to develop an automated system for comparing its performance with the contractor's HUD performance. Regarding the monitoring of the Region III contractor's work, HUD has not made the required quarterly visits to the contractor's site to evaluate its performance. Further, GAO stated that the initial provisions of the Region III contract governing the contractor's basic payment fee were not clearly spelled out nor fully understood by HUD officials. GAO concluded that the HUD response to the questions was incomplete, its procurement practices for the Region III contract were deficient in several respects, and some of the problems identified with the Region III contract may apply to the nationwide contract.

Recommendations to Agencies

The Secretary of HUD should direct that the basis used in reevaluating the contractor's fee for the Region III contract and in evaluating the variables that will impact on assigning a value to the escrow funds for negotiating the fee for the nationwide contract be fully supported and documented in the contract files.
Status: Action in process. Intended completion date unknown.

The Secretary of HUD should direct that HUD develop a cost-effective system(s) for comparing HUD and contractor performance and for reporting on debt collection activities. To assist in ensuring the system(s) represent a sound and consistent basis for reporting and that the costs of the system(s) do not exceed the anticipated benefits, the Department should utilize the expertise of its Policy Development and Research staff.
Status: Action in process. Intended completion date unknown.

The Secretary of HUD should direct that the Region III contractor's fee be reevaluated on its anniversary in accordance with the prospective price redetermination clause of the contract.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Increasing HUD Effectiveness Through Improved Management
(RCED-84-9, 1-10-84)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255). National Housing Act. Congressional Budget and Impoundment Control Act of 1974. Housing and Urban Development Act of 1965 (42 U.S.C. 3531 et seq.; 79 Stat. 667). Housing and Community Development Act of 1974. Housing and Community Development Amendments of 1981. Department of Housing and Urban Development--Independent Agencies Appropriations Act, 1983. Paperwork Reduction Act of 1980. P.L. 97-377. OMB Circular A-117. OMB Circular A-123.

Background

GAO evaluated management effectiveness at the Department of Housing and Urban Development (HUD) with the intention of identifying and analyzing management problems. GAO focused on management's performance in: (1) organizing and directing HUD; (2) planning activities and determining resource allocations; (3) executing program delivery; and (4) providing management control.

Findings/Conclusions

GAO found that HUD has many complex and longstanding problems and that there is a need to: (1) improve organizational stability; (2) increase emphasis on, and accountability for, general management functions; and (3) establish continuity in HUD top management. GAO believes that HUD reliance on the budget process to direct and control HUD activity has not been an effective substitute for needed management systems. Weaknesses in the analytical base used to support the HUD budget and to monitor and analyze program activity have hampered analysis and oversight by Congress and others. Consistent problems have affected program delivery, and HUD has not fully addressed the causes of financial management problems, including inadequacies in long-range planning and the absence of a chief financial officer. In addition, HUD management information systems do not provide timely and accurate data which are necessary to establish control over HUD programs. GAO also found that accounting systems are not adequately automated and that many automated accounting systems are obsolete.

Recommendations to Congress

Congress should require HUD to expand budget justifications to fully reflect all material aspects of uncontrollable costs and the budgetary and economic consequences of programs on future agency funding needs and on federal tax collections.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of HUD should evaluate how well the new field structure is working. In this evaluation the Secretary should determine: (1) whether functional relationships among headquarters, regions, and field offices promote accountability and establish clear lines of authority; (2) the value of and contribution of regional offices in the management and delivery of program; (3) the cost and benefits of having field offices in all states, especially in the environment of a declining federal role; and (4) the relationship of ongoing and proposed policy and program changes to any organizational change.
Status: Action in process. Intended completion date unknown.

For the long range, the Secretary of HUD should enhance the analytical base of the budget by continuing efforts to develop and improve financial management systems that integrate budgeting and accounting.
Status: Action in process. Intended completion date unknown.

The Secretary of HUD, for improvement of program participant monitoring, should develop priorities that reflect the need for better quality monitoring.
Status: Action in process. Intended completion date unknown.

The Secretary of HUD, for improvement of program participant monitoring, should define the objectives of all types of monitoring and specify realistic expectations for program staff.
Status: Action in process. Intended completion date unknown.

For the short range, the Secretary of HUD should improve on-site performance reviews by including headquarters program offices in the universe of offices reviewed.
Status: Action in process. Intended completion date unknown.

To improve staff resources over the long term, the Secretary of HUD should establish a staff development program linked to overall organizational planning, which will coordinate departmental efforts to forecast personnel needs.
Status: Action in process. Intended completion date unknown.

To improve staff resources over the long term, the Secretary of HUD should integrate staff needs assessments with program implementation plans.
Status: Action in process. Intended completion date unknown.

To improve staff resources over the long term, the Secretary of HUD should initiate an aggressive training needs assessments program, including periodic training evaluation.
Status: Action in process. Intended completion date unknown.

For the short range, the Secretary of HUD should establish a chief financial officer with clear responsibility and accountability for establishing financial policy and providing a central focus for development of financial management systems.
Status: Action in process. Intended completion date unknown.

For the short range, the Secretary of HUD should correct internal control weaknesses and other financial management information system problems identified during this review by ensuring that: (1) the single-family premium collection system and the process for handling cash receipts and disbursements include adequate internal controls; (2) collections are placed under immediate accounting controls; (3) sound cash management practices are followed in handling receipts and disbursements; and (4) the home improvement loan collection process is streamlined as part of the current automation effort.
Status: Action in process. Intended completion date unknown.

For the long range, the Secretary of HUD should move to centralize financial management policy development under the chief financial officer.
Status: Action not yet initiated. *HUD agreed with this recommendation. However, action to implement the recommendation cannot be initiated until a chief financial officer is hired. The HUD search for a financial officer is continuing.*

For the long range, the Secretary of HUD should continue efforts to restore integrity to the Department's financial management information systems by enhancing system internal controls.
Status: Action in process. Intended completion date unknown.

For the long range, the Secretary of HUD should streamline the processes used to accomplish accounting functions.
Status: Action in process. Intended completion date unknown.

For the long range, the Secretary of HUD should develop accounting systems which comply with the principles and standards established by the Comptroller General. The objective of this development process should be to establish accounting systems capable of providing timely, accurate, and comprehensive information and serving as a basis for reporting on the adequacy of internal controls as required by the Federal Managers' Financial Integrity Act (FIA).
Status: Action in process. Intended completion date unknown.

For the long range, the Secretary of HUD should enhance financial management information system improvements and future automation by establishing a long-range automatic data processing planning and control process.
Status: Action in process. Intended completion date unknown.

As part of the long range automatic data processing planning and control process, the Secretary of HUD should ensure that existing and proposed automated systems are necessary, feasible, and cost effective and that those systems which cannot perform their intended purpose in a cost effective manner are discontinued.
Status: Action in process. Intended completion date unknown.

As part of the long range automatic data processing planning and control process, the Secretary of HUD should ensure that user needs and administrative burdens are adequately considered during system development.
Status: Action in process. Intended completion date unknown.

As part of the long range automatic data processing planning and control process, the Secretary of HUD should ensure that efforts to develop modern automated systems are continued.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Insights Into Major Urban Development Action Grant Issues
(RCED-84-55, 3-5-84)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Housing and Community Development Act of 1977 (P.L. 95-128). Comprehensive Employment and Training Act of 1973. Housing and Urban-Rural Recovery Act of 1983. 44 Comp. Gen. 87. 60 Comp. Gen. 540. 58 Comp. Gen. 676. OMB Circular A-102.

Background

GAO examined the Urban Development Action Grant (UDAG) Program, focusing on: (1) the accuracy of the Department of Housing and Urban Development's (HUD) information on the results of completed projects; (2) the participation of small cities in the program; and (3) the requirements governing monies that recipient cities can generate by loaning action grant funds to private developers.

Findings/Conclusions

GAO found that, between 1978 and November 1983, UDAG funded $3 billion in grants to distressed communities for economic revitalization and neighborhood reclamation projects. The HUD information system, however, did not provide complete information on program results realized from the 12 completed projects reviewed by GAO. GAO also found that many of the most economically distressed small cities did not participate in UDAG, because they: (1) were unfamiliar with the program; (2) had insufficient city government capacity to plan a program project; and (3) had difficulties in obtaining adequate private sector involvement. In addition, many recipients have been repayed UDAG loans by developers before completion of the intended UDAG projects, but there is no clear policy on whether cities can use these early repayments for additional community and economic development activities.

Recommendations to Agencies

The Secretary of HUD, to help increase participation in the UDAG program of cities with populations below 50,000, should develop comprehensive UDAG information materials to help educate small cities and the private sector about the program.
Status: Action in process. Intended completion date: 11/85

The Secretary of HUD should develop and issue policy guidance defining the circumstances under which cities should be able to use early UDAG repayments.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Improving Controls Over Rent and Management Fees at Multifamily Housing Projects
(RCED-84-118, 4-11-84)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Federal Managers' Financial Integrity Act of 1982. Housing and Community Development Act of 1974 (P.L. 93-383). HUD Handbook 4350.1. HUD Handbook 4381.5.

Background

Pursuant to a congressional request, GAO evaluated the Department of Housing and Urban Development's (HUD) procedures for controlling rents and management fees at multifamily housing projects.

Findings/Conclusions

As part of its oversight role in housing programs, HUD reviews and approves rent and management fee increases for multifamily rental housing projects. GAO found that inadequate controls were resulting in excessive rents, higher management fees, and possible overpayment of HUD subsidies. Three HUD field offices processed or approved rent increases without receiving supporting documentation. Approved rents were overstated by about $510,000 at 17 projects, including overstatements of capital improvements, commercial income, expenses associated with providing rent-free apartments to management personnel, and calculation errors. GAO found that capital improvements and commercial income were overstated because HUD personnel did not follow procedures. Current HUD instructions are unclear regarding the value of rent-free apartments. In some cases, GAO found no evidence that supervisors reviewed the work of personnel who processed rent increases. GAO also found that management fees were being approved under different criteria and rationales. In addition, field offices were not comparing the payment of management fees with approved fees. HUD is in the process of developing new procedures for the review of both rent increases and management fees.

Recommendations to Agencies

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include the development of more specific guidelines on the documentation required and the analysis needed for field offices to process and approve rent increases.
Status: Action in process. Intended completion date: 04/85

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include clarification of guidelines pertaining to the treatment of rent-free units in evaluating rent increase requests.
Status: Action in process. Intended completion date: 04/85

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include the establishment of a uniform method for approving management fees.
Status: Action in process. Intended completion date: 07/85

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include clarification of what sources of project income are permitted in calculating the basis for the payment of management fees.
Status: Action in process. Intended completion date: 07/85

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include the development of guidelines for supervisory controls over the rent and management fee processes.
Status: Action in process. Intended completion date: 07/85

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Opportunities for Public Housing Authorities To Develop and Acquire Computer-Based Management Information Systems
(IMTEC-84-13, 9-28-84)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Circular A-102.

Background
GAO evaluated the practices followed by public housing authorities (PHA's) in acquiring computer-based management information systems and the Department of Housing and Urban Development's (HUD) role in coordinating these acquisitions.

Findings/Conclusions
GAO found the present system of allowing PHA's to independently develop and acquire computer-based information systems has resulted in systems that are unique and costly. Such systems do not take advantage of the potential for transferability and sharing of software applications that exists among PHA's.

Recommendations to Agencies
The Secretary, HUD, to avoid duplicate and costly development and acquisition of computerized systems, should provide central management direction and technical assistance to PHA's for the acquisition and development of computer-based management information systems.

Status: Action not yet initiated. *The agency has not yet responded to the report.*

The Secretary, HUD, to improve the reporting of financial and management information by PHA's to the Department, should guide and coordinate the development of compatible automated systems to provide for the direct interface and linkage of the PHA's and the Department's computer systems.

Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

DEPARTMENT OF THE INTERIOR

Better Management of National Park Concessions Can Improve Services Provided to the Public
(CED-80-102, 7-31-80)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: 16 U.S.C. 1. 16 U.S.C. 20.

Background

Pursuant to a congressional request, GAO discussed the management of concession operations by the National Park Service (NPS).

Findings/Conclusions

Concessioner performance evaluation would be more effective if visitors' opinions and comments were used in appraising concessioner performance. Existing concessioners already have a competitive advantage over others who want to operate in the parks, they do not need additional legal advantages. By using single concessioners to provide the services in a park, NPS has limited its options for requiring improvement without seriously disrupting service to the public. As a result, NPS does not take necessary corrective actions. Concession rates are not always studied, justified, or documented before approval; and the quality of facilities is given little or no consideration in approving the rates.

Recommendations to Agencies

The Secretary of the Interior should require the NPS Director to develop a new franchise fee rate system that reflects the value of privileges granted under concession contracts. The new system should be easily understood with a minimum amount of subjective analysis required so that NPS concession personnel may apply it properly. The system should be thoroughly supported and documented. In the future, the system should be reviewed periodically to determine if changes are needed.
Status: Action in process. Intended completion date: 01/85

The Secretary of the Interior should require the NPS Director to develop specific criteria and procedures to help concessions management staff make appropriate adjustments to franchise fee rates, if the new rate setting system allows adjustments to rates based on pertinent economic factors.
Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE INTERIOR

Lands in the Lake Chelan National Recreation Area Should Be Returned to Private Ownership
(CED-81-10, 1-22-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Land and Water Conservation Fund Act of 1965. P.L. 90-544. H. Rept. 90-1870. S. Rept. 90-700.

Background

GAO was requested to examine the land acquisition and management practices of the National Park Service at Lake Chelan National Recreation Area. Through the law which established this area, it was congressional intent that land acquisition costs be minimal, that a private community in the recreation area continue to exist, that commercial development not be eliminated, and that additional compatible development be permitted to accommodate increased visitor use.

Findings/Conclusions

The National Park Service has not acted in accordance with congressional intent. The Service has spent millions of dollars to acquire over half of the privately owned land in the recreation area. Moreover, the Service plans to acquire most of the area's remaining privately owned land. These additional land acquisitions are planned without a clear definition of the uses that are incompatible with the enabling legislation. The acquisitions are based on the premise that the Service must acquire the major areas subject to subdivision to prevent a prospective boom in recreational homesites. The Service has also prohibited new private commercial development to increase lodging accommodations and to provide needed restaurant and grocery services for both residents and visitors.

Recommendations to Congress

Congress should not increase the statutory land acquisition appropriation ceiling for the North Cascades National Park and the Ross Lake and Lake Chelan National Recreation Area above the $4.5 million already approved until the Service has defined compatible and incompatible development, prepared a land acquisition plan justifying the need to acquire land from private owners, and spent the funds obtained from selling all compatible land back to private individuals.

Status: Action not yet initiated.

DEPARTMENT OF THE INTERIOR

How Interior Should Handle Congressionally Authorized Federal Coal Lease Exchanges
(EMD-81-87, 8-6-81)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Federal Coal Leasing Amendments Act of 1976 (P.L. 95-554; 30 U.S.C. 181 et seq.). Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.). Mineral Leasing Act of 1920.

Background

GAO examined the experience of the Department of the Interior in handling a proposed exchange of federal coal lands involving the Utah Power and Light Company, an exchange authorized by Congress in October 1978.

Findings/Conclusions

GAO found an unanswered question as to whether the company had a valid right to be issued leases, thus whether an exchange was even appropriate. The prior administration entered into an exchange agreement with the company and began its evaluation on the basis that this question did not need to be addressed because Congress authorized the exchange. However, Congress clearly expressed its intent that before granting a noncompetitive lease, the requirements of the Mineral Leasing Act of 1920 be met. Secondly, there was a lack of data to make a realistic estimate of the coal reserves on the preference right lands, thus making it impossible to make a valid equal value determination, as required by legislation authorizing the exchange. Finally, consummation of the proposed exchange would have resulted in leasing noncompetitively a prospectively highly competitive tract. In addition, serious management weaknesses were noted which include: (1) Interior tended to overlook technical problems and disregard normal operating procedures; (2) Interior officials did not involve U.S. Geological Survey (USGS) technical people in planning the technical requirements for making an equal value determination; (3) because coal data were inadequate and transportation and marketing assumptions were of questionable validity, the method used was inappropriate; (4) USGS present coal reserve evaluation standards were not adequate for evaluating complex coal deposits; and (5) USGS unnecessarily spent $800,000 and may spend about $640,000 more this year for drilling exchange lands.

Recommendations to Agencies

The Secretary of the Interior should direct USGS to set standards for the minimum level of data that are needed to evaluate a proposed exchange and not allow the exchange where that level of data is not available.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Interior should direct USGS to establish definitive criteria for determining when the discounted cash flow economic evaluation method is appropriate for use in exchange evaluations.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Interior should direct USGS to revise USGS Bulletin 1450-B or establish separate guidelines to clarify guidance on how reserve estimates are to be made for lease sale purposes, particularly in instances where coal deposits reside in complex geologic formations.
Status: Action in process. Intended completion date: 06/85

DEPARTMENT OF THE INTERIOR

GEOLOGICAL SURVEY

Oil and Gas Royalty Collections--Longstanding Problems Costing Millions
(AFMD-82-6, 10-29-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Windfall Profit Tax Act (Crude Oil).

Background

GAO reviewed the Geological Survey's (GS) continued unsuccessful efforts to collect oil and gas royalties on federal and Indian lands and the serious impact of this problem on the collection of the windfall profit tax.

Findings/Conclusions

Financial management problems in existence 20 years ago persist today because management has not focused on correcting the deficiencies reported. As a result, GS is not collecting all oil and gas royalties, and millions of dollars owed the government may be going uncollected each year. Moreover, millions of dollars in royalty income are not being collected when due, thereby increasing the government's interest costs. Since 1959, GAO has reported on the need for improved management of the GS royalty accounting system. However, GS still relies almost entirely on production and sales data reported by the oil and gas companies, and little effort is made to verify the accuracy of that data. Because of a breakdown in the royalty accounting system, lease account records are inaccurate, unreliable, and cannot be used to determine if royalties are properly computed and paid. To correct its many longstanding financial management problems, GS has established royalty management as a separate entity, hired additional personnel for royalty management, and is designing and implementing a new royalty accounting system. Royalty collection has been further complicated by the windfall profit tax. GS filed blank quarterly returns for the first quarter of 1981 and has not filed a return for the quarter ended June 30, 1981. Until the new royalty accounting system is working properly, the accuracy of royalty computation will be a problem. Since windfall profit tax calculations are based on royalty payments, they will be incorrectly stated to the extent that royalties are incorrectly stated.

Recommendations to Agencies

To ensure that development of the new royalty accounting system is given high priority and sustained effort, the Secretary of the Interior should closely monitor the work to see that the system is properly implemented. In this regard, immediate attention must be given to determining how the production phase will operate and how it will interface with the accounting phase which is currently being designed. Also, in developing the accounting phase, GS must acquire data on the number of leases and wells for which it is responsible and provide for verification of the royalty computation. The necessary resources must be provided and milestones must be strictly adhered to.

Target: Department of the Interior
Status: Action in process. Intended completion date unknown.

Target: Department of the Interior: Geological Survey
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE INTERIOR

Need for Guidance and Controls on Royalty Rate Reductions for Federal Coal Leases
(EMD-82-86, 8-10-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Federal Coal Leasing Amendments of 1976 (30 U.S.C. 207). Mineral Lands Leasing Act (30 U.S.C. 181 et seq.). 43 C.F.R. 3473.3-2. 43 C.F.R. 3451.1.

Background
GAO discussed problems encountered by the Department of the Interior in its procedures for granting or denying requests for royalty rate reductions on federal coal leases. Since 1979 the Secretary has authorized eight reductions amounting to about $12 million in reduced federal revenues. Reduction requests were precipitated by recent legislative enactments and a 2-year departmental experiment that raised royalty rates on coal leases to significantly higher levels.

Findings/Conclusions
GAO found that Interior has not sufficiently used its existing accounting and auditing expertise to review reduction applications and that inconsistent use and inequitable application of royalty reduction guidelines have made the approval process erratic. The Interior's Minerals Management Service (MMS) merely restates Interior's reduction authority without defining important terms such as "profit," "rate of return," or "successful operation." Frequently, reduction guidelines were changed to accommodate either a specific applicant's circumstances or a group of similar applicants, such as those with experimental leases that contained royalty rates in excess of the minimums. MMS procedures for verifying the accuracy of lessee data differ among field offices. In addition, the MMS staff in the region most active in reviewing reduction applications consists largely of nonaccountants who have acknowledged problems with reviews of the complex financial data submitted by coal operators. Interior's accounting expertise in its Royalty Management Program has not been used sufficiently in past reviews of reduction requests.

Recommendations to Agencies
The Secretary of the Interior should submit the Department's reduction policy and procedures to public review and comment and promulgate appropriate royalty rate reduction regulations.
Status: Action in process. Intended completion date: 12/84

The Secretary of the Interior should develop a departmental policy and accompanying procedures on royalty rate reductions that define the limits and conditions under which a reduction would be entertained and granted.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Major Improvements Needed in the Bureau of Indian Affairs' Accounting System
(AFMD-82-71, 9-8-82)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Indian Self-Determination and Education Assistance Act (P.L. 93-638; 88 Stat. 2203). Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725 et seq.). 25 U.S.C. 161.

Background

GAO examined the Bureau of Indian Affairs' automated accounting and finance system to determine whether it ensures that: (1) contract and grant cash advances, expenditures, and balances on hand are properly and accurately reported; (2) contract and grant cash advances are not requested prematurely, thus causing balances to exceed immediate and reasonable cash needs; (3) trust fund cash receipts and disbursements are properly handled and controlled and are accurately and completely recorded in the accounting records; (4) trust funds are properly invested; and (5) the Bureau properly and completely discharges its fiduciary responsibilities as trustee for Indian trust funds.

Findings/Conclusions

GAO found that the accounting system is not functioning properly and that little action has been taken to resolve known problems. Accounting for contracts, grants, and Indian trust funds has lacked attention. Managers cannot properly discharge their fiduciary responsibility as trustee for the trust funds or control millions of dollars of cash advances to contractors and grantees, because they are not receiving reliable information from their accounting system. GAO believes that the Bureau's recent efforts to enhance its accounting system are misdirected and that its acquisition of new computer equipment will not solve the system's serious design and operating problems. To reestablish accountability and control, the Bureau needs to take the following corrective action: (1) purge unreliable information from the automated accounting records for contractor and grantee cash advances and trust funds; and (2) develop and implement management controls to ensure compliance with prescribed accounting, internal control, and financial reporting procedures. The Bureau must also redesign or modify the automated accounting and finance system to correct known, longstanding deficiencies so that managers' financial information needs are met.

Recommendations to Agencies

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to recover any excess cash held by contractors and grantees.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to maintain the accounting records for contracts and grants on the accrual basis of accounting.
Status: Action in process. Intended completion date: 12/84

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to reconcile detailed subsidiary and summary general ledger trust fund accounts, investigate the differences disclosed, and make appropriate correcting entries in the accounts. In doing so, all trust fund securities and cash should be counted.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to make the maximum use practicable of the check preparation and distribution services of the Treasury's division of disbursements in making trust fund disbursements.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to develop written procedures for entering transaction information into the automated accounting and finance system.
Status: Action in process. Intended completion date: 12/84

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to ensure that prescribed accounting procedures are followed by making sure that: (1) Indian contractors and grantees file required expenditure reports on the prescribed due dates; (2) Bureau personnel enter expenditure information promptly in the accounting system; (3) Bureau personnel suspend letter-of-credit drawdown privileges for Indian contractors and grantees who fail to comply with prescribed financial reporting and accounting procedures; (4) Bureau personnel responsible for trust funds complete all required monthly reconciliations of subsidiary and general ledger accounts and promptly enter appropriate correcting entries in the accounts; (5) local office managers provide for prescribed separation of duties in handling trust fund

transactions; and (6) investment branch personnel do not exceed available trust fund cash in making investments.
Status: Action in process. Intended completion date: 12/84

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to initiate the redesign or modification of the automated accounting and finance system to eliminate design deficiencies and operate on the accrual basis of accounting. The new system should be adequately documented and the documentation kept up to date. Also, controls should be established to ensure that system modifications are approved before implementation and that the modifications are fully documented. When the system redesign is complete, the new system should be sent to the Comptroller General for approval.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF THE INTERIOR

Repeal of Unneeded Outer Continental Shelf Production Rate-Setting Functions Would Cut Costs
(EMD-82-97, 9-10-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Outer Continental Oil Shelf Lands Act (43 U.S.C. 1334). Outer Continental Shelf Lands Act Amendments of 1978 (43 U.S.C. 1865). Department of Energy Organization Act (42 U.S.C. 7152). Natural Gas Policy Act of 1978. 43 U.S.C. 1865(d)(1).

Background

GAO initiated this report to determine whether there are opportunities to save money or better utilize resources within the Department of the Interior by eliminating unneeded statutory and other reporting requirements involving the production of oil and gas from federal leases on the outer continental shelf (OCS).

Findings/Conclusions

GAO found that, under authority of the OCS Lands Act of 1953 and the OCS Lands Act Amendments of 1978, Interior requires operators of OCS leases to provide various information regarding the rate at which oil and gas can and will be produced. Three different rates are currently compiled by Interior's Minerals Management Service (MMS): the maximum production rate (MPR), the maximum efficient rate (MER), and the maximum attainable rate (MAR). Most of Interior's rate-setting effort is not useful or necessary and could be curtailed. Although exact figures are not available, the costs on the part of both MMS and industry to collect and report on the production rates are significant. MMS is currently considering revisions to regulations which would eliminate the MER for nonsensitive reservoirs. GAO believes MMS could probably eliminate the MER entirely and use MPR data to monitor sensitive reservoirs. In addition, MMS officials agree that the MAR is not necessary, since the information needed on OCS production capabilities can be provided through the data supporting the MPR. However, since the MAR is required by statute, legislative relief by Congress is required before it can be discontinued.

Recommendations to Congress

Congress should repeal section 606 of the OCS Lands Act Amendments of 1978 (43 U.S.C. 1865) to eliminate the data gathering and reporting requirements related to the MAR.
Status: Action in process.

DEPARTMENT OF THE INTERIOR

Interior's Report of Shut-In or Flaring Wells Unnecessary, but Oversight Should Continue
(RCED-83-10, 10-5-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978. Outer Continental Oil Shelf Lands Act.

Background

GAO reported on the methodology used by the Secretary of the Interior in allowing outer continental shelf (OCS) wells to be shut-in or flaring natural gas, as required by law.

Findings/Conclusions

GAO found, as it did in three previous annual reports, that the Department of the Interior's Mineral Management Service (MMS) should continue to improve its monitoring of shut-in and flaring wells while discontinuing its annual report. Congress' primary concern in initially requiring an annual OCS shut-in and flaring wells report was to determine whether OCS operators were deliberately withholding production in anticipation of higher prices in the future. GAO found that Interior's methodology and reporting has not been adequate to make this determination, and GAO believes that recent decontrol makes it unlikely that operators would deliberately withhold production. GAO concluded that abolishing the report would be the most cost-effective solution, and that MMS could direct Interior's post-lease management functions in a more effective manner.

Recommendations to Congress

Congress should consider repealing section 15(1)(d) of the Outer Continental Shelf Lands Act, as amended, and sections 601(1) and (b) of the Outer Continental Shelf Lands Act Amendments of 1978. These repeals would abolish the requirement for Interior's annual report on OCS shut-in and flaring wells as well as for the GAO annual evaluation of Interior's methodology and reporting to Congress.

Status: Action in process.

DEPARTMENT OF THE INTERIOR

Public Rangeland Improvement: A Slow, Costly Process in Need of Alternate Funding
(RCED-83-23, 10-14-82)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Taylor Act (Grazing). Land Policy and Management Act. Public Rangelands Improvement Act of 1978. Environmental Policy Act of 1969 (National). Wild and Free Horses and Burros Act of 1971. Endangered Species Act of 1973.

Background

GAO conducted a review to determine the status of and progress being made under the Bureau of Land Management's (BLM) programs for managing and protecting public rangelands in 16 western states.

Findings/Conclusions

Since 1977, BLM has made some progress in meeting a congressional mandate to improve the unsatisfactory conditions of public rangelands in the western states. BLM has issued over 20,000 grazing permits or leases to individuals and corporations who use federal rangelands. Permittees with allotments range from large ranchers to some with a few animals. Because BLM has used varying methods over the years to assess range conditions, the assessments' results cannot be directly compared to show the overall effects of BLM management actions. Nevertheless, the assessments indicate that most of the rangelands are in unsatisfactory condition and produce less than their potential. The current BLM method of determining and classifying range conditions is not directly related to management objectives. In addition, field offices use different methods to gather rangeland trend and forage consumption data. GAO believes that more consistency in data gathering is needed among districts with the same rangeland types and with similar resource conditions and problems. A 1975 court order has delayed development and implementation of range management plans until site-specific environmental impact statements are completed. The decreasing availability of improvement funds caused by budget cuts and declining grazing fees, coupled with the increasing cost of range improvements will further delay BLM progress in improving range conditions and productivity.

Recommendations to Congress

Congress should assess alternative funding sources such as amending the Public Rangelands Improvement Act to provide an interim increase in grazing fees, provided the funds are used to make range improvements where they are collected.
Status: Action not yet initiated.

Congress should assess alternative funding sources such as appropriating the special funds already authorized by section 5 of the Public Rangelands Improvement Act for range improvements.
Status: Action not yet initiated.

Congress should assess alternative funding sources such as amending the Federal Land Policy and Management Act to allow BLM to use a higher percentage or amount of grazing fees for making improvements.
Status: Action not yet initiated.

Recommendations to Agencies

The Secretary of the Interior should direct BLM to develop an additional rangeland condition assessment method that will classify conditions in relation to management objectives and require state BLM offices, to the extent possible, to obtain consistent rangeland data to be used for: (1) determining whether management objectives, such as bringing grazing use in line with grazing capacity, are being met; and (2) reporting to Congress and the public on the rangelands' overall condition.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should provide those incentives which the Interior determines to be needed to encourage permittees to make range improvements.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Potential Exists To Reduce Construction Costs Through More Effective Promotion of the Value Engineering Incentive Program
(RCED, 12-1-82)

Budget Function: Natural Resources and Environment: Water Resources (301.0)

Background

GAO reviewed the Department of the Interior's Bureau of Reclamation value engineering incentive program to identify opportunities for the Bureau to increase savings on water project construction costs.

Findings/Conclusions

GAO found that the Bureau has not placed enough emphasis on promoting the value engineering incentive program for its water resource construction contracts. As a result, the cost reduction potential of the program probably has not been fully realized due to limited contractor response. Since the program began, the Bureau has approved 39 contractor value engineering cost savings proposals, amounting to savings of about $2.1 million, half of which accrued to the federal government. Although these savings are noteworthy, the Army Corps of Engineers during the same time period achieved nearly 20 times greater savings to the government with construction appropriations three times that of the Bureau. The Bureau could potentially realize greater reductions in water project construction costs through the value engineering incentive clause adopting certain Corps practices related to: (1) lowering various dollar limitations placed on participation in the program to encourage greater response, and (2) promoting contractor awareness of the existence of an incentive clause.

Recommendations to Agencies

The Commissioner of the Bureau of Reclamation should require a plan to be developed and implemented to promote the value engineering incentive program through direct contact with the contractors.
Status: Action in process. Intended completion date unknown.

The required plan for the value engineering incentive program should include sending letters to contractors encouraging them to use the incentive clause.
Status: Action in process. Intended completion date unknown.

The required plan for the value engineering incentive program should include designing and providing an informative brochure on value engineering that at a minimum: (1) explains the concept of value engineering; (2) outlines the purpose of the incentive clause; (3) discusses the contractor's role in the process; (4) sets forth guidelines to be followed in submitting proposals; and (5) discusses procedures followed in reviewing and approving proposals received.
Status: Action in process. Intended completion date unknown.

The required plan for the value engineering incentive program should include providing value engineering seminars and orientation sessions for Bureau personnel and construction company representatives.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE INTERIOR

The Challenge of Enhancing Micronesian Self-Sufficiency
(ID-83-1, 1-25-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: P.L. 81-815. P.L. 96-63. Dep't of the Interior Secretarial Order 3039. 20 U.S.C. 1241. 42 U.S.C. 254b. 92 Stat. 2397.

Background

In response to a congressional request, GAO reviewed the institutional capability of the Micronesian governments to plan and administer public-sector programs and services. GAO also reviewed the conditions and the operations and maintenance of the extensive public works programs.

Findings/Conclusions

Under its Micronesia trusteeship, the United States has encouraged the formation of constitutional governments, supported the growth of educational programs, expanded the access of people to modern medical care, and invested extensively in physical facilities as a requisite to economic development. Despite these efforts, the Micronesian governments continue to face serious obstacles to becoming more self-sufficient. Geographic, social, and public policy constraints have and continue to limit the growth of the private-sector economy. GAO found that government budgets exceed the capabilities of the economies to support them and remain dependent on U.S. funds. Although much progress has been made under a 5-year capital improvement program, it has been estimated that $100 million would be required to fund full-scope restoration. The operations and maintenance of Micronesia's capital improvements and support equipment lacks funds, technically capable professionals, qualified trade skills personnel, planning, and work control programs. As a result, most Micronesian facilities and equipment are deteriorating. Resources will continue to be limited, and Micronesia is experiencing public administration problems in financial and personnel management and human resource development. Enhancing these institutional capabilities will continue to require substantial technical assistance from multiple sources.

Recommendations to Agencies

The Secretary of the Interior, through the Office of Territorial and International Affairs, and in cooperation with the Governments of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands, should, during the period before the trusteeship ends, develop an action plan to guide the provision of all U.S. and other technical assistance to the Micronesian governments.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior, through the Office of Territorial and International Affairs, and in cooperation with the Governments of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands, should, during the period before the trusteeship ends, identify what technical assistance is available and can be provided to the Micronesian government by Interior, other federal agencies, international organizations, the private sector, and colleges and universities.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE INTERIOR

Unresolved Issues Concerning the Disposal of Stockpile Silver
(RCED-83-7, 2-18-83)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Department of Defense Appropriation Act, 1982 (P.L. 97-114). Strategic and Critical Materials Stock Piling Revision Act of 1979 (P.L. 96-41).

Background

Comments by the Department of Defense (DOD) and the Federal Emergency Management Agency (FEMA) on an earlier GAO report have raised new issues concerning the disposal of stockpile silver. GAO evaluated the DOD and FEMA positions to determine whether they warranted revising any of the conclusions and recommendations of the earlier report and identified new issues that must be addressed and resolved in reevaluating the need for the stockpile silver.

Findings/Conclusions

The Department of Defense Appropriation Act of 1982 suspended the weekly auctions of silver stockpiles pending a redetermination that the silver intended for disposal is excess to stockpile requirements and congressional approval of any proposed disposal method. However, GAO believes that other unresolved disposal issues remain, including: (1) the lack of consideration of defense-related monetary uses of silver; (2) inadequacies in the decision-making data base relating to legislatively mandated supply factors; (3) the lack of consideration of the estimated cost of alternative sources of silver and the impact of proposed disposal methods on foreign relations; and (4) the viability of various alternative disposal methods, such as bullion coins and convertible bonds backed by silver.

Recommendations to Agencies

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to make clear the demand factors considered in redetermining the need for the stockpile silver and provide justification for excluding any of the defense-related monetary uses required by the fiscal year 1982 Defense Appropriations Act.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to appropriately qualify those legislatively mandated supply factors that are based on incomplete data.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to consider, as required by law: (1) the estimated cost of silver from recycling, domestic stocks, and foreign suppliers during a national emergency; and (2) the impact that any proposed disposal method may have on relations between the United States and its major foreign suppliers.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to provide a benefit-cost analysis of the various alternatives to disposing of the stockpile silver, including bullion coins and convertible bonds backed by silver, in support of a recommended disposal method.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE INTERIOR

Coal Exchange Management Continues To Need Attention
(RCED-83-58, 3-7-83)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Mineral Lands Leasing Act. Federal Coal Leasing Amendments Act of 1975. Land Policy and Management Act (P.L. 95-554). Surface Mining Control and Reclamation Act of 1977. 43 C.F.R. 2200. 43 C.F.R. 3400.

Background

In response to a congressional request, GAO examined several aspects of the proposed exchange of coal land ownership in Montana between the Bureau of Land Management (BLM) and a mineral company which is a railroad affiliate. The exchange is proposed to give both parties contiguous parcels of land which would be more conducive to leasing and development.

Findings/Conclusions

GAO found that, although the Mineral Leasing Act prohibits common carrier railroads from receiving federal coal leases, these restrictions do not apply to coal exchanges. Under the authority of the Federal Land Policy and Management Act, BLM can noncompetitively exchange coal ownership at any time if the exchanges are in the public interest and if the exchanged resources are of equal value. In addition, GAO found no discussion of the relationship between leasing federal coal or exchanging it in the law or regulations; nor did it find regulatory criteria for determining when to consider an exchange or leasing. Thus, BLM has a great deal of discretion in processing exchange proposals. GAO believes that there is merit to proceeding with consideration of the proposal because: (1) an exchange would be the surest way to assemble land conducive to development and even greater quantities of coal would be brought under federal jurisdiction; (2) the long-term marketability of the federal tract would be enhanced by the elimination of a checkerboard land problem; and (3) an alternative cooperative leasing approach has been unproven. GAO found that, although BLM intends to use the experience gained from this project to develop criteria for handling future exchanges, there is little assurance that key factors affecting exchange decisions will be fully considered.

Recommendations to Agencies

The Secretary of the Interior should establish regulatory requirements to help ensure that future coal ownership exchanges are consistently and equitably handled at the state level. These regulations should include: (1) guidelines for measuring public benefit and equal value for coal suitable for exchange; and (2) a requirement that both lease and exchange options are adequately considered when a proposal is received.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Interior should follow through in implementing recommendations previously made by GAO with regard to lease exchanges.
Status: Action in process. Intended completion date: 06/85

DEPARTMENT OF THE INTERIOR

Analysis of the Powder River Basin Federal Coal Lease Sale: Economic Valuation Improvements and Legislative Changes Needed
(RCED-83-119, 5-11-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Mineral Lands Leasing Act. Federal Coal Leasing Amendments Act of 1975 (30 U.S.C. 201(a)(1)). 43 C.F.R. 2.20. Dep't. of the Interior Manual 355.2.1. Boesche v. Udall, 373 U.S. 472 (1963).

Background

In response to a congressional request, GAO evaluated many sensitive and controversial issues surrounding the April 28, 1982, sale of coal leases in the Powder River Basin Federal Coal Region and its implications for the overall success of the Federal Coal Management Program.

Findings/Conclusions

GAO found that the Department of the Interior did not investigate the possibility of the disclosure of proprietary data or its potential impact on the sale. However, GAO could not verify the details related to this alleged disclosure. Interior did make two major changes in its coal lease sale bidding systems to permit the determination of fair market value after the sale rather than before. GAO found that Interior's new entry-level system and minimum bidding concept resulted in the receipt of low bids because of minimal bidder participation. The combined accepted bids on two sales were $3.5 million less than Interior's original minimum acceptable bid estimates. GAO believed that the approach used by the evaluation team, although imperfect and in need of some adjustment, was reasonable under the circumstances and provided a technically sound basis for estimating the fair market value of the tracts. However, GAO found that the lease value estimates undervalued the tracts by $95 million. GAO also noted weaknesses in the fair market value determination procedures, since the procedures were overly dependent on data derived from the sale itself. GAO found that Powder River coal sold at roughly $100 million less than the GAO estimates of fair market value at the April and October sales. A GAO analysis of maintenance leases showed that none of the tracts sold at fair market value.

Recommendations to Congress

Congress should amend the Mineral Lands Leasing Act of 1920, as amended, to: (1) authorize Interior to negotiate captive or maintenance-type leases; and (2) require Interior to publish for public comment information derived at sequential phases in the lease negotiation process. To ensure public and industry awareness of the lease negotiation process, and to provide ample opportunity for affected parties to influence the process, Interior should be required to publish its: (1) intent to negotiate a proposed maintenance lease; (2) decision to negotiate the lease as proposed and its evaluation of public comments; (3) intent to sell the lease and the proposed sale terms; and (4) decision to sell the lease as proposed, or under modified terms, and its evaluation of public comments. To facilitate future evaluations of the negotiation process, Congress should amend the Mineral Lands Leasing Act of 1920 to require that detailed records be kept of the negotiations, including evidence presented by Government and industry representatives, and of its disposition.
Status: Action in process.

DEPARTMENT OF THE INTERIOR

The Department of the Interior Should Improve Its Policies and Practices on Grant-Related Income
(GGD-83-75, 8-26-83)

Budget Function: General Government: Executive Direction and Management (802.0)

Background

GAO performed a government-wide review of federal agencies' and grantees' policies and practices on handling income generated under federally assisted programs.

Findings/Conclusions

GAO found that a number of federal agencies, including the Department of the Interior, had not established regulations addressing some grant-related income issues, were not conforming to the Office of Management and Budget's grant-related income standards, and were not adequately implementing their grant-related income regulations. As a result, the objective which the income standards sought to attain, that of using the income to increase the size of the federally assisted programs or to reduce the federal government's and grantees' shares of program costs, was not always being attained.

Recommendations to Agencies

The Secretary of the Interior should direct the National Park Service (NPS) and the Fish and Wildlife Service (FWS) to review grantees' practices on the use of income and to emphasize that program income must be used for program purposes.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct NPS and FWS to establish regulations governing the: (1) timing and allowability of program income expenditures; and (2) disposition of interest earned on invested program income funds.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct FWS officials to determine whether any federal share exists in the interest earned on the two Florida wildlife accounts.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct NPS and FWS to review and, where appropriate, revise their regulations on the options available to grantees for using program income to ensure that they reflect statutory requirements and clarify them as appropriate to remove internal conflicts.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct FWS officials to be consistent in requiring grantees to account for and report on income from the sale of wildlife management area permits, taking into consideration the FWS policy statement on this issue.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct FWS to require grantees to use the Financial Status Report for reporting program income and all other types of grant-related income.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE INTERIOR

Compliance With the Department of the Interior's Cost Recovery Program Could Generate Substantial Additional Revenues
(RCED-83-94, 9-6-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Land Policy and Management Act (43 U.S.C. 1734). Mineral Lands Leasing Act (30 U.S.C. 185). Independent Offices Appropriation Act, 1952 (31 U.S.C. 483a).

Background

GAO reviewed the Department of the Interior's recently expanded cost recovery program as it relates to oil and gas activities on Alaska's federal onshore lands.

Findings/Conclusions

GAO found that the Bureau of Land Management (BLM), the Minerals Management Service (MMS), and the Fish and Wildlife Service (FWS) are not fully complying with Interior's requirement to identify and, where appropriate, seek recovery of costs for services which directly benefit firms and individuals. During fiscal year 1982, more than $1.5 million in potentially recoverable costs were incurred by Interior, but action was taken to recover only a small part of them. Similar costs are anticipated in the future. The costs are incurred in responding to requests for drilling permits and other services by specific individuals and firms involved in exploration, development, and production activities on Alaska's federal lands. With few exceptions, the beneficiaries of these services are not being required to reimburse Interior for costs incurred because of the newness of the cost recovery program, the lack of emphasis and priority being given to it, and an unawareness of the requirement to reexamine these costs for the potential for recovery. GAO found that: (1) MMS was excused from filing a cost recovery report because it was a relatively new organization; (2) the FWS report did not identify, discuss, or analyze the recovery potential of oil and gas management costs; and (3) BLM currently charges for 27 leasing-related services and has proposed regulations for increasing or imposing fees for 9 others. Although BLM identified some new areas of cost recovery, it did not identify and analyze possible cost recovery for oil and gas management costs.

Recommendations to Agencies

The Secretary of the Interior should instruct the Director of the Office of Financial Management to ensure that bureaus and offices comply with the expanded program to recover appropriate costs for services provided to the non-federal sector. Specifically, bureaus and services in Alaska should identify unrecovered oil- and gas-related costs, evaluate the appropriateness of recovery possibilities, and institute collection procedures, where appropriate.

Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF THE INTERIOR

Congress Should Consider Eliminating Requirement for Interior's Report on Shut-in or Flaring Wells
(RCED-84-19, 10-24-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Outer Continental Oil Shelf Lands Act. Outer Continental Shelf Lands Act Amendments of 1978.

Background

GAO presented its fifth annual report to Congress on the methodology used by the Secretary of the Interior in allowing offshore oil and gas wells to be nonproducing (shut-in) or to burn off (flare) natural gas.

Findings/Conclusions

GAO found that the Department of the Interior's fiscal year 1982 report used the same methodology for allowing offshore wells to be shut-in or to flare natural gas as was used in previous reports. Congress initially required that Interior submit an annual shut-in and flaring wells report to determine whether well operators were deliberately withholding production in anticipation of higher prices once controls were lifted. However, the environment under which the reporting requirement was enacted has changed. Legislation and administrative actions to fully decontrol oil prices and to phase out controls over natural gas prices make the report's value questionable because the incentive to withhold production in anticipation of higher prices resulting from decontrol has been largely eliminated. Thus, the costs incurred by Interior in preparing the report and by GAO in evaluating it do not appear justified. Abolishing the reporting requirement would not alter Interior's continuing responsibilities for inspecting and monitoring Outer Continental Shelf lease activities to ensure the efficient development of oil and gas resources. GAO found that Interior has taken appropriate action on prior GAO recommendations for improving its oversight of offshore shut-in and flaring activities and that Interior effectively monitors these activities.

Recommendations to Congress

Congress should repeal section 15(1)(D) of the Outer Continental Shelf Lands Act, as amended, and sections 601(a) and (b) of the Outer Continental Shelf Lands Act Amendments of 1978 to abolish the requirement for Interior's annual report on shut-in and flaring wells as well as the GAO annual evaluation of Interior's methodology and reporting to Congress.
Status: Action in process.

DEPARTMENT OF THE INTERIOR

Improvements Needed in the Department of the Interior's Measurement of Offshore Oil for Royalty Purposes
(RCED-84-78, 4-30-84)

Budget Function: Energy: Energy Supply (271.0)

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's activities relating to the measurement of oil produced on the Outer Continental Shelf. The review focused on: (1) identifying the procedures Interior uses to ensure that offshore oil production is measured accurately for royalty purposes; (2) determining whether offshore operators are complying with regulations concerning the accuracy of production measurement devices; (3) determining whether Interior uses production measurement data to ensure that sales volumes are reported accurately; and (4) reviewing the extent to which data are being considered for inclusion in the new Automated Royalty Management Program.

Findings/Conclusions

GAO found that, although regulations require that offshore operators test production measurement devices and report test results to Interior on a monthly basis, the Minerals Management Service (MMS) did not receive approximately 30 percent of the required reports during 1982. Further, MMS did not: (1) identify from test results some meters that were not functioning properly; (2) follow up on meters that were reported as operating improperly; or (3) take corrective measures such as adjusting reported sales volumes for federal royalty purposes. MMS officials attributed the lack of control over test results to a shortage of personnel and indicated that an automated system for receipt, review, and followup of information might be the solution. Although Interior is developing two nationwide automated royalty management systems, it does not plan to include detailed meter testing data to verify the accuracy of offshore oil sales volumes in either system. MMS plans to include this type of data in its regional automated information system which may be used in conjunction with the nationwide systems. GAO believes that further measures will be needed in conjunction with the automated systems to fully ensure that accurate data are being used to compute royalties.

Recommendations to Agencies

To better ensure that sales volumes are accurately reported for royalty payment purposes in the Gulf of Mexico Region, the Secretary of the Interior should require the Director, MMS, to implement plans for improved receipt and review of meter testing reports and make greater use of the data it receives for this purpose. Through the use of additional staff recently assigned and adoption of automation, to the extent possible, meter testing reports should be matched with run tickets on a selective basis.
Status: Action in process. Intended completion date: 01/85

When the Auditing and Financial System and the Production Accounting and Auditing System (PAAS) become fully operational, the Secretary of the Interior should require the Director, MMS, to use the meter testing and run ticket data from its Gulf of Mexico Region's automated information system in conjunction with the PAAS to verify that reported sales volume measurements are accurate by matching meter testing reports with run tickets as a routine audit procedure.
Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE INTERIOR

National Park Service Needs a Maintenance Management System
(RCED-84-107, 6-1-84)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: OMB Circular A-76.

Background

Pursuant to a congressional request, GAO examined the potential for increased efficiency and effectiveness in maintaining the national park system.

Findings/Conclusions

The National Park Service spends millions of dollars annually to maintain the buildings, roads, bridges, monuments, hiking trails, and utility systems on the more than 79 million acres of developed and undeveloped land which comprise the national park system. GAO visited nine national park system units in 1983 and found that attention had not always been given to systematically maintaining facilities and that the Service had not provided adequate maintenance policy, guidance, or training. At seven of the parks visited, GAO found that park superintendents were not determining or requesting the funding needed to properly maintain park assets, properly accounting for maintenance resources, or assessing the efficiency and effectiveness of their maintenance activities. Superintendents at these seven parks agreed that they did not have the necessary information about their maintenance operations and did not know whether their maintenance activities were effective or efficient. The Service has estimated that the cost of developing and implementing an effective maintenance management system would be less than $10 million. GAO believes that the cost of such a system could be justified by the large annual Service maintenance budget, the current maintenance problems, and the potential to recapture development and implementation costs through reduced maintenance costs, increased productivity, and other benefits.

Recommendations to Agencies

The Secretary of the Interior should direct the National Park Service Director to develop overall Service policy on the purpose, goals, and objectives of park maintenance programs.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct the National Park Service Director to design, test, and implement in the national park system a maintenance management system which includes the key management elements discussed in this report. To help in designing a system, Service officials may want to obtain information from organizations such as Parks Canada which have maintenance management systems in operation.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct the National Park Service Director to develop Service guidelines on the system and processes needed to properly manage maintenance in the parks.
Status: Action in process. Intended completion date unknown.

The Secretary of the Interior should direct the National Park Service Director to develop a training program which focuses on planning, organizing, directing, and reviewing activities associated with a maintenance system and assure that maintenance managers and other appropriate park and regional personnel receive the training.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE INTERIOR

Alaska Land Conveyance Program--A Slow, Complex, and Costly Process
(RCED-84-14, 6-12-84)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Alaska Statehood Act (P.L. 85-508). Alaska Native Claims Settlement Act (P.L. 92-203). Alaska National Interest Lands Conservation Act (P.L. 96-487; 94 Stat. 2371). Alaska Allotment Act (Land) (43 U.S.C. 270; 34 Stat. 197). Submerged Lands Act. Land Policy and Management Act (P.L. 94-579). State of Alaska v. Marcia Thorson and Phyllis Westcoast, 76 IBLA 264 (1983). BLM Manual of Surveying Instructions.

Background

GAO reviewed the Bureau of Land Management's (BLM) conveyance of land in Alaska to Alaskan natives and native corporations to evaluate BLM progress in conveying the land.

Findings/Conclusions

GAO found that at the end of 1983 BLM had conveyed or approved: (1) 73 percent of the land to which the state of Alaska was entitled; and (2) 70 percent of the land to which Alaskan native corporations were entitled. The state, and many of the native corporations surveyed, stated that their economic, social, and cultural development objectives had been adversely affected by the slow speed of land conveyance. GAO found that the three major obstacles to conveyance are: (1) pending native land claims; (2) pending navigability determinations for waterways on land to be conveyed; and (3) the slow and costly process of surveying land. BLM resolution of native land claims has been slow because: (1) the number of applications processed kept changing as the result of court and administrative determinations; and (2) the method by which applications are processed is complex. Navigability determinations are difficult because BLM and the state disagree on the criteria for determining whether waterways are navigable. The Department of the Interior has adopted a policy that lessens the significance of navigability determinations; GAO believes that this policy will speed up the conveyance process. BLM has the administrative capability to handle more land surveys, but lacks funds. In the past, the state made some contributions to help pay for land surveys, but native corporations have made no such contributions. Few of the native corporations surveyed indicated a willingness to contribute to the cost of land surveys.

Recommendations to Agencies

The Secretary of the Interior should direct the Director, BLM, to require, after providing reasonable notice, that all amendments to native allotment applications in a specified area be filed by a specific date.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE INTERIOR

Economic Uses of the National Wildlife Refuge System Unlikely To Increase Significantly
(RCED-84-108, 6-15-84)

Budget Function: Energy: Energy Conservation (272.0)
Legislative Authority: Migratory Bird Conservation Act. Wildlife Refuge System Administration Act (16 U.S.C. 668dd et seq.). Mineral Lands Leasing Act (30 U.S.C. 191). Alaska National Interest Lands Conservation Act (P.L. 96-487). 50 C.F.R. 26. 50 C.F.R. 29.21-2. P.L. 98-151. P.L. 98-181. OMB Circular A-25. 16 U.S.C. 715s. 31 U.S.C. 9701.

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's plans to expand the economic and public uses of lands included in the National Wildlife Refuge System (NWRS), focusing on: (1) how expansion decisions were reached and whether data provided by individual refuges were considered in Interior's plans; (2) plans to increase oil and gas development on NWRS lands; and (3) policies of Interior's Fish and Wildlife Service (FWS) for granting access to and use of public lands.

Findings/Conclusions

GAO found that FWS initiated two surveys of refuge managers to identify potential expansion of uses for NWRS lands. FWS projected a potential increase of $2 million from expansion of economic activities, exclusive of oil and gas development. However, many refuge managers believed that such increases were unlikely to be realized because of limited demand for products that could be produced on NWRS lands. GAO believes that these concerns are valid because of the low quality and small volume of products and the remote locations of many refuges. GAO also found that, although mitigation of potential damage to wildlife from oil and gas development is important, FWS has insufficient information as to the extent of oil and gas activities on NWRS lands to assess the impacts of current or increased development. In addition, FWS has not provided guidance to refuge managers on how oil and gas operations should be conducted. Recent congressional action has delayed plans to expand oil and gas activities on NWRS lands. GAO also found that FWS has no specific regulations on access to NWRS lands; some refuges allow access without permits while others do not. In addition, FWS is not: (1) consistently charging fees for access and other use permits; or (2) ensuring that revenues that are collected are deposited in the proper Treasury accounts.

Recommendations to Agencies

The Secretary of the Interior should issue regulations concerning the conduct of oil and gas operations, especially seismic surveys, on NWRS lands.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Interior should verify the nature and extent of oil and gas exploration and production activities in NWRS and evaluate their impacts on refuge lands.
Status: Action in process. Intended completion date: 01/85

The Secretary of the Interior should require the Director, FWS, to issue a chapter of the Refuge Manual concerning oversight of oil and gas operations to provide guidance for refuge managers.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Interior should require FWS to improve its collection and tracking system for receipts which the refuges or regions collect. Such a system should include written guidance on where receipts should be deposited, a central coding procedure, and verification of these codes at the Denver Service Center.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF THE INTERIOR

Bureau of Indian Affairs' Participation in a Proposed Hydroelectric Facility at Kootenai Falls, MT
(RCED-84-126, 7-11-84)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Snyder Act (Bureau of Indian Affairs) (25 U.S.C. 13). Power Act (Water) (16 U.S.C. 817). Department of Interior Appropriation Act, 1979 (P.L. 95-465). Accounting and Auditing Act (31 U.S.C. 3501 et seq.). Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512). P.L. 97-100. B-95136 (1979). 25 U.S.C. 385c. 60 Stat. 895. 62 Stat. 269. 95 Stat. 1391.

Background

The Department of the Interior's Bureau of Indian Affairs (BIA) has an agreement with a group of electric cooperatives to pay up to 10.5 percent of the costs of determining the feasibility of, and obtaining a license for, constructing and operating a hydroelectric power generating facility at Kootenai Falls, Montana. Within BIA, the Flathead Indian Reservation Irrigation and Power Project has responsibility for administering the agreement. Pursuant to a congressional request, GAO reviewed BIA participation in the venture to determine whether federal funds were properly spent.

Findings/Conclusions

GAO found that, while BIA partially paid for its share of the feasibility study and license application costs with reprogrammed funds, the reprogramming of these funds was not reported to Congress. In addition, GAO found that BIA improperly used revenues from the Flathead Project to help pay its share of the costs of the Kootenai Falls venture. GAO also found that internal controls for the Flathead Project were inadequate in that: (1) the financial staff for the Flathead Project was not sufficiently trained or experienced in the financial management of such a complex project; and (2) since the Flathead Project's administrative officer position became vacant, project engineers have had responsibility for reviewing, approving, and certifying all financial transactions, in addition to authorizing project expenditures. As a result of financial management problems and tribal opposition to the Kootenai Falls venture, BIA has suspended its participation in the venture pending a determination by Interior's Solicitor as to the appropriateness of BIA participation. In addition, the staff and an administrative law judge of the Federal Energy Regulatory Commission have recommended that the federal license for construction and operation of the Kootenai Falls facility be denied, but GAO believes that litigation could delay a final decision on the license for several years.

Recommendations to Agencies

The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to reimburse the Flathead power project revenues from an available appropriation account or seek a deficiency appropriation from Congress for that purpose.
Status: Action in process. Intended completion date: 11/84

The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to ensure that the financial management system at the Flathead Indian Reservation Irrigation and Power Project complies with the Comptroller General's internal control standard requiring adequately trained and experienced personnel.
Status: Action in process. Intended completion date: 11/84

DEPARTMENT OF THE INTERIOR

Legislative Changes Are Needed To Authorize Emergency Federal Coal Leasing
(RCED-84-17, 8-2-84)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Mineral Lands Leasing Act (30 U.S.C. 181 et seq.). Federal Coal Leasing Amendments Act of 1976 (30 U.S.C. 201 et seq.). 43 C.F.R. 3400. 43 C.F.R. 3425.1-4. P.L. 95-554. NRDC v. Hughes, 437 F. Supp. 981 (D.D.C. 1977).

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's administration of coal leases, focusing on: (1) Interior's emergency lease sale regulations; and (2) the need for legislative and administrative remedies to emergency leasing.

Findings/Conclusions

Interior is required by law to issue federal coal leases by competitive bidding and ensure that the government receives fair market value for the coal. GAO found that Interior has had difficulty carrying out emergency leasing in a manner consistent with the requirements for competitive bidding and receipt of fair market value. Emergency leases are limited to situations where the lease applicant has a clear economic and competitive advantage over other bidders, and these leases have consistently been offered to meet the needs of the applicant requesting the lease sale. GAO also found that 33 percent of the emergency leases issued in one 18-month period did not produce coal for at least 3 years, as required by Interior regulations, and were not terminated. In addition, GAO found that Interior's method for determining fair market value is flawed because: (1) Interior does not assume that a lease tract has a higher value to an emergency lease applicant than it would on the open market; and (2) Interior's assumption that more than one bidder may be interested in an emergency lease tract has led to unrealistic estimates of the value of lease tracts to emergency lease applicants.

Recommendations to Congress

To meet the emergency needs of existing mining operations, Congress should amend the Mineral Lands Leasing Act of 1920 to authorize the Secretary of the Interior to conduct emergency federal coal leasing using negotiated lease sale procedures for carrying it out. The legislation should provide for: (1) a statement of objectives to be achieved through emergency leasing; (2) opportunity for public comment and expressions of competitive leasing interest before conducting negotiated sales; (3) development of guidelines by the Secretary for negotiators to follow which, at a minimum, provide for access to economic and geological data, disclosure and protection of proprietary information, factors to consider in negotiating lease terms and reasonable value for the federal coal, and public disclosure of lease sale results; and (4) promulgation of regulations by the Secretary for designing and implementing an emergency coal leasing program consistent with its objectives and the above standards.
Status: Action in process.

DEPARTMENT OF THE INTERIOR

BUREAU OF MINES
GEOLOGICAL SURVEY

Wilderness Mineral Assessment Reports Could Be Improved To Better Meet Land Use Decisionmaking Needs
(RCED, 8-14-84)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Wilderness Act. Forest Management Act.

Background

As part of the work which GAO has conducted over the past 2 years in examining a number of federal mineral land assessment programs, GAO explored aspects of the wilderness mineral assessment program conducted jointly by the U.S. Geological Survey and the Bureau of Mines for the Forest Service (FS).

Findings/Conclusions

GAO found that these assessment reports are not as useful to FS planners as they could be. While the primary purpose of the wilderness mineral surveys is to aid land use decisionmakers, the reports are often: (1) difficult to understand and to use; and (2) little more than raw data requiring lengthy interpretation. In addition, information necessary to place mineral data in perspective is missing. The surveys are fairly detailed and, depending on the size and complexity of the area studied, a single assessment may consume up to 3 years of research team time. Although FS is a principal user of the mineral assessments, it has had little input as to the format or the content of the assessment reports. These reports are highly technical and are intended to add to what is known about the nation's geology. Although the reports are supposed to be aimed at land use decisionmakers, the Survey distributes the reports to state and local governments, oil and gas industries, and academia. FS officials suggest that the reports could be far more useful for land use decisions if the data were directed toward land use managers. FS managers need to know where the minerals are located, whether they are in demand, whether they might be economically mined, and how they would be transported. In addition, regularly scheduled briefings on these topics could be valuable. The Bureau routinely collects this information. GAO found that, despite Bureau intentions, few changes have been made in the assessment reports.

Recommendations to Agencies

The U.S. Geological Survey and the Bureau of Mines, in consultation with the Forest Service, should revise the wilderness mineral assessment reports so that they are more useful to FS planners and land managers. The U.S. Geological Survey should provide further interpretation of the mineral resource data. The Bureau of Mines should furnish resource, technological and economic information that places the survey results in context for planning purposes.

Target: Department of the Interior: Geological Survey
Status: Action in process. Intended completion date unknown.

Target: Department of the Interior: Bureau of Mines
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF JUSTICE

Stronger Federal Effort Needed in Fight Against Organized Crime
(GGD-82-2, 12-7-81)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Organized Crime Control Act of 1970 (P.L. 91-452). RICO (Racketeer Influenced and Corrupt Organization) Act (18 U.S.C. 1961 et seq.). Tax Reform Act of 1976. United States v. Thevis, 474 F. Supp. 134, (N.D.GA. 1979). United States v. Mannion, 79 Cr. 744, (S.D.N.Y. 1980).

Background

Organized crime derives billions of dollars in illegal income annually from its activities. It is costing the government approximately $100 million a year to fight organized crime. The strike force program was designed to focus an experienced and coordinated federal enforcement and prosecutive attack against this major national problem. GAO was requested to evaluate Justice's role in impeding, restricting, and combating organized crime activities and to conduct a followup of a prior GAO report dealing with organized crime strike forces.

Findings/Conclusions

GAO found that efforts made on the part of the Department of Justice to better plan, organize, and direct the federal effort against organized crime have led to strike forces successfully obtaining indictments against and prosecuting high level organized crime figures. The establishment of the National Organized Crime Planning Council to coordinate efforts against organized crime, the setting of broad priorities and targets, the use of case initiation reports and efforts to develop an evaluation system are steps in the right direction. Justice must do more to improve the focus and direction of the program by establishing executive committees in each strike force. Law enforcement agencies must be brought into the activities to develop specific priorities and targets to break up organized crime. GAO found that the full potential of the Racketeer Influenced and Corrupt Organization Act (RICO) statute in the fight against organized crime has not been realized. While the statute has been used to obtain significant sentences for some convicted defendants, there have been few asset forfeitures in organized crime cases. RICO does not adequately introduce concepts not commonly used in criminal law. What has emerged are a variety of interpretations and tests which are sometimes inconsistent among jurisdictions. The final outcomes of federal efforts against organized crime are the indictment, conviction, and imprisonment of organized crime figures. The federal goal of disrupting organized crime will be difficult to accomplish under current sentencing patterns.

Recommendations to Agencies

The Attorney General should ensure that an evaluation system is developed that will measure the performance and accomplishments of the strike forces so that management improvements can be made where appropriate.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

Improved Prison Work Programs Will Benefit Correctional Institutions and Inmates
(GGD-82-37, 6-29-82)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)
Legislative Authority: Justice System Improvement Act of 1979 (P.L. 96-157; 93 Stat. 1167; 93 Stat. 1215). Department of Justice Appropriation Authorization Act, 1979 (P.L. 95-624; 92 Stat. 3464). 18 U.S.C. 4121 et seq.

Background

Federal and state correctional institutions operate institutional work programs and industrial work programs to reduce idleness, to provide inmates with marketable job skills and meaningful work experience, and to reduce correctional costs. GAO reviewed these programs to: (1) determine how well these goals are being achieved in federal prisons, and (2) evaluate federal efforts to help the states improve the operation of their prison work programs.

Findings/Conclusions

Institutional work is important for the day-to-day operations of prisons, but the typical institutional job does little to enhance inmate work skills. Many more inmates than necessary are assigned to these tasks, which undermines the goal of reducing idleness and results in shortened work schedules and make-work projects. In contrast, the industry work programs, which provide inmates with work experience more relative to outside employment and which help reduce prison costs, were sometimes short of workers. GAO believes that many workers assigned to institutional tasks could be more appropriately employed in existing prison industries and that the industries could be expanded to absorb an even greater number of inmates. However, before this can happen, several problems must be overcome. The Bureau of Prisons does not have systemwide criteria for determining the number of workers needed to perform institutional tasks. In addition, prison industry supervisory personnel have been limited by an administrative personnel ceiling which arbitrarily restricts the number of inmates that could be employed in the industrial programs. Concerns over competition with private businesses for the federal market also hinder expansion. Finally, the quality of the work experience could be improved. Prison industries tend to place more emphasis on teaching good work habits than on developing job skills.

Recommendations to Agencies

The Attorney General should require the Director of the Bureau of Prisons to: (1) develop inmate criteria for major institutional work programs based on inmates being involved in full-time, productive employment; (2) monitor inmate assignments to institutional work to ensure that such assignments are in accordance with staffing criteria; and (3) disseminate the results of studies on more efficient utilization of inmates in institutional work programs to all correctional institutions.
Status: Action in process. Intended completion date unknown.

The Board of Directors of Federal Prison Industries should work with the Attorney General and the Commissioner of Federal Prison Industries to: (1) provide guidance on the federal product market that can appropriately be supplied by industries without overly competing with private industry; (2) develop additional incentives to attract to industries as many inmates as possible who are not required for institutional work; and (3) improve inmate training opportunities through increased emphasis on job skills relevant to those needed for employment in the private sector and by requiring inmate work schedules and productivity levels to more closely emulate those found in the private sector.
Status: Action in process. Intended completion date unknown.

The Attorney General should submit to Congress anticipated future plans for the Free Venture and Prison Industry Enhancement programs, including a proposed designation of agencies to administer the two programs after termination of the Law Enforcement Assistance Administration.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

Community-Based Correctional Programs Could Be More Extensively Used Within the Federal Criminal Justice System
(GGD-82-69, 7-2-82)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)

Background

GAO conducted a study of alternatives to probation and confinement in a secured institution for the rehabilitation of nonviolent offenders.

Findings/Conclusions

Traditionally, the federal courts have used two options for sentencing offenders, probation and confinement in an institution. GAO work has shown that there is a need for an alternative that will help fill the void between these options. Federal officials have stated that some incarcerated federal offenders could be housed in less secure settings, and several states already have such alternative sentencing programs. The Bureau of Prisons and the Federal Probation Service developed plans for a pilot project designed to meet this need, but the project was postponed because of fiscal year 1982 budget cuts. GAO believes that the decision not to go ahead with the project should be reconsidered. Since the federal prison population has risen above capacity, and indications are that it will continue to rise, GAO believes that it would be beneficial to begin to test alternative sentencing options as soon as possible. Such an approach would enable the Bureau of Prisons to more effectively cope with its overcrowding problems. In addition, GAO discovered that the Bureau uses halfway houses to help incarcerated offenders make the transition from the institution to the community. GAO found that the Bureau could offset a larger portion of its operating costs of the program by enforcing its policy that requires halfway house residents to pay a share of their room and board costs.

Recommendations to Agencies

The Bureau of Prisons should determine what action halfway houses take regarding the collection of rent from employed inmates. If the Bureau finds that unjustifiable inconsistencies still exist regarding whether inmates pay or the amount they pay, the Bureau should revise its policy and implementing instructions to ensure that charges to inmates for rent are made on an equitable basis.

Status: Action not yet initiated. *The agency agrees, but GAO does not know when the Bureau plans to initiate action.*

DEPARTMENT OF JUSTICE

Legislative Changes Are Needed To Handle Certain Cases Under the Federal Youth Corrections Act
(GGD-83-40, 3-9-83)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: Magistrates Act (Federal) (18 U.S.C. 3401 et seq.). Youth Correction Act (18 U.S.C. 5005 et seq.). Parole Commission and Reorganization Act. 18 U.S.C. 3651. 18 U.S.C. 4205(f).

Background

GAO issued a report on a review of federal parole practices to assess how well the U.S. Parole Commission carries out its activities and to determine the extent of coordination between the Parole Commission and those federal government components which provide information to the Commission for its use in making parole release decisions. The GAO observations in this report are based on the earlier review of federal parole practices.

Findings/Conclusions

GAO found that the 1979 amendments to the Federal Magistrates Act created disparities in the sentences that may be imposed by magistrates, compared with those of judges, under the Federal Youth Corrections Act for petty offenses and misdemeanors. Both judges and magistrates may impose a 5-year term of probation for adults. A judge can also impose a 5-year term of probation under the Federal Youth Corrections Act, but a magistrate may impose only a 6-month or 1-year term of probation for petty offenses and misdemeanors, respectively. The maximum sentences that judges and magistrates may impose on adult offenders for petty offenses and misdemeanors are 6 months and 1 year, respectively. These are the same sentences which the 1979 amendments to Federal Magistrates Act authorized magistrates to impose under the Federal Youth Corrections Act. However, the Federal Youth Corrections Act provided that a judge will impose a 6-year sentence on a youthful offender for all offenses. An additional issue that was brought to the attention of GAO was the need for judges and magistrates to have the authority to impose a split sentence involving both incarceration and probation on youthful offenders. The Parole Commission makes parole release determinations and the Federal Probation System supervises youthful offenders sentenced to incarceration by magistrates under the Federal Youth Corrections Act. However, their sentences are so short that few, if any, benefits are obtained from parole consideration or parole supervision.

Recommendations to Congress

Congress should amend the Federal Magistrates Act to remove the restriction on the term of probation that a magistrate may impose under the Federal Youth Corrections Act, 6 months for a petty offense and 1 year for a misdemeanor, to allow a magistrate to impose the same maximum period of probation that a judge can impose, 5 years.
Status: Action in process.

Congress should amend the Federal Magistrates Act to eliminate the requirements that for youthful offenders sentenced to incarceration under the Magistrates Act: (1) the Parole Commission make parole release determinations; and (2) the Federal Probation System supervise them.
Status: Action in process.

Congress should amend the Federal Youth Corrections Act to: (1) limit the period of incarceration which a judge can sentence a youthful offender for a petty offense or misdemeanor to 6 months and 1 year, respectively; and (2) authorize judges and magistrates to impose split sentences on youthful offenders.
Status: Action in process.

DEPARTMENT OF JUSTICE

Justice Needs Better Controls Over Payment of Witness Fees
(GGD-84-61, 7-12-84)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)

Background

GAO reviewed how three U.S. attorney's offices and three U.S. Marshals Service offices manage the use of and payments to fact witnesses and to experts who testify at trials or in nontrial activities.

Findings/Conclusions

GAO found that Department of Justice policy regarding the approved use of and payments to fact witnesses is not being followed and fact witness payments are being processed and paid by the U.S. marshals offices without proper certification. Further, payments to some expert witnesses are not in compliance with Department guidelines. Regarding expert consultants who assist with nontrial activities, no clear Department guidance exists to help U.S. attorneys and marshals in calculating their compensation.

Recommendations to Agencies

The Attorney General should direct the Justice Management Division to develop guidance for U.S. attorneys and marshals to use in negotiating fees and making payments to experts who are used in nontrial activities.
Status: Action in process. Intended completion date unknown.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that all fact witness claims must be properly completed before payments are made and must include approved certifying signatures.
Status: Action in process. Intended completion date unknown.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that departmental approval must be obtained prior to obtaining the services of expert witnesses.
Status: Action not yet initiated. *Justice agrees with this recommendation, but it is not known when it will initiate action.*

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that expert witnesses must be paid only by the Justice Management Division.
Status: Action in process. Intended completion date unknown.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that fees paid to experts used for nontrial purposes must be in compliance with Department policies once they are promulgated.
Status: Action in process. Intended completion date unknown.

The Attorney General should require personnel of the U.S. attorney's and U.S. marshals offices to make supervisory reviews of payments to fact witnesses to ensure they are accurate and comply with Department guidelines.
Status: Action in process. Intended completion date unknown.

The Attorney General should require personnel of the U.S. attorney's and U.S. marshals offices to routinely notify fact witnesses of their entitlements and provide each of them a copy of the Department form OBD-2 before they make their travel arrangements.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF JUSTICE

Opportunities for Immigration and Naturalization Service To Improve Cost Recovery and Debt Collection Practices
(GGD-84-86, 7-13-84)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Immigration and Nationality Act (P.L. 90-609). Debt Collection Act of 1982. Federal Managers' Financial Integrity Act of 1982. 4 C.F.R. 102.1. OMB Circular A-25. 31 U.S.C. 9701(a).

Background

GAO reviewed selected revenue producing activities of the Immigration and Naturalization Service (INS) to determine whether INS is recovering the costs of services provided to identifiable recipients. GAO also determined how effective INS has been at collecting debts owed the Government.

Findings/Conclusions

GAO found that, as of September 1983, INS had delinquent accounts receivable amounting to more than $118 million. Although INS recognizes the need to more fully recover costs and improve collection activities and has taken some corrective actions, it has missed opportunities. INS can more fully recover costs for certain services provided to the airlines and for certain fees related to applications for immigration benefits. Also, INS can more effectively and aggressively bill for and collect debts owed the Government.

Recommendations to Agencies

The Attorney General should direct the Commissioner of INS to revise INS policy to require reimbursement from airlines for: (1) inspectional overtime at nondesignated international airports of entry; and (2) excess preclearance costs outside the United States.
Status: Action in process. Intended completion date unknown.

The Attorney General should direct the Commissioner of INS to: (1) review fees annually and adjust them in accordance with Office of Management and Budget requirements; (2) review the adequacy of the $25 maximum charge for private aircraft and vessel inspection and, if appropriate, propose legislation to increase it; and (3) work with the Executive Office for Immigration Review (EOIR) on implementing proposed fees for appeals.
Status: Action in process. Intended completion date unknown.

The Attorney General should direct the Commissioner of INS to establish controls to ensure that debts owed the Government are promptly identified, recorded, and billed.
Status: Action in process. Intended completion date unknown.

The Attorney General should direct the Commissioner of INS to establish debt ceilings and a system to track debt levels and bond coverage nationwide, by company, to ensure that bond amounts are adequate to cover the total potential loss from company default.
Status: Action in process. Intended completion date unknown.

The Attorney General should direct the Commissioner of INS to require that bonds from airlines cover liquidated damages as well as fines.
Status: Action in process. Intended completion date unknown.

The Attorney General should direct the Commissioner of INS to demand payment from surety companies for breached immigration bonds and delinquent debts owed by carriers and, through the Department of the Treasury, pursue decertification of surety companies that fail to pay.
Status: Action in process. Intended completion date unknown.

The Attorney General should direct the EOIR to work with INS in implementing proposed fees for appeals.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF JUSTICE

Justice Can Improve Its Contract Review Committee's Contribution To Better Contracting
(GGD-84-97, 9-28-84)

Budget Function: Administration of Justice (750.0)
Legislative Authority: F.P.R. 1-3. H. Rept. 96-1459. 41 U.S.C. 414. 31 U.S.C. 1341.

Background

Pursuant to a congressional request, GAO evaluated how successful the Department of Justice's contract review committee (CRC) has been in conducting preaward reviews of contracts over $100,000, sole-source contracts over $50,000, and potentially controversial contracts.

Findings/Conclusions

GAO found that Justice contracting officials believe CRC has improved Justice contracts it has reviewed and has improved Justice contracting practices. The committee found deficiencies in 162 of the 307 contracts it reviewed during fiscal year (FY) 1983, and 93 percent of these deficiencies were subsequently addressed by the procuring organization. GAO noted that the CRC rejection of about 53 percent of the FY 1983 contracts it reviewed showed that, despite its efforts, problems still exist with Justice's contracting practices. Further, only 89 percent of the contracts that should have been submitted to the committee were received. GAO concluded that, although there is some concern among contracting officials with CRC operations, it has generally been an effective tool for improving agency contract practices.

Recommendations to Agencies

The Attorney General should direct CRC to make periodic oral presentations of its findings to contracting officials.
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

The Attorney General should clarify Justice's policy to delineate the types of contracts that should be submitted to CRC so as to ensure that CRC receives all contracts it should review. These types of contracts should include: (1) letter contracts; (2) purchases of various specific services, such as expert witnesses; (3) exercise of options; and (4) contracts with indefinite dollar amounts estimated to be above the CRC threshold.
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

The Attorney General should direct the procurement executive to use CRC findings when developing strategies for carrying out procurement inspections and other oversight functions, such as deciding who and what to inspect, and for establishing the training component of, and training materials for, a career management program.
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

The Attorney General should have the procurement executive report to a level no lower than the Deputy Assistant Attorney General for Admnistration.
Status: Action not yet initiated. *The agency has not yet responded to this recommendation.*

DEPARTMENT OF LABOR

Service Contract Act Should Not Apply to Service Employees of ADP and High-Technology Companies
(HRD-80-102, 9-16-80)

Budget Function: Education, Training, Employment, and Social Services: Other Labor Services (505.0)
Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Walsh-Healey Act (Government Contracts) (41 U.S.C. 35 et seq.). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Davis-Bacon Act (Wage Rates). Communications Act of 1934. Classification Act (5 U.S.C. 5102(c)(7)). Truth in Negotiations Act (Military Procurement) (P.L. 87-653). 29 C.F.R. 4.132. 29 C.F.R. 4.141. 29 C.F.R. 541. P.L. 91-379. 5 U.S.C. 1082(7).

Background

The Service Contract Act of 1965 protects workers' wages on federal contracts when the contracts' principal purpose is to provide services in the United States using service employees. Minimum wages and fringe benefits must be based on rates that the Secretary of Labor determines as prevailing for service employees in the locality. The Department of Labor notified the General Services Administration (GSA) that the maintenance and repair services specifications of all federal contracts for the purchase or rental of supplies or equipment were subject to the act. Soon thereafter, several major automatic data processing (ADP) and other equipment manufacturers announced their refusal to accept any government contract subject to the act. Labor later issued an interim, nationwide wage determination covering ADP maintenance and repair services which accepted currently paid wages and fringe benefits as prevailing for such services. Nevertheless, major ADP and other equipment manufacturers continued to reject government contracts subject to the act. Labor then developed a proposed average entrance-level wage rate that could be paid to the industry's service technicians subject to the act. Labor's attorneys raised serious legal and policy questions concerning use of a nationwide entrance-level wage rate, thus Labor shelved the rate and issued wage determinations that extend and expand the interim determination, while Labor officials continue to study the matter.

Findings/Conclusions

Labor's decision could seriously affect maintenance and repair of the government's computers, many of which are critical to national defense and security. GAO believes Labor's position is not supported by the act's language and legislative history, Labor's regulations, or its administrative manual. The act was not intended to cover maintenance services related to commercial products acquired by the government. ADP, high-technology, and other commercial product-support service contracts, where government sales represent a relatively small portion of a company's total sales, do not have the same characteristics or incentives for contractors to deliberately pay low wages to successfully bid on government contracts. The industries' argument, that the act's application to such services is not needed, has merit. Industry compliance would be counterproductive and costly. The administrative burdens and operating costs of each corporation would be increased. Merit pay systems and staff assignment practices would be disrupted. The application of the act could also have an inflationary impact on the industries' wage rates.

Recommendations to Congress

Congress should amend the Service Contract Act to make it clear that the act excludes coverage for ADP and other high-technology commercial product-support services, that is services the government procures based on established market prices of commercial services sold in substantial quantities to the public.
Status: Action not yet initiated.

DEPARTMENT OF LABOR

Legislation Authorized Benefits Without Adequate Evidence of Black Lung or Disability
(HRD-82-26, 1-19-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Coal Mine Health and Safety Act of 1969 (Federal). Black Lung Benefits Revenue Act of 1977. Black Lung Benefits Reform Act of 1977. Employees' Compensation Act (Injuries) (5 U.S.C. 8101). 20 C.F.R. 718.

Background

GAO was asked to identify whether legislative changes are needed to ensure that black lung benefits are awarded only to miners totally disabled by black lung or to their survivors.

Findings/Conclusions

In December 1981, Congress passed amendments to the Black Lung Benefits Act which should result in the provision of better evidence to support the approval of future black lung benefit claims. GAO found that, for most approved black lung claims, the medical evidence was not adequate to establish disability or death from black lung. However, the approval of the claims was consistent with the Federal Coal Mine Health and Safety Act. The act and regulations authorized approval of black lung claims on the basis of conflicting and inconclusive medical evidence, affidavits, presumptions based on years of coal mine employment, and interim standards. GAO believes that these provisions did not ensure that benefits were awarded only to miners disabled from black lung or to their survivors. In a sample of 205 approved claims, 84 percent had inadequate medical evidence, about half were founded on presumptions based on work history, about an eighth had conflicting medical evidence, and others were supported only by affidavits with no supporting medical evidence. Some claimants were awarded benefits for respiratory conditions which may be aggravated but not caused by coal mine employment. The 1981 amendments, which will affect future claims, address GAO concerns related to the use of presumptions, the re-reading of X-rays, and the use of affidavits. However, the amendments do not: (1) change the legislative definition of pneumoconiosis; (2) prohibit all affidavits; or (3) require that disability determinations be based solely on medical test results.

Recommendations to Congress

Congress should consider amending the black lung legislation to eliminate the use of affidavits to establish death or disability from pneumoconiosis.
Status: Action not yet initiated.

Congress should consider amending the black lung legislation to require that medical evidence be the basis for establishing the presence of pneumoconiosis and disability due to black lung.
Status: Action not yet initiated.

Congress should consider amending the black lung legislation to redefine black lung as coal workers' pneumoconiosis, a chronic dust disease arising out of coal mine employment that permanently damages the lungs.
Status: Action not yet initiated.

DEPARTMENT OF LABOR

Allegations Related to the Processing of Injured Employees' Hearing Loss Claims
(HRD-82-102, 8-31-82)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Employees' Compensation Act (Injuries) (5 U.S.C. 8101).

Background

Pursuant to a congressional request, GAO reviewed charges of improprieties associated with the activities of the Department of Labor's Hearing Loss Task Force. The task force was established in 1976 to process a backlog of hearing loss claims, and it adjudicated more than 19,000 claims during the 5.5 years of its operation.

Findings/Conclusions

Although Labor hired three audiologists for the task force, it also contracted with outside audiologists and physicians to reduce the claims backlog of hearing loss cases. Most of the charges of improprieties related to the use of outside audiologists, physicians, and other hearing specialists to whom Labor referred claimants for hearing tests. The review showed that Labor: (1) made about $650 in duplicate payments to outside audiologists and physicians; (2) incurred unnecessary costs on about 320 claims when it paid for two reviews; (3) took action to prevent one hearing specialist from routinely ordering claimants to undergo unnecessary hearing tests; and (4) appropriately restricted a staff audiologist from qualifying some hearing loss medical opinions. GAO also found that: (1) fees paid to hearing specialists who tested claimants for hearing loss varied considerably between geographic regions and sometimes appeared to be excessive; (2) costs were lower when claims were reviewed by staff audiologists than when they were reviewed by outside audiologists; (3) the use of outside audiologists seemed to be justified; (4) outside audiologists appeared to be qualified to review hearing loss claims; (5) compensation awards to claimants with a hearing loss also appeared justified; and (6) claims examiners were told not to revise staff audiologists opinions.

Recommendations to Agencies

The Secretary of Labor should ensure that the Office of Workers' Compensation Programs develops schedules of reasonable fees for medical services, which includes fees for hearing tests as planned.
Status: Action in process. Intended completion date: 03/85

DEPARTMENT OF LABOR

The Department of Labor Has Not Adequately Controlled Office of Job Corps Information Collection Activities
(GGD-82-100, 9-22-82)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Paperwork Reduction Act of 1980. OMB Circular A-40.

Background

GAO reviewed the Department of Labor's Office of Job Corps to determine whether it was carrying out its information collection activities in accordance with the policies and procedures established by the Paperwork Reduction Act of 1980. The review was part of a recently completed survey of education-related reporting requirements imposed on the public by federal agencies.

Findings/Conclusions

GAO found 56 reporting and recordkeeping requirements that the Job Corps was imposing on its contractor-operated centers without Office of Management and Budget (OMB) approval which is required by law. GAO stated that the existence of such a number of unapproved requirements, combined with the fact that cognizant Labor officials were unaware that these requirements needed OMB approval, indicated that the Department needs to strengthen controls over its information collection activities.

Recommendations to Agencies

The Secretary of Labor should direct the Assistant Secretary for Administration and Management to ensure that the unapproved reporting and recordkeeping requirements that GAO identified are promptly reviewed to determine whether they are needed and used in their present form or whether they warrant revision. Those which continue to be needed, including any that are revised, should be promptly submitted to OMB for approval.
Status: Action in process. Intended completion date: 01/85

The Secretary of Labor should direct the Assistant Secretary for Administration and Management to ensure that adequate controls are established for identifying and obtaining OMB approval for all unapproved reporting and recordkeeping requirements contained in contracts and related requirements developed and used by Labor's regional offices.
Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF LABOR

Concerns About Controlling Union Employees' Benefit Funds by the Carpenters Collection Agency, Youngstown, OH
(HRD-83-8, 11-12-82)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Taft-Hartley Act (Labor). Labor-Management Reporting and Disclosure Act of 1959. Employee Retirement Income Security Act of 1974.

Background

GAO was asked to examine: (1) the legality and functions of the Carpenters Central Collection and Administrative Agency, a nonprofit Ohio corporation that collects fringe benefit contributions from building trade employees; and (2) the timeliness and effectiveness of the Department of Labor's investigation and reporting of the Collection Agency's activities.

Findings/Conclusions

GAO found that Labor did not take aggressive action to require Health and Welfare Fund trustees to correct Employee Retirement Income Security Act (ERISA) violations identified in its investigations of the Collection Agency activities. As a consequence, the Agency has continued to control and use union employee fringe benefit funds in violation of ERISA provisions that are designed to prevent such abuses. The Collection Agency collects and controls union membership fringe benefit payments by employers which may violate the Taft-Hartley Act, because it does not meet the statutory requirements of a Taft-Hartley trust; specifically, GAO is not aware of any written agreement between the Collection Agency and employers. The Collection Agency's trustees represent only the employees and, therefore, employers and employees are not equally represented in the administration of the agency's funds. In addition, the agreements between the agency and the employee benefit plans do not ensure that employee payments will be used for the sole and exclusive benefit of employees.

Recommendations to Agencies

If the Solicitor's Office determines that the Collection Agency is not a labor organization under the Labor-Management Retirement Disclosure Act and the Collection Agency cannot be required to report through the administrative process, the Secretary of Labor should propose to Congress that the statutory definition of a labor organization be changed to include such entities as the Collection Agency.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF LABOR

Labor Inaccurately Paid Black Lung Benefits--Some Corrective Actions Taken but More Are Needed
(HRD-83-46, 5-13-83)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Coal Mine Health and Safety Act of 1969 (Federal) (30 U.S.C. 801). P.L. 92-303. P.L. 95-227. P.L. 95-239. P.L. 97-119.

Background

In response to a congressional request, GAO reviewed the black lung workers' compensation and medical expense payment systems administered by the Department of Labor's Office of Workers' Compensation Programs (OWCP).

Findings/Conclusions

GAO estimated that through 1982 Labor had incorrectly paid 26 percent of the beneficiaries in the GAO sample, resulting in overpayments and underpayments totaling $65 million. GAO also estimated that an amount equaling $24 million of these errors had been corrected by the time that GAO initiated its case file review. In addition, Labor also identified other overpayments which totaled about $5 million. Beneficiaries were inappropriately receiving more than one black lung benefit from Labor, the Social Security Administration (SSA), or from a state workers' compensation program. According to the responsible officials, many payment errors were caused by the workloads created by amendments to the original black lung legislation. GAO identified several problem areas affecting quality control and recordkeeping which contributed to the payment errors. Labor has recognized many of these problems and has initiated actions to reduce future errors. GAO also found that problems in medical payments identified during an inspector general's review still exist and that Labor has not used fee schedules to ensure that medical payments are reasonable.

Recommendations to Agencies

The Secretary of Labor should monitor the development and implementation of the OWCP fee schedules to ensure that future black lung-related treatment costs are reasonable and that the Coal Mine Workers' Compensation Division appropriately documents payments which exceed these schedules.
Status: Action in process. Intended completion date: 03/85

The Secretary of Labor should direct OWCP to ensure that the new automated system is used to record and monitor collection efforts for new and existing debts.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF LABOR

The Best FECA Practices Could Raise Productivity if Implemented at All FECA Offices
(AFMD-83-72, 9-27-83)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Employees' Compensation Act (Injuries).

Background

GAO conducted a review to identify opportunities for improving productivity in processing federal employees' disability and medical claims under the Federal Employees' Compensation Act (FECA) program.

Findings/Conclusions

GAO found that productivity in 15 district offices varied widely because the offices used a variety of operating practices and staffing methods. GAO believes that the lower performing offices could improve productivity by adopting the practices of the more efficient offices. GAO found that FECA managers do not have a system for measuring and comparing district offices' productivity. However, the Office of Workers' Compensation Programs is working on a computer system which could improve productivity, although it will directly improve only the work of claims examiners, who comprise about 25 percent of the staff. GAO found that the major reasons for productivity differences were in the areas of idle time, extra support staff, and equipment availability and use. Because some of the best practices which promote higher productivity will cost money to initiate, the cost benefits of improvements should be assessed on an office-by-office basis.

Recommendations to Agencies

The Deputy Under Secretary of Labor should ask the Director of the Office of Workers' Compensation Programs to: (1) act to improve productivity by identifying the best operating practices and implementing them at all offices and looking for ways to improve even the current best practices; (2) use the actions which GAO identified as a starting point for improvement efforts; and (3) develop productivity and quality measures and goals, and use them in conjunction with timeliness measures for tracking performance at district offices, and identifying action managers should take.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF LABOR

An Assessment of Random Audit--A New Department of Labor Program To Improve the Accuracy of Unemployment Insurance Benefit Payments
(HRD-84-26, 3-30-84)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)

Background
GAO assessed the Department of Labor's random audit program which was initiated to improve the accuracy of benefit payments under the unemployment insurance system.

Findings/Conclusions
In each participating state, a random sample of about eight unemployment insurance payments are selected for detailed weekly investigations and this provides the basis for estimating the extent, type, and cause of overpayments. GAO believes that the program is conceptually sound and should, if properly implemented, provide needed information. However, comparisons between states may not be meaningful, statistically reliable projections of a national overpayment rate cannot be made until all states have implemented the random audit, not all unemployment insurance claims are covered by the random audit, and overpayment rates tend to be understated. The results of the random audit program have generally confirmed that high overpayment rates exist. The principal identified cause for these overpayments is that claimants are not actively seeking work. In addition, there are limitations in the states' systems for detecting, preventing, and recovering overpayments. GAO believes that overpayments can be greatly reduced if Labor and the states effectively use the random audit information. In several states, the program is contributing to improved claims processing and overpayment control. However, others have not made substantial changes to improve their programs, principally because of Labor's initial passive role in seeking corrective actions. Concern exists as to whether the federal monitoring of the program in each state should be strengthened, and whether the program should be expanded to include additional types of unemployment insurance claims.

Recommendations to Agencies
The Secretary of Labor should direct the Assistant Secretary for Employment and Training to determine the adequacy of federal efforts to monitor the implementation of the random audit.
Status: Action in process. Intended completion date: 04/85

The Secretary of Labor should direct the Assistant Secretary for Employment and Training to determine and evaluate alternatives for assessing the extent, type, and cause of overpayments in extended benefits and federal supplemental compensation claims.
Status: Action in process. Intended completion date: 04/85

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Office of Workers' Compensation Programs Needs To Improve Procedures To Help Reduce Payment Errors and Identify Dual Payments
(HRD-84-63, 5-21-84)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Employees' Compensation Act (Injuries).

Background

GAO completed a survey of payment and collection activities administered by the Office of Workers' Compensation Programs.

Findings/Conclusions

GAO found that incorrect payments were made in about 20 percent of the payment transactions reviewed, and about 5 percent of the benefits paid during the test period were incorrect. Most errors occurred because claims examiners and other personnel did not process, incorrectly processed, or failed to follow up on data in case files. More than half of the transactions which involved errors had been reviewed by supervisors who did not detect the errors. In addition, local quality control units were not required to, and generally did not, review the accuracy of the payments. GAO found that these problems were not identified by the Office of Workers' Compensation Programs because its quality control procedures were not adequate. In addition, some beneficiaries were overpaid because they improperly received Civil Service retirement benefits at the same time they were receiving workers' compensation benefits. These dual payment errors could have been avoided by annually questioning beneficiaries on retirement benefits received and comparing its benefit roll to that of the Office of Personnel Management (OPM). GAO also found that claims examiners had not followed debt collection procedures for almost two-thirds of the accounts receivable cases tested.

Recommendations to Agencies

The Deputy Under Secretary for Employment Standards should coordinate with OPM in conducting periodic comparisons of benefit rolls to identify Federal Employees' Compensation Act beneficiaries who are receiving prohibited dual benefits.

Status: Action in process. Intended completion date: 2/85

DEPARTMENT OF STATE

OFFICE OF THE INSPECTOR GENERAL

State Department's Office of Inspector General Should Be More Independent and Effective
(AFMD-83-56, 6-2-83)

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)
Legislative Authority: Inspector General Act of 1978 (P.L. 95-452). Foreign Service Act of 1980 (P.L. 96-465). Foreign Service Act of 1946. Rogers Act (Foreign Service).

Background

In response to a congressional request, GAO reviewed the operations of the Department of State's Inspector General (IG) office to determine how differences between its authorizing legislation, the Foreign Service Act of 1980, and the Inspector General Act affect the State IG office work.

Findings/Conclusions

GAO found that the Foreign Service Act included several important differences from the basic Inspector General Act which permit the new State IG office to continue to operate like old IG offices rather than functioning like the new independent statutory IG offices established in other agencies. GAO believes that more independence is needed in the State IG office, because it found a number of situations in which the independence of the State IG inspection, audit, and investigative functions could have been or could be impaired. In addition to doing traditional audit functions, the IG office is required to inspect and audit each foreign post and domestic unit at least once every 5 years. GAO believes that management, not the IG office, should be responsible for these routine inspections. The role of the independent audit organization should be to evaluate how well agency management is carrying out its basic responsibilities, including its routine monitoring and assessment functions. In addition, GAO found that the IG office has little operational control over investigations into allegations of fraud, waste, and abuse. It relies on the Office of Security to conduct these investigations. GAO believes that this constitutes an organizational impairment which has caused delays and a poorer quality of investigations. Finally, GAO has found that government audit standards are not being complied with and that the quality of IG office work has suffered due to the lack of staff training and experience, severe time constraints, and the lack of documentation.

Recommendations to Congress

Congress should either repeal section 209 of the Foreign Service Act of 1980 and create an independent IG in State by placing State under the Inspector General Act of 1978 or conform section 209 of the Foreign Service Act of 1980 to the Inspector General Act of 1978.

Status: Action in process.

Recommendations to Agencies

The Secretary of State and the Inspector General should establish an investigative capability within the IG office to enable the IG office to conduct its own investigations. In this regard, they should consider transferring from the Office of Security to the IG office those qualified investigators assigned to the Office of Security's new General Fraud and Malfeasance Branch.

Target: Department of State

Status: Action in process. Intended completion date: 12/84

Target: Department of State: Office of the Inspector General

Status: Action in process. Intended completion date unknown.

The Inspector General should establish a quality review system to ensure that the work of the office complies with Government audit standards.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF STATE

New and Better Equipment Being Made Available for International Nuclear Safeguards
(NSIAD-84-46, 6-14-84)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Nuclear Nonproliferation Act of 1978 (22 U.S.C. 3201). Treaty on the Nonproliferation of Nuclear Weapons, July 1, 1978, Multilateral, T.I.A.S. No. 6839. Treaty for the Prohibition of Nuclear Weapons in Latin America, February 14, 1967, Multilateral, T.I.A.S. No. 7137.

Background

Pursuant to a congressional request, GAO evaluated U.S. research and development efforts regarding equipment for the International Atomic Energy Agency's (IAEA) nuclear safeguards program.

Findings/Conclusions

The main mechanism by which the United States assists IAEA is the Program of Technical Assistance to Safeguards (POTAS). Through POTAS, the United States has developed 21 types of safeguards equipment for IAEA use. GAO found that most of this equipment is available for use; however, the adequacy of such equipment is uncertain because neither the United States nor IAEA has criteria for determining equipment adequacy. Of the 21 types of equipment 15 are in some degree of use, while the others are either being tested or are not expected to be used. GAO believes that multilateral coordination with a technical emphasis among IAEA members is necessary and would enable IAEA to better plan and control safeguards activities and facilitate exchanges of technical information about equipment under development.

Recommendations to Agencies

The Secretary of State should request IAEA to further develop and implement coordination mechanisms to help achieve a fully integrated, multilateral safeguards support program among countries providing substantial support.
Status: Action in process. Intended completion date unknown.

The Secretary of State should, after consulting with the other POTAS member agencies, direct the POTAS program to assess the IAEA Secretariat's concern that the current documentation on equipment usage, operation, and training is not meeting the needs of IAEA and, if necessary, adjust the U.S. assistance efforts to address this problem.
Status: Action in process. Intended completion date unknown.

The Secretary of State should monitor IAEA progress in procuring and supporting its planned equipment needs and, if problems occur, work with the IAEA Secretariat to develop strategies for overcoming them.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF STATE

U.S. Objectives Generally Achieved at Broadcasting Satellite International Conference--Improvements Can Help in Future Conferences
(RCED-84-157, 8-2-84)

Budget Function: Multiple Functions: Telecommunications and Radio Frequency Spectrum Use (Civilian-Related) (999.1)

Legislative Authority: Department of State Authorization Act, Fiscal Years 1982-1983 (P.L. 97-241). Department of State Authorization Act, Fiscal Years 1984-1985 (P.L. 98-164). 22 C.F.R. 10.735-404. Executive Order 12046. P.L. 96-60.

Background

In response to a congressional request, GAO reviewed the conference results and coordination among U.S. participants at the 1983 Regional Administrative Radio Conference held by the International Telecommunications Union.

Findings/Conclusions

GAO found that the United States achieved two of its major objectives by convincing other nations to support: (1) a broadcasting satellite service plan with significant flexibility in technical standards and procedures; and (2) a plan which assigns specific orbit slots and frequencies to each nation. The United States was not successful in reaching agreement with the other nations on a desired higher maximum signal power level for the broadcasting satellites. However, the United States was able to adequately protect most of its interests at the conference because of the quality of technical preparations, the availability of computer analysis during the conference, and the competence of the U.S. delegation, although the delegation could have been aided by more and earlier State Department advance work to anticipate the political positions of other nations and help negotiate their support for U.S. views. Furthermore, a lack of State Department attention to conference administrative matters resulted in required conflict-of-interest reviews of private-sector delegates not being made before the conference. In addition, poor coordination within the Department caused by uncertainty about authority resulted in confusion for the delegation leadership throughout the conference. Effective coordination was hampered by the lack of interagency and intra-agency understanding of the coordinator's role.

Recommendations to Agencies

The Secretary of State should improve the coordination of its participation in international telecommunications conferences and assure that delegations have the benefit of Department advice and involvement by: (1) more clearly defining and delineating the authority and responsibilities of the Office of the Coordinator for International Communication and Information Policy; and (2) involving Department political experts early in conference preparations and as delegation members in order to negotiate and anticipate support for U.S. positions.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Coast Guard Personnel Records Storage Areas Need Fire Protection Systems
(GGD-81-72, 4-22-81)

Budget Function: General Government: General Property and Records Management (804.0)

Background

The U.S. Coast Guard maintains over 6,000 officer and over 30,000 enlisted personnel records in two rooms at the Transpoint Building in Washington, D.C. GAO reviewed the official personnel records of the Coast Guard to determine how efficiently the records were being maintained.

Findings/Conclusions

GAO believes that the Coast Guard should acquire fire protection systems to protect its records. Although the government leases the Transpoint Building, government-occupied space is subject to the building fire safety standards established by the Public Buildings Service (PBS). According to PBS criteria, only one of the two rooms used to store the records requires an automatic sprinkler protection system. However, GAO believes that the importance of the records and the expense of replacing them warrants installation of the system in both rooms. The Coast Guard stated that it intends to install a fire protection system during the upcoming renovation of the building.

Recommendations to Agencies

GAO believes that the Coast Guard should take action now to protect the records because the renovation has already been delayed once and could be delayed further.

Status: Action not yet initiated. *The Coast Guard agrees that fire protection measures are needed, but the funding for the work has not been approved. It has no estimate of when the work will be done.*

DEPARTMENT OF TRANSPORTATION

Applicability of Public Law 89-306 to the FAA Procurement of Computers for the Air Traffic Control System
(AFMD-82-47, 2-18-82)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: 41 C.F.R. 4.1102-1. 41 C.F.R. 1-4.1109-18(b). 41 C.F.R. 1-4.1100-3. 41 C.F.R. 1-4.1102-1. P.L. 89-306. DOT Order 1370.2A.

Background

In response to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) planning, management, and acquisition of automated information systems for air traffic control and FAA management purposes.

Findings/Conclusions

By the mid-1980's, FAA plans to replace the computers at the nation's en route air traffic control centers with computers capable of running the existing software with minimum modifications. The new computers which FAA plans to buy will be general purpose, mass-produced, commercially available computers. However, FAA officials do not plan to follow the process established under applicable law by the General Services Administration (GSA) for buying such automatic data processing (ADP) equipment. An important objective of the law is the economic acquisition of government ADP equipment. To promote this acquisition of general purpose, mass-produced, commercially available ADP equipment, an agency must submit a procurement request to GSA for a delegation of procurement authority. FAA officials stated that they are procuring an air traffic control system, not a computer system, and that it is not subject to the GSA procurement process. Since GSA has jurisdiction over the procurement of ADP equipment supplied to the government, GAO concluded that, unless the Administrator of General Services specifically exempts FAA from following the applicable regulations, it does not have the legal authority to buy such equipment.

Recommendations to Agencies

The Secretary of Transportation should revise Department of Transportation Order 1370.2A to eliminate the present blanket exemption and to substitute language closer to that of the current GSA language.
Status: Action in process. Intended completion date: 12/84

The Administrator, FAA, should comply with the provisions of Public Law 89-306 in procuring the replacement computers for the air traffic control system.
Status: Action in process. Intended completion date: 10/85

DEPARTMENT OF TRANSPORTATION

Better Administration of Capital Grants Could Reduce Unnecessary Expenditures on Mass Transit Projects *(CED-82-22, 4-20-82)*

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601). Federal Aid Highway Act (23 U.S.C. 1976). OMB Circular A-102.

Background

GAO reviewed six capital grants awarded to the Massachusetts Bay Transportation Authority to determine how well the Urban Mass Transportation Administration (UMTA) was monitoring them and whether the program was cost effective.

Findings/Conclusions

The Massachusetts Bay Transit Authority received more than $1.8 billion in capital grants from fiscal years 1965 through 1981. GAO found that UMTA did not adequately monitor grant projects in accordance with its management guidelines and operating manual and did not have guidance on third-party funding of UMTA-supported projects. As a result, $2.3 million was spent to construct a rapid-transit track that is not being fully used, and $5.6 million was spent to purchase and install power equipment that will not be used. Thus, nearly $8 million of federal funds was expended with only minimal benefits to the Authority. Furthermore, delays have occurred in the acquisition of automatic train control equipment which could increase equipment costs by more than $6 million. In addition, funds expected from third parties to help finance projects have not been obtained and may not be forthcoming. As a result, the Authority will have to scale down the project or ask UMTA for additional funds. Office of Management and Budget guidelines require grantees to submit quarterly progress reports to UMTA and require UMTA to make periodic visits to construction sites and to perform inspections. Due to staff shortages, UMTA did not follow its monitoring procedures. The quarterly reports were often incomplete and improperly analyzed. Inspections were not made as often as required, and trip reports were vague and incomplete.

Recommendations to Agencies

The Secretary of Transportation should direct the Administrator of UMTA to recover $5.6 million used to purchase and install three boilers for the Massachusetts Bay Transportation Authority Immediate Needs Power Program.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF TRANSPORTATION

Changes to the Motor Vehicle Recall Program Could Reduce Potential Safety Hazards

(CED-82-99, 8-24-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Traffic and Motor Vehicle Safety Act (P.L. 89-563). Motor Vehicle and Schoolbus Safety Amendments of 1974 (P.L. 93-492). 49 C.F.R. 577.

Background

GAO reported on the motor vehicle recall program's safety defect investigation process and its owner response rates. The National Highway Traffic Safety Administration (NHTSA), which administers the program, conducts defect investigations of approximately 50 to 70 percent of the recalled motor vehicles, and the motor vehicle industry voluntarily initiates investigations of the remaining recalls. Since 1966, about 128 million motor vehicles, tires, and other related replacement items have been recalled because of safety defects. GAO reviewed the recall program to determine if: (1) NHTSA could hasten its safety defect identification process; and (2) the number of owners responding to recalls could be increased.

Findings/Conclusions

GAO found that the NHTSA investigations often take years to complete, while vehicles continue to be exposed to possible safety deficiencies. The average time for each case in the NHTSA Office of Chief Counsel is approximately 14 months. As a result of delays, information to support some case findings often has to be updated. GAO also found that about 50 percent of the owners notified of potential safety defects do not take their vehicles in for inspection and/or correction. A 1980 survey indicated that some owners do not respond to recalls because they do not perceive the defect as a problem or do not believe the recall is important. GAO believes that the reason behind those perceptions and beliefs could be that the recall letters are too difficult for many owners to understand.

Recommendations to Agencies

The Secretary of Transportation should instruct the Administrator, NHTSA, to work with motor vehicle manufacturers to change the wording and format in a recall letter to lower its reading level and test the revised letter in an actual recall to determine its effectiveness in increasing response rates.

Status: Action in process. Intended completion date: 11/85

The Secretary of Transportation should instruct the Administrator, NHTSA, to work with motor vehicle manufacturers to test various reminder techniques in actual recalls to determine whether they increase response rates and are cost effective.

Status: Action in process. Intended completion date: 11/85

DEPARTMENT OF TRANSPORTATION

Value Engineering Has the Potential To Reduce Mass Transit Construction Costs
(RCED-83-34, 12-29-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601). Federal Aid Highway Act of 1973.

Background

Millions of dollars in federal, state, and local construction funds can be saved by applying value engineering (VE) to the designs of construction projects funded by the Urban Mass Transportation Administration (UMTA). GAO conducted this review to determine: (1) how effective VE would be when applied to heavy rail and bus construction projects; and (2) whether VE could produce greater savings than the UMTA peer review on one aspect of a proposed subway station.

Findings/Conclusions

Most transit authorities that receive UMTA funds lack the technical expertise to design projects. To obtain this capability they hire architectural/engineering firms. Because the firms design facilities to satisfy the requirements of transit authorities, the cost to construct the facilities may be greater than necessary. The design plans are evaluated by UMTA regional engineers for cost effectiveness, safety, and technical feasibility. However, UMTA officials and architectural/engineering representatives acknowledge that UMTA does not have enough engineers to adequately review designs. Unlike VE, peer review does not include use of a job plan, analysis of the functional requirements of a system before recommendations are made, or use of formal criteria and guidelines. UMTA believes that peer reviews held during the conceptual and informational stages of project development have saved millions of dollars in construction costs. For fiscal years 1965-81, UMTA has provided about $18 billion in capital grants to local transit authorities to construct and rehabilitate rail and bus facilities, which included $7.5 billion for rail and $1.5 billion for bus projects. The remaining funds were used to purchase rolling stock and equipment and for similar purposes. In fiscal year 1981, obligations for UMTA capital programs totaled about $2.9 billion; $866 million was used for bus and $2 billion for rail projects. GAO believes VE can significantly reduce construction costs as demonstrated in VE workshops and by other federal agencies.

Recommendations to Agencies

The Secretary of Transportation should direct the Administrator of UMTA to implement a value engineering program for construction projects.
Status: Action in process. Intended completion date: 06/85

The Secretary of Transportation should direct the Administrator of UMTA to apply value engineering early in a project's design on all UMTA-funded construction projects exceeding $2 million.
Status: Action in process. Intended completion date: 06/85

The Secretary of Transportation should direct the Administrator of UMTA to share with the grantee the cost and savings of value engineering in proportion to its participation in project costs when implementing the program.
Status: Action in process. Intended completion date: 06/85

The Secretary of Transportation should direct the Administrator of UMTA to ensure that value engineering is performed by a private architectural/engineering firm not participating in the project when implementing the program.
Status: Action in process. Intended completion date: 06/85

The Secretary of Transportation should direct the Administrator of UMTA to ensure that construction contracts include a value engineering incentive clause when implementing the program.
Status: Action in process. Intended completion date: 06/85

The Secretary of Transportation should direct the Administrator of UMTA to limit its peer review program to the conceptual and informational phases of major construction projects and complement it with value engineering during the early design and construction phases of such projects.
Status: Action in process. Intended completion date: 06/85

DEPARTMENT OF TRANSPORTATION

Department of Transportation Needs Better Assurance That Transit Systems Are Maintaining Buses
(RCED-83-67, 3-25-83)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Public Transportation Act of 1982.

Background

GAO examined the preventive maintenance activities of six major transit systems to determine whether the substantial federal investment in transit buses is adequately protected through proper maintenance.

Findings/Conclusions

GAO found that, although the Urban Mass Transportation Administration (UMTA) requires grantees to maintain buses purchased with federal assistance, it has no policy or guidelines explaining the criteria for adequate maintenance. In addition, it has not systematically evaluated how well vehicles purchased with federal assistance are maintained. The scope and severity of maintenance problems nationwide is largely unknown. However, in its study of six major transit systems, GAO found that buses did not always receive timely preventive maintenance which could affect their reliability and useful life. In one system, over one-third of the year's scheduled maintenance activities were performed when the vehicles' mileage exceeded that prescribed for maintenance by at least 1,000 miles. Although climate and terrain can also affect bus performance, GAO believes that some of the decline in the reliability of many transit systems' vehicles may be attributed to untimely or inadequate maintenance. GAO found that many transit operators lack the resources to carry out preventive maintenance programs despite the availability of federal operating assistance. In addition, it found inadequate mechanic training and maintenance facilities, a lack of mechanics, and more sophisticated vehicles requiring more maintenance.

Recommendations to Agencies

The Secretary of Transportation should direct the Administrator of UMTA to require that federal capital grant assistance for bus purchases be subject to maintenance certification and independent audit provisions similar to those required for block grants. The amount of future federal grant assistance should be dependent on correction of maintenance program deficiencies.
Status: Action in process. Intended completion date: 06/85

The Secretary of Transportation should direct the Administrator of UMTA to work with the transit industry and develop a federal bus maintenance policy with flexible guidelines on what constitutes an adequate maintenance program and criteria to evaluate these programs.
Status: Action in process. Intended completion date: 06/85

DEPARTMENT OF TRANSPORTATION

FAA Can Better Manage the Aircraft It Uses To Keep Pilots Current and Provide Transportation
(PLRD-83-52, 4-1-83)

Budget Function: Transportation: Air Transportation (402.0)
Legislative Authority: FAA Order 4040.1. FAA Order 4040.9A. FAA Order 4040.19. OMB Circular A-76. H. Conf. Rept. 97-960.

Background

In response to a congressional request, GAO reviewed federal civilian agencies' aircraft operations to determine whether they are being managed efficiently and economically. The Federal Aviation Administration (FAA) conducts aircraft flight programs to keep pilots current.

Findings/Conclusions

GAO found that more effective management of the FAA programs is needed, because: (1) most pilots do not acquire the minimum flight hours to remain current; (2) most passenger transportation flights could have been made at lower cost on commercial airlines; (3) nonofficial passengers have routinely traveled at government expense; and (4) more aircraft acquisition is planned without adequate justification or consideration of less costly alternatives.

Recommendations to Agencies

The Secretary of Transportation should direct the Administrator of FAA to consider less costly alternatives, like interagency sharing and commercial service, before buying either the four Beechcraft King F-90's currently being leased or the new logistics aircraft.
Status: Action in process. Intended completion date: 11/84

The Secretary of Transportation should direct the Administrator of FAA to reduce the number of evaluation, currency, and transportation aircraft to only those necessary to meet valid program requirements.
Status: Action in process. Intended completion date: 11/84

The Secretary of Transportation should require the FAA Administrator to accurately determine evaluation, currency, and transportation flight program requirements by implementing FAA Orders 4040.9A and 4040.19 and prohibit transportation flights from being justified for currency, unless they are necessary to meet minimum standards.
Status: Action in process. Intended completion date: 11/84

DEPARTMENT OF TRANSPORTATION

Cost Effectiveness of Life-Cycle Process in Buying Transit Vehicles Questionable
(RCED-83-184, 9-1-83)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Surface Transportation Assistance Act of 1982 (P.L. 97-424). Department of Transportation Appropriation Act, 1983 (P.L. 97-369). Department of Transportation Appropriation Act, 1980 (P.L. 96-131). Department of Transportation Appropriation Act, 1982. Department of Transportation Appropriation Act, 1981 (P.L. 97-102).

Background

GAO discussed the Urban Mass Transportation Administration's (UMTA) procedure that requires federally funded transit systems to use life-cycle costs when buying transit vehicles.

Findings/Conclusions

GAO found that major obstacles inhibit this process, resulting largely from: (1) transit systems' failure to prove that such procurement decisions are cost effective; and (2) a lack of adequate information, resources, or technical expertise for transit systems to effectively use the process. Further, transit systems have not adequately documented performance costs for the vehicles purchased to assess the validity of the cost projections. GAO believes that, if performance projections cannot be effectively confirmed, the continued use of the life-cycle cost process should be questioned because of the additional costs involved.

Recommendations to Agencies

The Secretary of Transportation should direct the UMTA Administrator to develop research and demonstration projects with selected transit systems to document the costs associated with using the life-cycle cost process to buy transit vehicles.
Status: Action in process. Intended completion date: 01/86

The Secretary of Transportation should direct the UMTA Administrator to develop research and demonstration projects with selected transit systems to keep operating and maintenance cost records for the vehicles bought to determine the validity of the cost projections used in making the contract award.
Status: Action in process. Intended completion date: 01/86

The Secretary of Transportation should direct the UMTA Administrator to develop research and demonstration projects with selected transit systems to identify ways to overcome the obstacles to using the life-cycle cost procurement process by addressing the problems of the availability of adequate data, selection of verifiable cost factors, failure to consider the present value of the projected costs, development of fair evaluation processes, and expertise needed to adequately evaluate cost projections.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Safety Standards on Small Passenger Aircraft--With Nine or Fewer Seats--Are Significantly Less Stringent Than on Larger Aircraft
(RCED-84-2, 1-4-84)

Budget Function: Transportation: Air Transportation (402.0)
Legislative Authority: Civil Aeronautics Safety Regulation Act. Air Commerce Act. Aviation Act (49 U.S.C. 1301 et seq.). Airline Deregulation Act of 1978 (P.L. 95-504).

Background

GAO reported on how current federal airworthiness standards and operating rules influence the safety of small aircraft.

Findings/Conclusions

The Airline Deregulation Act provides that, to the maximum extent feasible, air carrier passengers are to receive the same level of safety regardless of the size of the air carrier. However, GAO found that passengers flying on small aircraft are not provided with the same level of safety as passengers flying on larger aircraft. Both the airworthiness standards and the operating rules which the Federal Aviation Administration (FAA) has established for small aircraft are significantly less stringent than those it has established for larger aircraft. Since the late 1960's, FAA has studied, proposed, or made numerous changes to the airworthiness standards and operating rules. GAO found that these studies and changes either excluded or were not considered mandatory for aircraft with fewer than 10 seats because of the economic impact which such standards would have on the small aircraft industry. Some changes could be made at acceptable costs with substantial safety benefits to be gained; however, FAA has not prepared any cost/benefit analysis with regard to modifying the safety standards which apply to small aircraft.

Recommendations to Agencies

The Secretary of Transportation should direct the Administrator, FAA, to identify those standards and rules governing small air carrier aircraft (nine or fewer seats) that are significantly less stringent than those applicable to larger air carrier aircraft.
Status: Action in process. Intended completion date: 11/84

The Administrator, FAA, should seek the cooperation and assistance of aircraft manufacturers and air carrier operators in preparing the cost/benefit estimates.
Status: Action not yet initiated. *Action on this recommendation is dependent on the results of the completed study.*

The Secretary of Transportation should direct the Administrator, FAA, to prepare detailed cost/benefit estimates of the possible alternatives to upgrade those standards and rules that are less stringent.
Status: Action not yet initiated. *Action on this recommendation is dependent on the results of the completed study.*

The Secretary of Transportation should direct the Administrator, FAA, to implement those alternatives that are determined to be technologically feasible and cost beneficial.
Status: Action not yet initiated. *Action on this recommendation is dependent on the results of the completed study.*

DEPARTMENT OF TRANSPORTATION

Bus Rehabilitation Issues Need Attention
(RCED-84-81, 4-9-84)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.).

Background

GAO examined bus rehabilitation issues to: (1) determine the costs and benefits of bus rehabilitation; (2) analyze the Urban Mass Transportation Administration's (UMTA) bus rehabilitation policies; and (3) review UMTA efforts to determine the costs and benefits of bus rehabilitation.

Findings/Conclusions

Bus rehabilitation is a means by which local transit authorities can extend the useful life of buses and avoid the high cost of new buses. In 1979, UMTA began to provide grants for bus rehabilitation because: (1) it could not fund an increase in new bus purchases; and (2) it believed that rehabilitation was a cost-effective alternative to bus purchases. GAO found that UMTA bus rehabilitation policies favor new bus purchases over rehabilitation. Because information on the costs and benefits of bus rehabilitation is limited, UMTA is gathering data to aid it in developing a final bus rehabilitation policy. GAO believes that the data collection planned by UMTA does not include elements necessary for the study to have nationwide applicability. GAO attempted to define the costs and benefits of bus rehabilitation but could not because: (1) transit authorities have not kept extensive performance and maintenance records by bus model; and (2) most rehabilitated buses have not reached the end of their extended useful life. The limited information available to GAO indicated that bus rehabilitation has the potential to be a cost-effective alternative to new bus purchases.

Recommendations to Agencies

The Secretary of Transportation should direct the Administrator, UMTA, to make the funding formula for bus rehabilitation identical to that for new bus purchases until the results of its cost-benefit study are known.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF TRANSPORTATION

Need To Assess Federal Role in Regulating and Enforcing Pipeline Safety
(RCED-84-102, 7-10-84)

Budget Function: Transportation: Other Transportation (407.0)
Legislative Authority: Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. 2001). Transportation of Explosives Act (18 U.S.C. 831 et seq.). Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. 1671). Pipeline Safety Act of 1979. 49 C.F.R. 190. H. Rept. 90-1390. H. Rept. 96-201. S. Rept. 96-182.

Background

Pursuant to a congressional request, GAO reviewed federal gas and hazardous liquids pipeline safety programs.

Findings/Conclusions

The Department of Transportation's (DOT) goal is to perform a comprehensive annual inspection of each pipeline operator under its jurisdiction. GAO found that, in 1983, DOT performed comprehensive inspections of only 24 percent of these operators. As of April 1984, DOT had 17 regional office inspectors, which GAO believes is insufficient to carry out the agency's inspection and enforcement responsibilities. State participation in pipeline inspection programs is voluntary; therefore, DOT cannot require the states to maintain their current level of inspection activity, assume responsibility for additional intrastate pipelines, or correct deficiencies in their programs. A number of pipeline facilities and commodities transported by pipeline not currently being regulated by DOT, including rural gas gathering lines, gas service lines, and hazardous liquids storage facilities, may need to be regulated depending on the severity of the associated safety problems. GAO believes that, despite current staffing and resource limitations, DOT can take actions to make its inspection activities more efficient.

Recommendations to Agencies

The Secretary of Transportation should direct the Administrator, Research and Special Programs Administration, to evaluate and, if the benefits outweigh the cost, establish and implement a mandatory quality assurance program for interstate pipeline operators; (2) complete and update its inspection workload by dividing all interstate gas and liquid operators into common inspection units and by including the master meter and LP gas operators that are under its jurisdiction; and (3) require Office of Operations and Enforcement regions to expand and refine the inspection workload and activity data they maintain and report to headquarters to include, for each category of operator, the number of inspection units subject to inspection and the number of units that have been inspected one or more times during the year, and a breakout of the number of inspections performed by type of inspection.
Status: Action in process. Intended completion date unknown.

The Secretary of Transportation should direct the Administrator, Research and Special Programs Administration, to improve state agency inspection activity reporting and OOE monitoring of state agency pipeline safety programs by: (1) using more performance-oriented measures to evaluate state agency actions in enforcing federal pipeline safety standards; (2) providing the regional offices with additional guidance to assure consistent interpretations of the questions on the monitoring form; (3) updating criteria used to determine the minimum level of state inspection activity, or establishing new criteria for this purpose; (4) clarifying instructions provided for data collection and reporting by state agencies; and (5) having the OOE regional offices review and advise OOE headquarters as to the probable accuracy of the program activity data at the time the state agencies submit such data and devote more time to verifying the accuracy of this data during their annual monitoring visits.
Status: Action in process. Intended completion date unknown.

The Secretary of Transportation should direct the Administrator, Research and Special Programs Administration, to better define state inspector qualifications and training requirements and assist the states in obtaining the needed inspector training by: (1) identifying what knowledge and skills are necessary to conduct effective inspections of operators; (2) determining what training the state's inspection workforce needs to conduct effective inspections; and (3) working with the states to determine the most efficient and effective way for all state inspectors to obtain the identified training needs within a reasonable time period.
Status: Action in process. Intended completion date unknown.

The Secretary of Transportation should instruct the Administrator, Research and Special Programs Administration, to: (1) gather and analyze the data necessary to determine whether there are sufficient hazards, involving personal injury or environmental damage, to warrant regulation of rural gas gathering lines, gas service lines, hazardous liquids storage facilities, and substances transported in liquefied form that are not presently regulated; and (2) take appropriate actions to amend the regulations and, in the case of rural gas gathering lines and gas service lines, propose the legislation needed to provide coverage of those additional pipeline facilities that warrant coverage.
Status: Action not yet initiated. *The agency has indicated that no action will be taken on this recommendation until the end of December 1984 at the earliest.*

The Secretary of Transportation should direct the Administrator, Research and Special Programs Administration, to develop and present to the congressional oversight and appropriations committees, alternatives to redefine the federal role and responsibilities for ensuring the safety of intrastate pipelines, including hazardous liquids pipelines. These alternatives should propose different combinations of responsibilities for intrastate operators not currently under a state's jurisdiction as well as defining the federal responsibility for assessing state agency programs.

Status: Action in process. Intended completion date unknown.

DEPARTMENT OF TRANSPORTATION

Reductions in Coast Guard Leased Housing Can Achieve Savings
(GGD-84-91, 8-8-84)

Budget Function: General Government: General Property and Records Management (804.0)

Background
GAO reviewed the Coast Guard's policies, procedures, and practices for the leasing of housing for its service members and their dependents to determine whether it needs to continue leasing in view of the Variable Housing Allowance (VHA).

Findings/Conclusions
GAO found that the Coast Guard's internal surveys used to determine private housing costs overstated the costs and thereby the need for leasing. Leasing costs were about $6 million more than the $20 million of allowances its members would have been entitled to in fiscal year 1982 if they had obtained their own housing. GAO believes that the Coast Guard should discontinue leasing the majority of the units and pay its members Basic Allowance for Quarters and VHA allowances. The Coast Guard also needs to improve its use of leased housing.

Recommendations to Agencies

The Secretary of Transportation should require the Commandant of the Coast Guard to develop procedures in the three Coast Guard districts reviewed for the prompt identification of vacant leased units so that they can be reassigned or the leases cancelled. If warranted, these procedures should be applied in the other nine districts.
Status: Action not yet initiated. *The Coast Guard has not yet responded to the report.*

The Secretary of Transportation should require the Commandant of the Coast Guard to rely more on allowances and phase out leased housing, except in areas with limited housing.
Status: Action not yet initiated. *The Coast Guard has not yet responded to the report.*

DEPARTMENT OF THE TREASURY

Bank Secrecy Act Reporting Requirements Have Not Yet Met Expectations, Suggesting Need for Amendment

(GGD-81-80, 7-23-81)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Bank Secrecy Act of 1970 (P.L. 91-508). 31 C.F.R. 103.

Background

The implementation of the Bank Secrecy Act's reporting requirements and their usefulness to law enforcement efforts were reviewed. Congress envisioned that the reporting requirements of the act would be useful for tracking the financial resources associated with criminal activities and the profits gained from these illegal activities. However, GAO found that the reports required under the act are not widely used and their potential utility as an investigative tool is unknown. The Department of the Treasury, responsible for implementing the act, has initiated actions along with other agencies to correct many of the problems hindering the use of the reports. However, GAO believes that further improvements are needed if the act is to be effectively implemented. GAO also believes that it is time for an overall assessment of the costs and benefits of the act's reporting requirements to determine their usefulness.

Findings/Conclusions

GAO found that after 10 years the act has not been used sufficiently to demonstrate whether the demands it places on the private sector, especially financial institutions, are commensurate with the benefits obtained by the federal government. GAO believes that the next 2 to 3 years will be crucial to demonstrating the cost effectiveness of the act's reporting requirements. Recent actions taken by the Treasury Department and the regulatory agencies to improve implementation and compliance, coupled with a greater emphasis on financial investigations by law enforcement agencies, suggest that the act's requirements may now be receiving the attention Congress envisioned. However, as law enforcement agencies focus more on detecting the financial resources of organized criminals and, as more attention is given to the effects of federal regulatory activities on the national economy, Treasury will have to demonstrate better that the usefulness of the act reports justifies the costs. If this cannot be demonstrated, then GAO believes that the act's reporting requirements should be repealed.

Recommendations to Agencies

The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should revise the Department's act data dissemination guidelines to provide law enforcement investigators easier access to act report data and regulatory examiners' data to verify financial institutions' report filings.

Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Could Better Protect U.S. Tax Interests In Determining the Income of Multinational Corporations *(GGD-81-81, 9-30-81)*

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Internal Revenue Code (IRC). Revenue Act.

Background

GAO reported on the Internal Revenue Service's (IRS) administration of the Internal Revenue Code Section 482 when auditing multinational corporations. Specific changes were discussed which would improve IRS enforcement of existing regulations. The larger question was explored of whether more fundamental changes in the regulations together with additional approaches to taxation of multinational corporations could alleviate some of the uncertainty and administrative burden presently being experienced by IRS and corporate taxpayers.

Findings/Conclusions

Multinational corporations have both the incentive and the opportunity to shift income between jurisdictions to take advantage of disparate corporate tax rates. One incentive is the minimization of taxes. The opportunity lies in the pricing of interorganizational transactions. This presents an excellent opportunity for abuse. IRS has not yet developed baseline information on the incidence and magnitude of multinational corporation noncompliance in terms of improper shifting of income. Thus, IRS has no basis for determining the amount of audit resources to be assigned to the problem, nor for gauging the success of those resources that are applied to it. Enforcement difficulties are compounded by the complexities involved in measuring the amount of income misallocated. Thus, regulations and the resulting enforcement process create an unacceptable level of uncertainty and a significant administrative burden both for corporate taxpayers and IRS examiners. Neither GAO nor IRS knows how much noncompliance exists, nor how many more adjustments IRS should have made. However, it can reasonably be concluded that the potential for greater enforcement exists.

Recommendations to Agencies

The Commissioner of Internal Revenue should clarify the description of the information that corporations should report concerning the sale and purchase of stock in trade and intercorporate loan transactions either by revising the form 2952 when current supplies are depleted or by issuing the new consolidated form currently being developed. In the interim, IRS should notify its examiners of the shortcomings in the present form.

Status: Action in process. Intended completion date: 09/85

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

What IRS Can Do To Collect More Delinquent Taxes
(GGD-82-4, 11-5-81)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Internal Revenue Code (IRC).

Background

GAO reviewed and evaluated the Internal Revenue Service's (IRS) policies, procedures, and practices for collecting delinquent taxes and evaluating its collection activities to determine IRS effectiveness in collecting delinquent taxes from taxpayers who claim that they cannot immediately pay their taxes in full. IRS districts and their respective regions and service centers were selected for review on the basis of obtaining a geographical mix of districts considering the size of the district, available GAO resources, and the impact of conducting the review on the IRS collection activities. Samples of installment agreements and currently not collectible cases were also reviewed.

Findings/Conclusions

At the end of fiscal year 1979, about $3 billion of the IRS accounts receivable was classified as currently not collectible, and taxpayers were making installment payments against $270 million in delinquencies. A review of installment agreements showed that nearly 15 percent of the taxpayers could have paid their liabilities immediately with savings. Inadequate determinations of ability to pay severely hamper the effective use of installment agreements. Further, classifying accounts as currently not collectible is a greater problem since these taxes may never be collected. IRS has made limited use of voluntary payroll deductions, considered one of the best means of making payments, and has taken inadequate enforcement action when taxpayers miss payments. Closing codes on accounts classified as currently not collectible were set too high in 39 percent of the cases reviewed, thereby precluding prompt followup action to collect delinquencies for those accounts which could be reactivated. About 40 percent of the currently not collectible cases in four districts reviewed were audit cases, indicating that audit cases pose a bigger collection problem than other accounts. Many delinquent accounts closed by field divisions could have been closed by branch office personnel. IRS has yet to establish uniform criteria to help revenue officers decide when to consider using and when to accept offers in compromise. In addition, the IRS procedures for collecting liabilities on offers not accepted have not been very effective.

Recommendations to Agencies

The Commissioner of Internal Revenue should develop a system to code delinquent accounts resulting from audits issued to the field to show whether the delinquency resulted from a no-contact audit.

Status: Action in process. Intended completion date: 11/85

DEPARTMENT OF THE TREASURY

The Treasury Department and Its Bureaus Can Better Plan for and Control Computer Resources
(GGD-82-9, 2-22-82)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Circular A-121.

Background

GAO reviewed the Department of the Treasury's and its bureaus' use of computer resources in achieving their missions. The objectives of the review were to: (1) evaluate how effectively these resources are managed by Treasury and its bureaus; (2) determine if they could be better used; and (3) recommend improvements where needed.

Findings/Conclusions

Treasury has lacked an effective means of implementing policies and procedures for managing computer resources. Congressional concern over a similar lack of top management oversight of information resources in other government agencies has resulted in the recent passage of the Paperwork Reduction Act of 1980. This act, particularly its provision for designating a senior official to report directly to the head of the agency and to be responsible for carrying out the act within the agency, can substantially improve the management of computers and other information-related activities if properly implemented. Many Treasury bureaus have not established a formalized, coordinated system for forecasting automatic data processing needs sufficiently to allow for the orderly acquisition of computer resources to satisfy these requirements. The absence of top management and user involvement and participation in formulating long-range computer growth strategy has resulted in Treasury bureaus having either too much or too little computer capacity, excessive costs of operations, and unmet user needs. Although some Treasury bureaus have done limited testing and measuring of equipment utilization and in some cases have evaluated performance, these efforts are only part of an effective performance management program. Other critical elements, such as establishing standards and goals, periodically assessing products, and optimizing software efficiency, have been lacking.

Recommendations to Agencies

The Secretary of the Treasury should limit the senior official's duties and responsibilities to those required by the Paperwork Reduction Act to assure that the official can devote sufficient time and attention to enforcing the act, ensure the independence and objectivity of the official, and impress upon Treasury and bureau management the critical importance of the position.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Treasury should have each bureau, and other offices where appropriate, name an individual to report directly to the bureau head and assist the senior official in implementing the requirements of the Paperwork Reduction Act within the bureau. These individuals should have the authority and staff necessary for implementing the policies and procedures established by the senior official.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Treasury should direct the designated senior official to ensure that each of Treasury's bureaus establish computer resource steering committees consisting of user and data processing management, and chaired by the bureau head or deputy, and charge these committees with responsibility for assessing computer resource needs on a periodic basis and formulating an effective growth strategy.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Treasury should direct the designated senior official to ensure that Treasury's bureaus develop and implement standardized and formalized systems development procedures that provide a logical and systematic approach for developing systems.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Treasury should direct the senior official to require that the development and installation of computer resource accounting systems be expedited in Treasury's bureaus.
Status: Action in process. Intended completion date unknown.

The Secretary of the Treasury should direct the designated senior official to ensure that Treasury's bureaus develop and implement standardized and formalized systems development procedures that assure agreement and understanding between users and systems development staff as to what the end product will provide.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Treasury should direct the designated senior official to ensure that Treasury's bureaus develop and implement standardized and formalized systems development procedures that provide the steering committee and management at all levels with a mechanism

for reviewing progress and problems at key decision points.
Status: Action in process. Intended completion date: 06/85

The Secretary of the Treasury should direct the designated senior official to have each of Treasury's bureaus establish a performance management program for computer resources that should focus on developing performance standards based on specific user requirements but within the limits of overall capacity and capability.
Status: Action in process. Intended completion date unknown.

The Secretary of the Treasury should direct the designated senior official to have each of Treasury's bureaus establish a performance management program for computer resources that should focus on periodic and routine monitoring of the efficiency and effectiveness of the bureau's computer resources in meeting these requirements.
Status: Action in process. Intended completion date unknown.

The Secretary of the Treasury should direct the designated senior official to have each of Treasury's bureaus establish a performance management program for computer resources that should focus on consistent and uniform reporting to management of performance trends and areas needing improvement.
Status: Action in process. Intended completion date unknown.

The Secretary of the Treasury should direct the designated senior official to have each of Treasury's bureaus establish a performance management program for computer resources that should focus on developing and implementing a long-range strategy for improving performance.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE TREASURY

OFFICE OF THE COMPTROLLER OF THE CURRENCY

Federal Review of Intrastate Branching Applications Can Be Reduced
(GGD-82-31, 2-24-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: McFadden Act (Banking) (31 U.S.C. 67). Deposit Insurance Act. Federal Reserve Act. Community Reinvestment Act of 1977. Historic Preservation Act (16 U.S.C. 470 et seq.). Depository Institution Management Interlocks Act (12 U.S.C. 3201 et seq.). Housing and Community Development Act of 1977 (12 U.S.C. 2901 et seq.). National Environmental Protection Act. Environmental Policy Act of 1969 (National) (42 U.S.C. 4321 et seq.). Banking Agency Audit Act. Banking Act of 1933.

Background

Federal regulation of intrastate domestic bank branching sets the guidelines for the safety and soundness of any office, branch agency, additional offices, or any branch place of business located in any of the United States or its territories or in the District of Columbia at which deposits are received, checks paid, or money lent. The federal regulators, state governments, and banks are intertwined in the branching process by a mixture of federal and state laws. However, current federal review of new branch applications rarely restricts branch actions, produces little new information of supervisory value and, in the case of state-chartered banks, duplicates state efforts. GAO reviewed the efficiency and effectiveness of the federal processes for regulating intrastate branching.

Findings/Conclusions

Federal reviews require information from applicants that may not be needed and that delays branch investment decisions. GAO found that: (1) virtually all state bank applicants were classified by their federal regulators as fundamentally sound, and most of these applicants had previous branching experience; (2) the majority of state bank branching placements are located close to existing bank operations; (3) less than 3 percent of the applications were protested in 1979 and 1980; (4) only 17 percent of the branch applications were denied by federal regulators from 1975 through 1980; (5) reviews of an applicant bank's capacity to branch rely extensively on data and analyses already in the possession of the regulator; and (6) reviews of branch impact on the recipient community are difficult and duplicate state efforts. GAO questioned the policy of the Office of the Comptroller of the Currency which provides for an extensive review of each application. GAO believes that an exception-generated review approach for its conclusions and recommendations should be used. Because federal regulatory agencies treat bank remote facilities as they do staffed branches, banks must receive federal agency approval to establish these facilities even when the state involved does not consider the facilities to be branches. GAO believes that such a review is no longer necessary for state banks and should be further reduced for national banks, because such facilities represent minor actions. This would ensure regulatory consistency.

Recommendations to Congress

Congress should amend the McFadden Act and the Federal Deposit Insurance Act to differentiate between staffed branches and remote service facilities.
Status: Action not yet initiated.

Recommendations to Agencies

The Comptroller of the Currency should establish structured bank application reporting formats for national banks operating in states requiring the review of branch applications for their community convenience and needs impact, on the basis of the Office of the Comptroller of the Currency interpretation of individual state law requirements.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Further Research Into Noncompliance Is Needed To Reduce Growing Tax Losses
(GGD-82-34, 7-23-82)

Budget Function: General Government: Tax Administration (803.1)

Background

The federal government is losing billions of dollars in tax revenues annually because individuals are not complying with U.S. tax laws. There is a growing trend toward disregard for the principle of voluntary tax compliance, a trend which the Internal Revenue Service (IRS) estimates increased tax revenue losses from $12 billion in 1976 to at least $20 billion in 1980.

Findings/Conclusions

GAO found that IRS needs more complete information and insight on what makes people willing to comply. Such data are essential to determine the most cost-effective strategy in combating unreported income, the most serious problem confronted by IRS. Until IRS has better compliance data, it should place more emphasis on increasing the tax revenue yield from its various programs. IRS relies on the examination of tax returns as its primary strategy for stimulating compliance, and it has allocated more than one-half of its compliance resources to the examination program. However, the examination program has not stemmed the decline in voluntary compliance. GAO found that the actual effect of the examination program on voluntary compliance is, at best, unclear. The most severe compliance problem involves unreported income, which accounts for almost three-fourths of the estimated tax revenue lost through taxpayer noncompliance. Recent IRS studies of the unreported income problem indicate that even its most intensive examinations were only detecting about 25 percent of the income not reported by those persons audited. Obviously, IRS needs to find out which of its various compliance programs can be brought to bear in dealing with this problem. Allocating resources to obtain maximum revenues would also increase tax revenue in the examination program.

Recommendations to Agencies

The Commissioner of Internal Revenue should develop additional data so that resources can be allocated among all compliance programs to increase, insofar as practicable, overall tax revenue.

Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Can Do More To Identify Tax Return Processing Problems and Reduce Processing Costs
(GGD-83-8, 10-14-82)

Budget Function: General Government: Central Fiscal Operations (803.0)

Background

GAO reviewed Internal Revenue Service (IRS) procedures to determine how well it processes individual income tax returns and whether improvements can be made in the tax return processing system.

Findings/Conclusions

The review showed that IRS can reduce individual income tax return processing costs by gathering and analyzing additional data on return processing problems. The most specific data on return processing errors should provide IRS with the detailed information it needs on the causes of processing problems so that preventive action could be taken. In fiscal year 1981, IRS processed about 94 million individual returns and identified about 33 million errors on those returns. Although IRS corrects most errors it detects, its present quality-monitoring activities do not produce the detailed data necessary to readily determine systematic and procedural causes of errors so that it can take corrective action. GAO also gathered specific data on the errors, including the cause of error, and where on the tax return the error occurred. GAO believes that these kinds of data are essential for determining the systematic and procedural weaknesses which cause the errors. Through its evaluation of the return processing system, GAO found that IRS could reduce costs by as much as $1.7 million annually if it made several changes to its return processing operations.

Recommendations to Agencies

The Commissioner of Internal Revenue should determine the merits of having data transcribers key into the computer the money amounts and line numbers from tax returns.

Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Legislation Needed To Improve Administration of Tax Exemption Provisions for Electric Cooperatives
(GGD-83-7, 1-5-83)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Internal Revenue Code (IRC). Revenue Act. Economic Recovery Tax Act of 1981. Tax Equity and Fiscal Responsibility Act of 1982. Rural Electrification Act of 1936. Miscellaneous Revenue Act of 1980. Rev. Rul. 57-494. Rev. Rul. 72-36. Rev. Rul. 72-76. Rev. Rul. 78-238. Peninsula Light Co., Inc. v. United States, 552 F.2d 878 (1977). United States v. Pickwick Electric Membership Corp., 158 F.2d 272 (1946).

Background

GAO reviewed the changes that have occurred in some tax-exempt electric cooperatives since they were first granted tax exempt status and the difficulty that the Internal Revenue Service (IRS) has had in attempting to apply the broad tax exemption provisions of the Internal Revenue Code to cooperatives.

Findings/Conclusions

GAO found that, since electric cooperatives were granted tax exempt status almost 60 years ago, the operations of many cooperatives and the environment in which they do business have changed substantially. Originally, most electric cooperatives were small associations which distributed electricity to sparsely populated rural areas. Today, many electric cooperatives serve both rural and suburban areas, and their operations and activities closely resemble those of investor-owned utility companies. Some electric cooperatives have expanded their activities to form subsidiaries or associations which generate power, provide financing, own or lease coal mining properties, procure fuel and supplies, and provide ancillary business services. Consequently, many cooperatives have been able to accumulate and retain substantial amounts of member equity or capital. Because the law generally exempts all electric cooperatives regardless of the differences in their operations and activities, financial condition, size, or mix of consumers served, GAO has proposed alternatives to the present law which would modify the cooperatives' nonmember income allowance or eliminate that allowance and apply tax rules which are already applicable to other types of cooperatives. These alternatives would have an estimated revenue impact ranging from $2 to $45 million.

Recommendations to Congress

Congress should establish a tax treatment which better addresses electric cooperatives' present operating environment.
Status: Action not yet initiated.

Recommendations to Agencies

The Commissioner of Internal Revenue should provide more complete guidance to assist electric cooperatives and other section 501(c)(12) organizations in complying with the 85-percent member income requirement of the law and to assist IRS examiners in determining compliance with this requirement. At a minimum, such guidance should address those issues that affect the computation of member and nonmember income.
Status: Action in process. Intended completion date: 01/85

The Commissioner of Internal Revenue should direct the Tax Forms Coordinating Committee to examine the need for revisions to the exempt organization return (Form 990) and the need to include a supplementary schedule to provide the format necessary for section 501(c)(12) organizations to properly account for their member and nonmember income and compute the percentage of gross income collected from members.
Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE TREASURY

A Strategy Is Needed To Deal With Peaking Problems at International Airports
(GGD-83-4, 3-24-83)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Customs Procedural Reform and Simplification Act of 1978. 49 U.S.C. 1382(a)(1). 49 U.S.C. 1384.

Background

In response to a congressional request, GAO examined how rescheduling international flight arrivals might ease the problems caused by multiple arrivals within a short time period and the effect of multiple arrivals on the federal inspection process. Assuming no change in the federal agencies' staffing levels, GAO developed a computerized simulation program which attempted to spread out flight arrivals without violating any airport's curfew and gave some consideration to travelers' preferences for arrival and departure times.

Findings/Conclusions

GAO found that, under its alternative simulated flight arrival schedule, the average time spent waiting to complete the airport inspection process could be reduced by approximately 50 percent. Over 99 percent of the passengers could be processed within an hour. Currently, only 48 percent of the arriving passengers are processed within that time. The impact of schedule changes on aircraft and crew utilization and connecting flights is unknown; however, the analysis indicated that rescheduling may not need to be extensive to produce a sharp drop in the length of time a traveler waits to enter the country. The need for rescheduling would also be affected by the extent to which other alternatives could be used to speed the entry of travelers. Foreign airports have successfully rescheduled flights to reduce airport congestion problems. In addition, the Federal Aviation Administration began to use scheduling controls on a limited basis to keep the air carriers' landing and departure rights during peak periods in line with takeoff and landing capacity at certain congested domestic airports. Finally, air carriers periodically form scheduling committees to decide how flight arrival and departure slots will be allocated. GAO found that the landing rights policies and procedures of the Customs Service have not been effective and have come under increasing attack by the air carriers as being arbitrary and discriminatory. Customs has considered several alternative procedures but none have been adopted.

Recommendations to Agencies

The Secretary of the Treasury, in cooperation with the other federal inspection agencies, should establish criteria for identifying the existence of peaking problems at airports, based primarily on the number of international travelers that can be efficiently and timely handled by the federal inspection system, as currently configured or potentially enhanced.
Status: Action in process. Intended completion date: 05/85

The Secretary of the Treasury should develop a strategy to deal with the problems of peaking. Such strategy should include an assessment of alternatives including controlling the timing of flight arrivals if timely entry of travelers cannot be improved through other alternatives. Further, the Secretary, in conjunction with the airlines and other concerned federal agencies, should reconsider the procedures for allocating landing rights.
Status: Action in process. Intended completion date: 11/85

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Legislative Change Needed To Enable IRS To Assess Taxes Voluntarily Reported by Taxpayers In Bankruptcy

(GGD-83-47, 6-20-83)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Bankruptcy Tax Act of 1980. Bankruptcy Reform Act. Internal Revenue Code (IRC) (26 U.S.C. 6201 et seq.).

Background

Pursuant to a congressional committee request, GAO was asked to examine the effects of bankruptcy laws on tax administration. GAO reviewed the impact that the 1978 Bankruptcy Reform Act's restriction on tax assessments is having on the Internal Revenue Service (IRS) and bankrupt taxpayers.

Findings/Conclusions

GAO believes that the assessment restriction should be amended to allow IRS to assess the taxes that bankrupt taxpayers report on their returns. Moreover, removing the assessment restriction would ensure consistent treatment for all bankrupt taxpayers. IRS needs to modify its collection procedure to make sure that it does not violate the legislative restriction on initiating collection action against bankrupt taxpayers. Some bankruptcy court districts permit IRS to assess taxes against bankrupt taxpayers, but IRS officials informed GAO that they cannot change the computerized collection procedures to stop collection notices from being sent to bankrupt taxpayers once taxes are assessed, but not paid.

Recommendations to Congress

Congress should amend the Bankruptcy Code to allow IRS to assess the taxes reported by bankrupt taxpayers on their returns.
Status: Action not yet initiated.

Recommendations to Agencies

The Commissioner, IRS, should modify the automated IRS collection procedures to prevent sending collection notices that would violate the protection afforded taxpayers by the Bankruptcy Code.
Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

With Better Management Information, IRS Could Further Improve Its Efforts Against Abusive Tax Shelters *(GGD-83-63, 8-25-83)*

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Tax Equity and Fiscal Responsibility Act of 1982. Tax Reform Act of 1976. Revenue Act of 1978. Economic Recovery Tax Act of 1981. Internal Revenue Manual.

Background

In response to a congressional request, GAO reviewed Internal Revenue Service (IRS) activities in the tax shelter area.

Findings/Conclusions

Lately, the size and complexity of the IRS workload in the tax shelter area have strained its resources. The number of those types of tax shelters which IRS has identified as abusive have risen from 2 to 18 in 9 years, while the IRS approach to examining shelter returns requires that virtually every shelter return identified as potentially abusive be examined. Examiner staff days devoted to the Tax Shelter Program have risen from 2.5 percent of direct examination time during fiscal year (FY) 1979 to 8.9 percent during the first 6 months of FY 1983. Examining abusive shelters imposes a large administrative burden on examiners because an abusive shelter is often set up as a partnership and examining such a shelter often requires the control of several returns, for different tax years, and in different districts. GAO found that about 60 percent of examiner time is spent on administrative tasks with only 40 percent applied to examining returns and developing examination issues. At the present pace, tax shelter returns take more than 4 years to process. To compound the problem, about 50 percent of completed tax shelter examinations are appealed, involving 90 percent of all potential revenue from these examinations. IRS has focused top management attention on this area and devised new approaches to reduce the number of cases in its inventory. In addition, Congress has provided legislative relief, most recently, in the Tax Equity and Fiscal Responsibility Act (TEFRA) which gives IRS several enforcement tools and simplifies the administrative aspects of partnership examinations.

Recommendations to Agencies

The Commissioner of Internal Revenue should develop such management information as is appropriate and necessary to more accurately gauge the current size of the problem of abusive tax shelters and the impact IRS is having on noncompliance in this regard.
Status: Action in process. Intended completion date: 01/85

The Commissioner of Internal Revenue should develop such management information as is appropriate and necessary for determining whether the TEFRA and administrative changes have eliminated the causes of past problems and for identifying as early as possible any other obstacles to effective and efficient program operations. If IRS finds that the must-work approach is still resulting in administrative difficulties, the Commissioner of Internal Revenue should: (1) reassess the goal of expeditiously examining every abusive shelter which is identified, in light of this goal's impact on the IRS examination plan; (2) formulate, if this goal is found to be no longer attainable, criteria for deciding which abusive tax shelters are most in need of examination; and (3) make more extensive use of centralized support staffs and computer, rather than manual, systems to further free examiners from clerical and administrative tasks.
Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE TREASURY

Selling Abandoned Merchandise: How the U.S. Customs Service Could Increase Revenues
(GGD-83-79, 9-30-83)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Tariff Act. Tariff Act of 1930 (19 U.S.C. 1493). Customs Procedural Reform and Simplification Act of 1978. 19 C.F.R. 127.31. 19 U.S.C. 1491(a).

Background

GAO evaluated the U.S. Customs Service's program for the disposal of merchandise which was abandoned for more than a year by importers and stored by Customs in public or private warehouses.

Findings/Conclusions

GAO found that Customs could increase the net sale proceeds of its auctions of abandoned merchandise by revising procedures and strengthening program controls. A review of five auctions showed that: (1) a shorter storage period would have reduced storage expenses and increased net revenues by $71,131 if the merchandise could have been sold 6 months sooner, or $94,093 if it could have been sold 9 months sooner; (2) additional storage costs of $335,870 were incurred because merchandise was not removed from storage when the 1-year storage period expired because of staff shortages; and (3) additional duties of about $8,060 could have been realized if Customs had better implemented existing procedures for collecting and disposing of proceeds from the sale of bonded merchandise.

Recommendations to Agencies

The Secretary of the Treasury should draft and submit legislation to amend section 491(a) of the Tariff Act of 1930 (19 U.S.C. 1491(a)) to reduce the 1-year period that unclaimed imported merchandise must remain in Customs' custody before it is considered abandoned by the Government.
Status: Action in process. Intended completion date unknown.

The Secretary of the Treasury should direct the Commissioner of Customs to promptly remove from storage and sell abandoned merchandise as soon as practical after the expiration of the prescribed storage period.
Status: Action in process. Intended completion date unknown.

The Secretary of the Treasury should direct the Commissioner of Customs to implement existing regulations for the recovery of duties from the sale of abandoned bonded merchandise.
Status: Action in process. Intended completion date unknown.

DEPARTMENT OF THE TREASURY

The Bureau of Public Debt Should Better Control Savings Bond Sales and Redemptions
(AFMD-84-16, 10-31-83)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Claims Collection Act (31 U.S.C. 3711). 4 C.F.R. 101. 7 GAO 28.14. 31 U.S.C. 3125. 31 U.S.C. 3126(a). 31 U.S.C. 3512. 31 U.S.C. 3526.

Background

GAO reviewed the U.S. Savings Bond Program to determine the adequacy of accounting procedures and internal controls and to identify any losses resulting from irregularities or abuses.

Findings/Conclusions

Savings bonds are sold by agents, to whom blank savings bond stock is provided on consignment by the Bureau of the Public Debt. Fraudulent or unauthorized bond issues cannot be detected until after they are redeemed to the Bureau. GAO believes that the blank stocks should be controlled in the same manner as currency, with one Bureau office maintaining accounting control over stock inventories and sales. Under the decentralized approach, the Bureau and the Federal Reserve Banks have not followed recognized controls and accounting procedures for stock distribution, and losses and thefts of stock with a face value totaling $8.8 million have been reported. Certain Bureau management actions have contributed to abuses and practices leading to stock and monetary losses. These actions include: (1) delaying a program to assess penalty interest on unremitted bond sales proceeds; (2) relieving agents from liability for stock shortages under questionable circumstances; (3) ineffectively controlling debt collection; and (4) paying sales agents on the basis of the number of transactions handled without regard to work quality. Also, several Bureau accounting practices were inconsistent with laws and recognized procedures, preventing full disclosure of losses and problems.

Recommendations to Agencies

The Secretary of the Treasury should take action to institute collection action against the bank employee convicted of the theft of bond stock, pursuant to the Claims Collection Act and implementing standards.
Status: Action in process. Intended completion date: 12/84

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Need To Better Assess Consequences Before Reducing Taxpayer Assistance
(GGD-84-13, 4-5-84)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Economic Recovery Tax Act of 1981.

Background

In response to a congressional request, GAO evaluated the Internal Revenue Service's (IRS) taxpayer assistance activities to: (1) assess their accuracy, timeliness, and availability during the 1982 filing season; (2) identify what kinds of assistance users and other taxpayers needed; and (3) identify ways by which IRS could improve its assistance activities.

Findings/Conclusions

IRS believes that telephone assistance is the most efficient way to handle taxpayers' questions. In 1982, IRS was able to handle 20-percent more calls than in 1979 while devoting 14-percent fewer staff years to the task, with little reduction in the accuracy and timeliness of responses. However, the increased demand for telephone assistance made it difficult for many taxpayers to get through to IRS. Therefore, the overall utility of telephone assistance declined. In recent years, IRS has reduced the number of its walk-in assistance offices and changed the focus of the services provided in the remaining offices. By deemphasizing tax return preparation and return review assistance, IRS was able to enhance overall productivity, despite the closing of many offices. IRS has not sought to reduce its correspondence assistance program and GAO found that, in the districts reviewed, IRS met its timeliness goals for correspondence with a 99-percent accuracy rate. GAO found that reductions in the availability of telephone assistance affected college graduates, individuals with incomes over $20,000, and individuals age 65 and older. Individuals with lower incomes and the elderly were more affected by walk-in assistance changes.

Recommendations to Agencies

The Commissioner of Internal Revenue should: (1) decide whether and, if so, to what extent and when IRS should consolidate its current toll-free telephone assistance sites; (2) educate and encourage taxpayers who have tax law or account-related questions to use the telephone rather than walk-in assistance and better inform walk-in office assisters on the need for and utility of diverting taxpayers with such questions to telephone assisters; and (3) test the feasibility of expanding the use of library audio tapes by taxpayers and develop data in selected areas on the extent to which taxpayers are benefiting from and are satisfied with the audio tapes.

Status: Action in process. Intended completion date: 01/85

DEPARTMENT OF THE TREASURY

Internal Control Weaknesses at the U.S. Customs Service
(AFMD-84-23, 5-23-84)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Federal Managers' Financial Integrity Act of 1982. Accounting and Auditing Act.

Background

GAO reported the results of a survey of internal controls at 12 U.S. Customs Service offices. The survey was conducted during the period of January 1983 to April 1983.

Findings/Conclusions

The survey identified weaknesses in internal controls which usually resulted because established procedures were not followed. The weaknesses existed in controls over the: (1) deposit, accounting, and safeguarding of collections, including appropriate separation of employees' duties and use of prenumbered receipt forms; (2) accounting for accounts receivable and their collection; (3) review and reconciliation of employee travel advances; (4) procedures and physical security for imprest funds; (5) reconciliation and safeguarding of government transportation requests; (6) recording and review of obligations; and (7) preaudit and certification of disbursement vouchers. GAO also noted that some facilities did not correct the control deficiencies disclosed by internal audits.

Recommendations to Agencies

The Secretary of the Treasury should instruct the Commissioner of Customs to consider the internal control requirements discussed in this report in future reviews to comply with the Federal Managers' Financial Integrity Act of 1982 and discuss in the annual statements required by the act whether any weaknesses identified have been corrected.

Status: Action in process. Intended completion date: 02/85

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS' Administration of the Crude Oil Windfall Profit Tax Act of 1980
(GGD-84-15, 6-18-84)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Crude Oil Windfall Profit Tax Act of 1980 (P.L. 96-223). Economic Recovery Tax Act of 1981 (P.L. 97-34). Omnibus Reconciliation Act of 1980. Internal Revenue Code (IRC). Technical Corrections Act of 1982 (P.L. 97-448). Tax Equity and Fiscal Responsibility Act of 1982 (P.L.97-248). U.S. Const. art. I, § 8, cl. 1. IRS General Counsel Memorandum 36506.

Background

In response to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) administration of the Crude Oil Windfall Profit Tax Act of 1980.

Findings/Conclusions

GAO noted that the crude oil tax was designed to tax the difference between the free market price of a barrel of oil and its controlled price under Department of Energy regulations. Although IRS received no supplemental staffing or funding to administer this lengthy and complex act, IRS moved quickly to establish a compliance program. GAO found that IRS has made good progress toward establishing an examination program for the windfall profit tax. Difficulties encountered by the Examination Division include: (1) deciding which properties should be subject to IRS examination; (2) ensuring that the tax is assessed on the initial sale of oil; and (3) examining tax refund claims to ensure that the tax is levied only on barrels of oil that yield a profit. GAO noted that the Collection Division's effectiveness depends on structuring a long-term compliance program to identify delinquent windfall profit taxpayers.

Recommendations to Congress

To effect the procedure to issue deficiency notices after examination of each oil-producing property without precluding later issuance of additional notices covering the producers' interests in other properties during the same quarter, Congress should amend section 6212(c) of the Internal Revenue Code and consider the statutory language in appendix V.
Status: Action in process.

Because another windfall profit tax area which needs legislative action is the appeals process, Congress should pass legislation to consolidate judicial appeals for a given property's "oil" issues and consider the statutory language in appendix VI.
Status: Action in process.

Recommendations to Agencies

To further enhance the IRS windfall profit tax examination program, the Commissioner of Internal Revenue should develop effective, coordinated procedures for examining net income limitation claims and adjustments.
Status: Action in process. Intended completion date: 11/85

The Secretary of the Treasury should develop and issue regulations, with respect to tank bottom oil, directed at minimizing revenue loss possibilities and tax evasion opportunities.
Status: Action in process. Intended completion date: 07/85

ARCHITECT OF THE CAPITOL

Conventional Design and Construction Methods Are More Applicable for Capitol Hill Construction Projects
(PLRD-82-1, 10-30-81)

Budget Function: General Government: Legislative Functions (801.0)
Legislative Authority: P.L. 84-24. P.L. 86-469. P.L. 86-628. P.L. 89-260. P.L. 89-309. P.L. 91-214. P.L. 92-607. P.L. 93-245. P.L. 93-554. P.L. 94-219. P.L. 94-226. P.L. 94-6. P.L. 95-355. P.L. 95-94. P.L. 96-69. 2 U.S.C. 141. 40 U.S.C. 162. 40 U.S.C. 175. 40 U.S.C. 193a. 74 Stat. 446. 79 Stat. 1133.

Background

A review was undertaken of the overall construction activities of the Architect of the Capitol. Specifically, GAO presented its evaluation of the Architect's construction activities, including updating the information in its past studies of the Hart, Madison, and House Annex No. 2 projects; identifying the underlying causes for the Architect's problems; and informing Congress of changes needed to help minimize or avoid the pitfalls that have plagued previous Capitol Hill projects.

Findings/Conclusions

In its review, GAO found that, over the past 12 years, each of the Architect of the Capitol's four major construction projects has experienced significant cost overruns, completion delays, and management problems. GAO believes that many of the problems the Architect has encountered are a result of phased construction methods. Under the phased construction method, construction is begun on some segments of a project while others are still being designed. Specifically, GAO believes that phasing is not compatible with Capitol Hill projects because of the: (1) myriad number of reviews and approvals required throughout the planning, design, and construction cycles; (2) funding problems that often prevent the prompt and timely award of multiple construction contracts; (3) complexity of design and quality of construction required on monumental buildings; and (4) likelihood of numerous design changes throughout a project's design and construction cycle. GAO also found that the Architect: (1) does not have adequate systems for controlling time and cost on major construction projects; (2) has increased the time and cost incurred by the associate architects commissioned to work on Capitol Hill projects by not developing standard policies and procedures; (3) has difficulty verifying that materials were delivered to and used on a particular project site; and (4) will probably be unable to recruit and retain the necessary in-house work forces that are needed to effectively and efficiently restore two Library buildings.

Recommendations to Agencies

The Architect of the Capitol should try more conventional planning, design, and construction methods for major projects to minimize or alleviate some of the problems that have plagued Capitol Hill projects designed and constructed using the phasing process.
Status: Action in process. Intended completion date unknown.

The Architect of the Capitol should: (1) develop standard policies and procedures for associate architects regarding general design criteria, performance standards, and general operating procedures; (2) improve inventory controls over construction materials to ensure that the materials are properly used; (3) thoroughly study the types of workers, in-house, contracted-out, or some combination thereof, that will be best suited to effectively and efficiently carry out the restoration of the Library buildings; and (4) minimize the number of phases and amount of occupancy during the restoration of the Library buildings.
Status: Action in process. Intended completion date unknown.

DISTRICT OF COLUMBIA

EXECUTIVE OFFICE OF THE MAYOR

Improved Billing and Collection Activities Would Increase District of Columbia's Revenues
(GGD-82-68, 8-6-82)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: Self-Government and Governmental Reorganization Act (District of Columbia). P.L. 94-399.

Background

GAO evaluated the District of Columbia's efforts to record, bill, and collect accounts receivable and found that two-thirds of the accounts receivable of three agencies were delinquent.

Findings/Conclusions

GAO found that the collection actions taken by the agencies were frequently untimely, inconsistent, and poorly documented.

In addition to moneys owed, there is a continuing problem of overpayments involving public assistance, personal and home care, day care, and foster care. GAO found that there are individuals currently being paid for providing care under these programs who have been overpaid and that the Department of Human Services (DHS) has not offset against current payments to help collection. Billing delays due to lack of collection criteria and lack of staff have caused accounts to age and made them more difficult to collect. A major problem related to all District collection and billing processes is that there are no District-wide procedures which require specific actions.

Recommendations to Agencies

The Mayor of the District of Columbia, within the framework of his statutory authority and, as appropriate, should require that DHS attempt to collect all overpaid public assistance cases using collection letters, Corporation Counsel, collection agencies, offset, and other means as applicable.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia, within the framework of his statutory authority and, as appropriate, should require that DHS implement guidelines to assist the Office of Inspection and Compliance in processing and collecting overpaid public assistance cases.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia should direct DHS to collect overpayments through offset from those individuals who have been overpaid in the past and who are again providing services and receiving pay from the District.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia should direct DHS to include social security numbers on future overpayment notifications to make identification easier should overpaid individuals leave the programs and return later.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia should direct DHS to compare now, and periodically thereafter, names and addresses of overpaid individuals with the computer payroll to identify those who left the program and reentered under a different payroll number.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia should require that the Bureau of Payments and Collections Payroll Branch forward a copy of each overpayment notification it prepares to applicable program officials.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia should direct DHS to require officials in personal care services, in-home support, day care services, and foster care to: (1) flag case files of overpaid workers using a color scheme or other system to readily identify those who have received overpayments; (2) execute an agreement to withhold amounts from future pay when overpaid individuals reenter the programs (if they will not sign an agreement, do not let them reenter the program); and (3) notify the collection agents when overpaid individuals reenter the programs.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia should require DHS to take immediate action to bill and collect inactive medical vendor accounts.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia should require DHS to transfer outstanding balances from the old medical vendor billing system to the new billing system for those vendors already in the new system and for those vendors

with outstanding balances that enter the new system at a later date.
Status: Action in process. Intended completion date: 06/85

The Mayor of the District of Columbia should require DHS to require the Office of Health Care Financing to forward monthly lists of new vendors to the Delinquent Accounts Section so that collection attempts will be coordinated rather than duplicated.
Status: Action in process. Intended completion date: 06/85

DISTRICT OF COLUMBIA

DEPARTMENT OF HUMAN SERVICES

Improvements Needed in the District's General Public Assistance Program
(GGD-83-13, 3-3-83)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: District of Columbia Public Assistance Act of 1962 (P.L. 87-807). District of Columbia Dep't of Human Resources Policy Handbook.

Background

GAO reviewed the District of Columbia's General Public Assistance (GPA) program and recommended specific action which it believes will enhance the District's administration of the program.

Findings/Conclusions

GAO found that some recipients worked and earned income in excess of allowable earnings or received unemployment compensation while they received GPA benefits. Increased use of the reports which list recipients who may have earned wages or received unemployment compensation will ensure that correct payments are made to eligible recipients. Also, recipients need to be adequately informed of the program's eligibility requirements and the consequence of failure to report changes in their medical conditions or social status. Many recipients should not have been certified to receive GPA either because they were ineligible or because sufficient information was not available to make a determination of eligibility. Guidelines have not been developed to assist the District's Medical Review Team (MRT) in making determinations for GPA eligibility. In addition, since recipients referred for Supplemental Security Income (SSI) are not regularly certified, many continue to receive GPA benefits without a current medical evaluation. A GAO analysis of a sample of judgmentally selected cases showed that data concerning other recipients' periods of eligibility are not being accurately entered into the computer data base.

Recommendations to Agencies

The Mayor should instruct the Department of Human Services (DHS) Director to establish procedures to require that all Match Recipient Reports (MRR's) be reviewed. Such reviews can be accomplished by distributing MRR's to caseworkers for preliminary review before complete investigation by the Office of Eligibility Review.
Status: Action in process. Intended completion date: 01/85

The Mayor should instruct the DHS Director to prepare monthly MRR's for GPA recipients who received unemployment compensation benefits.
Status: Action in process. Intended completion date: 01/85

The Mayor should instruct the DHS Director to develop guidelines for use by MRT for determining medical eligibility for GPA benefits.
Status: Action in process. Intended completion date: 02/85

The Mayor should instruct the DHS Director to devise a new form, or revise existing forms, to strengthen the procedures concerning the requirement that recipients report changes in their medical condition or social status and the consequences of not reporting such changes.
Status: Action in process. Intended completion date: 03/85

The Mayor should instruct the DHS Director to prepare and issue a procedure manual for the day-to-day operations of the GPA program.
Status: Action in process. Intended completion date: 03/85

DISTRICT OF COLUMBIA

The District of Columbia Can Pay More Vendors on Time
(GGD-83-38, 4-1-83)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: Prompt Payment Act (P.L. 97-177).

Background

GAO identified problems that the District of Columbia experiences in making timely payments to vendors; it also estimated costs to both the District and its vendors resulting from untimely payments.

Findings/Conclusions

GAO estimated that, in fiscal year 1981, only 28 percent of the District's vendor payments were paid within 30 days which resulted in a loss of about $383,000 in purchase discounts. Late payments also cost vendors an estimated $612,000 for lost investment income or borrowing expenses. GAO believes that late payments damage the District's reputation, erode its competitive base and may result in higher prices, poorer quality goods and services, and fewer discounts. Although the District eliminated late utility bill payments by centralizing the payment function in the Department of General Services, this created lost investment earnings due to early payments, which were estimated at about $204,000 over a 1-year period.

Recommendations to Agencies

The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to proceed with implementation of a vendor information subsystem in the Financial Management System.
Status: Action in process. Intended completion date: 06/85

The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to standardize all policies, procedures, and documents relating to the payment process and consolidate them in a single, comprehensive manual.
Status: Action in process. Intended completion date: 01/85

The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to develop time standards for the payment process, generate Financial Management System reports on the timeliness of payments and on prompt payment discounts lost and taken, and monitor and report on the billpaying performance of individual agencies.
Status: Action in process. Intended completion date unknown.

DISTRICT OF COLUMBIA

PUBLIC SCHOOLS

Improvements in Certain District of Columbia Public Schools' Administrative Operations
(GGD-83-77, 7-28-83)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)

Background

GAO reviewed the emergency procurement of supplies for the repair and improvement of District of Columbia Public School buildings and the school system's paperwork flow at the regional office level. It also conducted a limited review regarding property and equipment controls.

Findings/Conclusions

GAO found that, in fiscal year 1982, about 60 percent of the expenditures made by the school system for repair materials were through open market purchases at higher costs than if the materials were purchased through District or federal government supply sources. However, the school system is in the process of remodeling a building to serve as a warehouse, which will allow for bulk purchases from District or federal government supply sources. Under the new procedure of buying in large quantity, the number of purchase orders issued should also decrease significantly. In a regional office review, GAO found that certain data collection and reporting functions can be eliminated by automation; the school system is planning a new information system which should reduce the paperwork flow. In addition, GAO found that the physical inventories of accountable property and equipment taken at schools and offices in 1982 have not been independently verified, and the system's computerized inventory control system has not been updated since 1979. Actions have been taken or are underway in response to an inspector general's report to improve the school system's inventory management system. However, GAO believes that some verification of physical inventories and better recordkeeping is needed.

Recommendations to Agencies

The Superintendent of the District of Columbia Public Schools should monitor the actions being taken by the Division of Buildings and Grounds to ensure that the most competitive prices are received for all supply items to be stocked in the warehouse. Also, operations should be monitored to ensure maximum utilization of personnel who would be associated with the reduction in the purchasing workload.

Status: Action in process. Intended completion date: 02/85

DISTRICT OF COLUMBIA

RETIREMENT BOARD

Annual Report Required by District of Columbia Retirement Reform Act, as Amended
(GGD-84-64, 3-30-84)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: District of Columbia Retirement Reform Act (P.L. 96-122). P.L. 98-104.

Background

In accordance with the District of Columbia Retirement Reform Act, GAO reviewed a report prepared by an actuarial firm on the disability retirement rate of District police officers and firefighters to determine whether a reduction is required in the fiscal year 1985 payment which the federal government makes to the District's police and firefighters retirement fund.

Findings/Conclusions

GAO reviewed the actuarial report and other relevant data and concluded that no reduction is required in the fiscal year 1985 Federal contribution to the retirement fund. However, GAO found that the disability retirement rate reported was not based on the actual numbers of members on board on January 1, 1983, as required, because of a lack of information. The disability retirement rate used was an estimate derived by applying historical attrition rates to the number of members on board in March 1982. GAO could not determine the precise disability retirement rate for 1983 because the data were still not known. However, using its estimate, GAO determined that the disability retirement rate for 1983 could not have exceeded the rate which would mandate a reduction in the fiscal year 1985 Federal payment to the retirement fund.

Recommendations to Agencies

The District of Columbia Retirement Board should ensure that future determinations are based on actual data as of each January 1 and that the enrolled actuary's report includes the information used in determining the disability retirement rate for the applicable year.

Status: Action in process. Intended completion date: 01/85

DISTRICT OF COLUMBIA

The District Is Working To Increase Competition and Ensure Reasonable Prices for Supply and Service Contracts

(GGD-84-33, 4-26-84)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Antideficiency Act (31 U.S.C. 1341(a)(1)).

Background

GAO reviewed 19 yearend procurements conducted by the District of Columbia to evaluate the District's procurement policies and regulations.

Findings/Conclusions

GAO found that the District made contract awards in 13 of the 19 procurements without competition, despite regulations that require that competition be obtained to the maximum practicable extent. Six of the contracts that were awarded without competition were formally advertised and seven were negotiated. GAO believes that, while the yearend contracting rush may have contributed to problems, inadequate regulations and enforcement were the underlying causes of the identified problems. The reasons the District did not obtain adequate competition included: (1) unnecessary brand name specifications; (2) use of the public exigency exception without adequate evidence that an urgent need existed; (3) limited efforts to identify potential sources; and (4) inadequate coordination between procuring agencies and the District agency that processes and regulates procurement actions. In addition, GAO found little evidence to indicate that the District determined that contract prices were reasonable. GAO noted that the District has taken steps to improve its procurement policies and regulations.

Recommendations to Agencies

The Mayor should require the Director of Administrative Services to establish and enforce procurement policies and regulations which require District agencies, before they solicit contract proposals, to submit to Administrative Services written justification for waiving the requirement to formally advertise a procurement action and to adequately justify public exigency as authority to negotiate.
Status: Action in process. Intended completion date: 02/85

The Mayor should require the Director of Administrative Services to establish and enforce procurement policies and regulations which require District agencies to adequately justify public exigency as authority to negotiate. The regulations should stipulate that before Administrative Services authorizes negotiation, the user agency must document the compelling and unusual urgency and the date the supplies or services are needed.
Status: Action in process. Intended completion date: 02/85

The Mayor should require the Director of Administrative Services to implement and enforce regulations governing the use and exercise of contract option clauses.
Status: Action in process. Intended completion date: 02/85

ENVIRONMENTAL PROTECTION AGENCY

Wyoming Wastewater Treatment Facility Proves Unsuccessful
(CED-81-94, 6-15-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). Clean Water Act of 1977 (P.L. 95-217).

Background

Pursuant to a congressional request, GAO investigated the circumstances surrounding the failure of the wastewater treatment facility in Thayne, Wyoming.

Findings/Conclusions

The $1.15 million facility is now being used by 106 sewage hookups in Thayne while the Star Valley Cheese Corporation (SVCC), for which the facility was principally designed, discharges its wastes directly into the local waterway. Throughout its history, the facility has been beset by problems. The spray irrigation system selected for the project was high-risk because it tended to ice up in the harsh winters and needed a high level of operation and maintenance. SVCC continually overloaded the facility's capacity to treat wastes. The project design was deficient in that both the storage pond and the land on which the treated wastewater was sprayed were too small. The construction company did a poor job: liners of the storage pond were improperly installed and the land receiving the sprayed water was improperly prepared. Operation and maintenance activities were neglected, and most of the new construction items provided for in a grant amendment were never installed. The system did not function properly to alleviate the severe odor problems caused by the SVCC high discharge levels. Because the Environmental Protection Agency (EPA) did not adequately monitor the project: more than $11,000 in industrial cost recovery payments made by SVCC were not collected from Thayne; Thayne used 34 percent of the modification and repair funds for architectural and engineering services, an amount far in excess of the grant agreement; and EPA may have overpaid the construction, repair, and modification costs by about $95,000.

Recommendations to Agencies

The Administrator of EPA should require the EPA Inspector General to perform a comprehensive and detailed audit of all costs associated with the Thayne project. If ineligible or unsupported costs are found, EPA should recover these amounts.
Status: Action in process. Intended completion date: 05/85

ENVIRONMENTAL PROTECTION AGENCY

Hazards of Past Low-Level Radioactive Waste Ocean Dumping Have Been Overemphasized
(EMD-82-9, 10-21-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Marine Protection, Research, and Sanctuaries Act of 1972 (P.L. 92-532).

Background

GAO evaluated the environmental and public health consequences of past ocean dumping of low-level radioactive waste. Its report discussed federal efforts to identify the extent of past ocean dumping, assure that it poses neither an environmental nor public health hazard, and insure that any possible future dumping is conducted safely and in an environmentally acceptable manner.

Findings/Conclusions

GAO found that the federal government has no complete and accurate catalog of information on how much, what kind, and where low-level nuclear waste was dumped because detailed records were not required. An overwhelming body of scientific research and opinion shows that concerns over the potential public health and environmental consequences posed by past ocean dumping activity are unwarranted and overemphasized. The Environmental Protection Agency (EPA) has been slow in developing low-level radioactive waste ocean dumping regulations. Although its current approach is sound, improvements are needed in developing specific dumpsite monitoring requirements. The EPA program for developing ocean dumping regulations has been based primarily on monitoring prior dumpsites. The EPA program could be improved if the agency recognized the limited benefits of monitoring prior dumpsites and fully utilized the results of extensive research and international experience with the ocean disposal of low-level radioactive waste instead of relying on the results of agency-funded research projects and studies. Monitoring prior dumpsites is limited because of the lack of baseline data on the amounts of natural fallout-related radioactivity in the oceans, the small volume of low-level radioactive waste dumped at sea, and a lack of information on the specific contents and locations of the waste that has already been dumped.

Recommendations to Agencies

In addition to embracing the internationally established guidance, the Administrator of EPA should develop specific criteria for dumpsite monitoring and periodic monitoring requirements for all future dumpsites.
Status: Action in process. Intended completion date unknown.

ENVIRONMENTAL PROTECTION AGENCY

User Charge Revenues for Wastewater Treatment Plants--Insufficient To Cover Operation and Maintenance *(CED-82-1, 12-2-81)*

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Clean Water Act of 1977. Water Pollution Control Act (33 U.S.C. 1251 et seq.). P.L. 84-600.

Background

Billions of dollars in federal grants have been made to municipalities throughout the nation to construct publicly owned wastewater treatment plants. Once the plants are constructed, municipalities are responsible for raising sufficient monies from system users to properly operate and maintain these plants. GAO made a review to determine whether user charge revenues collected by municipalities are sufficient to properly operate and maintain the treatment plants; whether such costs are fairly and equitably distributed among system users; and whether sufficient revenues are being generated to pay for replacing major capital items in the plants.

Findings/Conclusions

GAO found that half of the 36 municipal treatment plants, randomly selected for review, were not charging users enough to cover operation and maintenance costs and were relying on other municipal revenue sources for funds. Also, 40 percent were not charging all users their fair and equitable share of costs. Thus, the future successful operation of the costly treatment facilities may be in jeopardy, and the Nation's clean water goals may not be achieved. Replacing the thousands of federally funded plants will require billions of dollars. Current federal legislation is silent on the sources of funds for plant replacement. Only three of the municipalities reviewed are now setting aside replacement funds. Twenty-three indicated that they would return to the federal government for replacement funding. The need to eventually replace major equipment items can significantly strain local financial resources. Inequitable user charge systems allow a few users to benefit while many users pay excessive charges. GAO believes that such subsidies violate a basic intent of the user charge concept, equity. Fifteen of the 36 municipalities had not met the grant requirement of making a periodic review and of updating their user rates and classes to meet increased costs or changing operating conditions. Neither the Environmental Protection Agency nor the states have followup programs to verify a municipality's compliance with user charge grant conditions, and no enforcement program exists under which penalties could be assessed for noncompliance.

Recommendations to Agencies

The Administrator of the Environmental Protection Agency should incorporate, as part of the financial management guidance package, instructions to the municipalities that clearly state: (1) the purpose of the user charge program; (2) that, except for ad valorem taxes, direct user charges are the only source of funding authorized for financing treatment plant operation and maintenance expenses; (3) the need to review and revise the user charge system in accordance with federal regulations and the grant agreement; and (4) the need to maintain the treatment plants' financial integrity and self-sufficiency as envisioned by Congress.

Status: Action in process. Intended completion date: 05/85

The Administrator of the Environmental Protection Agency should incorporate, as part of existing operation and maintenance inspections and closeout financial audits of construction grants, a review of user charge system adequacy, including a review of the adequacy of reserve accounts for replacing major pieces of equipment considered essential for continued plant operations.

Status: Action in process. Intended completion date: 05/85

ENVIRONMENTAL PROTECTION AGENCY

Better Planning Can Reduce Size of Wastewater Treatment Facilities, Saving Millions in Construction Costs
(CED-82-82, 7-8-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Water Pollution Control Act (33 U.S.C. 1251 et seq.). Water Pollution Control Act Amendments of 1956 (P.L. 84-660). Municipal Wastewater Treatment Construction Grant Amendments of 1981. 40 C.F.R. 35.900.

Background

GAO conducted a review to evaluate the effectiveness of the facility planning process for constructing wastewater treatment plants and to determine whether changed conditions, such as increases or decreases in population projections or industrial flow for proposed service areas, were recognized and incorporated into the facility plans before the plant was designed or before construction started.

Findings/Conclusions

GAO estimated that about $30 million in grant funds could be saved if the Environmental Protection Agency's (EPA) 1978 facility planning regulations were applied to the 13 facility plans reviewed by GAO. These facilities were developed under pre-1978 regulations, but are not yet under construction. Current regulations limit the engineering judgment in calculating domestic and industrial flow allowances. However, under the 1978 regulations, EPA stipulated that state population projections would be the sole basis for estimating future population levels to be served by a proposed treatment system. If the 1978 regulations were applied, 11 of those 13 proposed plants would be smaller and 2 plants would be larger. The Municipal Wastewater Treatment Construction Grant Amendments of 1981 provide that no federal grant will be made to construct treatment works which provide reserve capacity in excess of the needs which existed on the date of grant approval. In addition, the amendments reduce federal participation from 75 to 55 percent of the construction costs. Many facets of facility planning are not covered by guidance or regulation. As a result, engineering judgment, which varies considerably from project to project, becomes the deciding factor in determining plant size and project cost. Additional criteria are needed to assist in the determination of proper plant size and to provide plan reviewers a basis on which to evaluate the adequacy of a plan.

Recommendations to Agencies

The Administrator of EPA, with the cooperation of the engineering community, should develop standards for each critical factor used in establishing existing as well as future domestic, industrial, and infiltration and inflow amounts to be treated by a wastewater plant. Deviations should require additional justification by the consulting engineer to provide EPA with a basis for evaluating the proposed change. As a minimum, these standards should establish: (1) a discharge ratio to be applied to actual water use records when determining existing and future domestic flow to the plant for treatment; (2) a method to be used in measuring industrial flow; and (3) inflow estimates based on a worst storm event experienced in a specified time period.

Status: Action in process. Intended completion date: 08/85

ENVIRONMENTAL PROTECTION AGENCY

Better Coordination Is Needed Between Pesticide Misuse Enforcement Programs and Programs for Certifying and Training Individuals To Apply Pesticides
(RCED-83-169, 7-1-83)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Insecticide, Fungicide, and Rodenticide Act. 40 C.F.R. 171. 40 C.F.R. 171.4(b). 40 C.F.R. 171.6.

Background
GAO reviewed programs in Illinois and Minnesota under the Pesticide Applicator Certification and Training Program to determine whether they are addressing major pesticide misuse problems.

Findings/Conclusions
GAO found that the Environmental Protection Agency (EPA) and Illinois and Minnesota have not linked the certification and training and enforcement programs to deter and reduce pesticide misuse. The review of programs to certify individuals as competent to use pesticides indicates that information on pesticide misuse is not routinely and systematically developed or used, even though the data are collected and maintained by the states as part of their pesticide enforcement efforts. Further, EPA evaluations of state programs have not addressed qualitative program elements but have concentrated on quantitative program outputs. GAO noted that EPA has neither developed criteria for evaluating test criteria nor, within 7 years, conducted in-depth test reviews. Finally, GAO found that Illinois' and Minnesota's pesticide commercial examinations do not meet all federal certification requirements.

Recommendations to Agencies
The EPA Administrator should direct that action be taken to include a requirement in state cooperative agreements that states develop basic program management information on major pesticide misuse problems for use by certification and training programs.
Status: Action in process. Intended completion date: 09/85

The EPA Administrator should direct that action be taken to develop guidance for EPA regions to evaluate state efforts in using pesticide misuse data to ensure that its certification and training programs are addressing the major pesticide misuse problems that the state is experiencing.
Status: Action in process. Intended completion date: 09/85

The EPA Administrator should direct that action be taken to develop criteria and guidance for EPA regions to evaluate state commercial applicator examinations.
Status: Action in process. Intended completion date: 09/85

ENVIRONMENTAL PROTECTION AGENCY

Wastewater Dischargers Are Not Complying With EPA Pollution Control Permits
(RCED-84-53, 12-2-83)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Federal Water Pollution Control Act. Clean Water Act of 1977. Water Pollution Control Act Amendments of 1972 (Federal).

Background

GAO reviewed compliance with and the effectiveness of the National Pollutant Discharge Elimination System (NPDES).

Findings/Conclusions

NPDES was established by the Clean Water Act to limit the type and amount of pollution that a municipal or industrial facility may legally discharge into the nation's waterways. Under NPDES, discharge permits are issued, and GAO found that noncompliance with permit limits was widespread, frequent, and significant. Specifically, GAO estimated that 82 percent of the major dischargers sampled in six states exceeded their monthly average pollution permit limits at least once during an 18-month period and that 31 percent of those dischargers exceeding their limits were in significant noncompliance during that period. GAO stated that current enforcement practices allow noncompliance to continue for long periods and that thousands of dischargers have not been issued permits or hold expired permits. GAO noted that federal funding of water quality programs has significantly declined in recent years.

Recommendations to Agencies

The Administrator, EPA, should determine to what degree limited resources contribute to continued high noncompliance and enforcement problems in the permit program and present this analysis to Congress for its consideration in determining whether additional resources should be provided to improve the program's effectiveness.
Status: Action in process. Intended completion date unknown.

To address problems in the NPDES permit program that can be mitigated without substantial additional resources, the Administrator, EPA, should develop information on New York State's subsidy program for treatment plant operation and maintenance to determine if the program does in fact improve compliance rates. If significant contributions have been made by the subsidy program, EPA should communicate the results of the program to all the states.

Status: Action in process. Intended completion date unknown.

To address problems in the NPDES permit program that can be mitigated without substantial additional resources, the Administrator, EPA, should require EPA regional offices and encourage the states to follow up in a timely manner on missing and incomplete discharge monitoring reports.

Status: Action in process. Intended completion date unknown.

To address problems in the NPDES permit program that can be mitigated without substantial additional resources, the Administrator, EPA, should provide trend data from the EPA Laboratory Quality Assurance Program to regions and states to help them upgrade the quality of performance of laboratories providing data for discharge reports.

Status: Action in process. Intended completion date unknown.

To address problems in the NPDES permit program that can be mitigated without substantial additional resources, the Administrator, EPA, should issue guidance to EPA regions and states which establishes specific timeframes when voluntary compliance efforts should end and when formal enforcement measures should be undertaken.

Status: Action not yet initiated. *EPA has not agreed to take action on this recommendation. GAO still believes the recommendation is valid and will discuss it again with EPA the next time GAO follows up on this recommendation.*

ENVIRONMENTAL PROTECTION AGENCY

Cost-Benefit Analysis Can Be Useful in Assessing Environmental Regulations, Despite Limitations
(RCED-84-62, 4-6-84)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Clean Air Act (42 U.S.C. 7401 et seq.). Occupational Safety and Health Act of 1970 (29 U.S.C. 651 et seq.). Water Pollution Control Act (33 U.S.C. 1251 et seq.). Executive Order 12291. American Petroleum Industry v. Costle, 665 F.2d 1176 (D.C. Cir. 1981). American Textile Manufacturers Institute v. Donovan, 452 U.S. 490 (1981).

Background

GAO reported on the Environmental Protection Agency's (EPA) major efforts to prepare cost-benefit analyses to support regulatory decisions, as required under Executive Order 12291. In addition, it discussed the Office of Management and Budget's (OMB) review of those analyses and identified many problems that affect the potential usefulness of cost-benefit analyses for assessing environmental regulations.

Findings/Conclusions

GAO found large gaps in the underlying scientific information which EPA uses to estimate the environmental benefits of its regulatory alternatives. EPA has also had difficulty determining how much people are willing to pay for health and environmental improvements. However, a cost-benefit analysis can still provide useful information to regulatory decisionmakers if EPA presents a range of dollar values which reflect the uncertainty of the estimates. Some environmental laws place more emphasis on the level of cleanup to be achieved than on the costs involved, and they may prohibit or limit the use of cost-benefit analyses in setting standards and regulations. In addition, cost-benefit analyses are not transmitted to Congress. Executive Order 12291 generally requires EPA and other federal agencies to provide a detailed cost-benefit analysis for any major regulation. However, the order allows for a great deal of flexibility in establishing the estimated costs of proposed regulations, and EPA has not always considered all important compliance costs to determine whether a proposed rule is a major regulation. In addition, GAO found that EPA failed to consider all possibilities in determining which alternative would yield a higher net benefit. GAO also found that EPA cost-benefit analyses generally highlighted only single-dollar estimates in summary form while ranges of estimates for other categories were available but not used. Despite these problems, OMB has generally accepted the EPA analyses.

Recommendations to Agencies

The Administrator, EPA, should direct the program offices performing cost-benefit analyses to use special techniques for analyzing uncertainty so that the most likely estimates of key regulatory effects can be isolated.

Status: Action in process. Intended completion date unknown.

The Administrator, EPA, should direct his budget office to highlight, in its annual budget submission to Congress, the priorities it has assigned to address the most critical data gaps affecting the precision of cost-benefit analyses and the measures planned to narrow those gaps.

Status: Action not yet initiated. *EPA agreed that future budget submissions would discuss the additional data needed for improving cost-benefit analyses, including research and analyses in all EPA offices engaged in this effort.*

The Administrator, EPA, should transmit to the cognizant oversight committees in Congress, in executive summary form, those cost-benefit analyses that cannot be used in environmental rulemaking because of legal restrictions.

Status: Action not yet initiated. *EPA agreed to submit cost-benefit analyses summaries to the cognizant oversight committees of Congress as they are prepared. EPA is working with its Office of Policy Analysis on this matter.*

The Administrator, EPA, should prominently document, for inclusion in the public record, and transmit to OMB a thorough explanation of the regulatory alternatives considered prior to the EPA decision to perform or not perform a cost-benefit analysis; this documentation should include a clear explanation as to why a particular alternative was considered and others were not so that decisionmakers and reviewing officials will have a complete understanding of the process. In addition, the Administrator should require that future cost-benefit analyses prominently include, in the executive summary: (1) a clear recognition of all costs and benefits, even those that cannot be quantified; (2) the range of uncertainties associated with those cost and benefit figures, as well as the sources of uncertainty; and (3) a comparison of all feasible alternatives.

Status: Action not yet initiated. *EPA agreed to work with its program offices on these points in preparing future cost-benefit analyses.*

ENVIRONMENTAL PROTECTION AGENCY

EPA's Efforts To Identify and Control Harmful Chemicals in Use
(RCED-84-100, 6-13-84)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Toxic Substances Control Act.

Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) current progress in reviewing and controlling existing chemicals as mandated under the Toxic Substances Control Act.

Findings/Conclusions

Since 1982, EPA has begun to make progress in implementing the existing chemicals program by establishing a process for identifying, assessing, and controlling existing chemical hazards. However, the chemicals program has had low priority in relation to other activities and, since fiscal year 1981, there has been a downward trend in funding for the program. EPA has begun to make progress in implementing the existing chemicals program by establishing a process for identifying, assessing, and controlling existing chemical hazards; developing a plan for implementing the program; and establishing an existing chemicals task force to develop, monitor, and manage the program. Since the act's passage, EPA has: (1) regulated 4 chemicals; (2) identified 60 chemicals that may present an unreasonable risk and need to be evaluated; and (3) determined that 41 additional chemicals require testing. Initially, EPA did not meet the act's mandate to initiate chemical test rulemaking proceedings within 1 year because of a lack of resources, and it had not proposed test rules. Finally, EPA has designated and assessed only two chemicals for 180-day priority review because they were determined to be a significant risk of harm from cancer, birth defects, or gene mutations.

Recommendations to Congress

Congress may want to consider alternatives for increasing the number of chemicals considered for priority review, if Congress believes that EPA should use this provision more frequently. Congress could: (1) require EPA to designate chemicals which are known to cause cancer, gene mutations, or birth defects; (2) establish an advisory group of representatives from federal research and regulatory agencies to recommend chemicals for EPA to consider for priority review; (3) provide EPA the authority to gather additional information to properly assess a chemical's risk during review; or (4) require EPA to include in its annual reports the chemicals it considered for priority review, its decisions, and the related reasons for the decisions.
Status: Action not yet initiated.

Recommendations to Agencies

The Administrator, EPA, should finalize proposed test rulemaking within a reasonable time, such as a goal of 12 to 18 months after proposal. If EPA is not able to finalize test rules in a reasonable time, it should inform Congress of the delay, the reasons, and suggest solutions such as negotiated testing agreements, additional resources, or legislative changes.
Status: Action in process. Intended completion date unknown.

ENVIRONMENTAL PROTECTION AGENCY

Assessment of New Chemical Regulation Under the Toxic Substances Control Act
(RCED-84-84, 6-15-84)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Toxic Substances Control Act.

Background

Pursuant to a congressional request, GAO reviewed: (1) the Environmental Protection Agency's (EPA) program for protecting health and the environment from the risks of new chemicals; (2) enforcement of program requirements by EPA; and (3) the differences between the EPA program and the new chemicals notification program adopted by the European Economic Community (EEC) and the potential impact of these differences on international trade.

Findings/Conclusions

EPA performs premanufacture reviews to assess the potential risks of new chemicals. GAO found that the EPA reviews are limited in scope and that their assessment of risks are frequently made with considerable uncertainty as to the toxicity of the chemicals being reviewed. EPA is required to provide enforcement inspections to ensure that: (1) new chemical notifications are being submitted; (2) EPA-imposed control actions are implemented by chemical manufacturers; and (3) data required to be submitted are reliable. GAO found that not all of the planned inspections were performed because inspection resources were being diverted to other enforcement activities. In addition, GAO found that the United States and EEC have pursued different approaches to chemicals regulation. While the American system is designed to protect against chemical risks without creating economic barriers to technological innovation, the European program is designed to avoid trade barriers that might arise if the nations of EEC did not standardize their reporting requirements. The EEC program involves a notification system, with risk assessment and control decisions left primarily to member nations. Under the EEC program: (1) a standardized set of tests is required for new chemicals; (2) any chemical not on the established chemical inventory must be pretested; and (3) additional testing is required when the quantity of a new chemical being marketed reaches specified levels. GAO believes that it is too early to tell whether international trade might be affected by the differences in the two systems.

Recommendations to Congress

Congress may wish to provide EPA with additional authority to control changes in manufacture and use of new chemicals that have undergone premanufacture review while data necessary for determining the chemical's health and environmental effects are being developed.
Status: Action not yet initiated.

Recommendations to Agencies

The Administrator, EPA, should establish monitoring procedures and reporting requirements for new chemicals that have undergone an EPA premanufacture notification review and have been added to the inventory of existing chemicals. Specifically, EPA should require: (1) premanufacture notification submitters to notify EPA of any significant changes in the manufacture and use of the substance described in their submission; and (2) subsequent manufacturers to notify EPA when they begin to manufacture the new substance and provide information on production volume and uses of the substance.
Status: Action in process. Intended completion date unknown.

To improve the enforceability of the new chemicals program, the Administrator, EPA, should revise the premanufacture notification regulations on what constitutes an exemption from the notification requirement by developing more specific criteria for distinguishing between research and development, test marketing, and commercial uses.
Status: Action in process. Intended completion date unknown.

EPA should provide adequate inspection resources to achieve its inspection goals in the new chemicals program. If these resources are not available because of higher priority requirements, EPA should establish the additional needs of the program and provide such information to the appropriate congressional committees for their consideration.
Status: Action in process. Intended completion date unknown.

ENVIRONMENTAL PROTECTION AGENCY

EPA's Innovative Technology Program for Waste Water Treatment Needs Better Controls
(RCED-84-79, 8-20-84)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Clean Water Act of 1977 (P.L. 95-217).

Background

GAO discussed the need for better controls in the Environmental Protection Agency's (EPA) innovative technology program for wastewater treatment. The program has significant potential to improve wastewater treatment technology and can reduce expenditures for energy, construction, and operation of future projects.

Findings/Conclusions

GAO found that EPA awarded $20.2 million to questionable projects and $7.3 million to projects which could not be assessed for innovative sewage treatment technologies. Further, project engineers in two of the three regions reviewed by GAO generally did not ensure that projects were innovative. GAO concluded that, although the program was designed to break down barriers hindering development of innovative technology in wastewater treatment, the program has had limited success. The program does not provide sufficient incentives for consulting engineers and states to take the risk or incur the additional cost of developing innovative projects.

Recommendations to Agencies

The Administrator, EPA, should, to help ensure that the objectives of the innovative technology program are achieved, determine the extent to which all EPA regions are ensuring that projects are technologically innovative.
Status: Action in process. Intended completion date unknown.

The Administrator, EPA, should direct regional administrators to establish procedures which will help ensure that the factors constituting technological risk are identified and evaluated. The procedures should include having the regional administrator: (1) independently verify that all proposed innovative projects are thoroughly and systematically evaluated for technological risk including projects proposed under regional discretion authority; (2) send all innovative project requests to the Cincinnati technical support group for review; unless actions to the contrary are appropriately justified, the regions should be required to follow the support group's recommendations; and (3) provide a written explanation of the basis for each innovative decision including the evaluation of risk and potential benefits and actions taken on the technical support group's recommendations.
Status: Action in process. Intended completion date unknown.

ENVIRONMENTAL PROTECTION AGENCY

The Steel Industry Compliance Extension Act Brought About Some Modernization and Unexpected Benefits *(RCED-84-103, 9-5-84)*

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Steel Industry Compliance Extension Act of 1981 (42 U.S.C. 7401). Clean Air Act. Clean Water Act of 1977.

Background

GAO assessed the impact of the Steel Industry Compliance Extension Act, which allowed the Environmental Protection Agency (EPA) to defer, for approved steel companies, the date for meeting air pollution requirements. To approve a company under the act, EPA had to: (1) determine that the deferral of air pollution control spending was necessary to improve the efficiency of company facilities; (2) find that the company would spend on modernization an amount equal to the amount of air pollution control spending deferred; (3) reach agreement with the company for a judicial consent decree to ensure that company facilities would comply with federal law; (4) find that the company had sufficient funds to comply with federal law; and (5) determine that approval of the company would not degrade air quality during the compliance extension.

Findings/Conclusions

GAO found that 10 companies representing about 50 percent of U.S. steel production applied for benefits under the act. EPA determined that 6 of the applicants were eligible to participate in the program, and GAO found that the 5 firms that participated spent about $49 million on modernization. GAO noted that, while spending under the program was less than expected, unexpected benefits that were realized included: (1) one corporation's sharing of a proprietary emission control process with other firms in the steel industry; and (2) an increased number of consent decrees, which EPA prefers over other compliance mechanisms. GAO also found factors that limited eligibility for benefits under the act. While the act provided that firms applying for benefits were required to comply with existing judicial decrees, it also provided that de minimis, or negligible, violations could be excused. However, the act did not define de minimis violations and EPA eventually used a strict interpretation of such violations. In addition, GAO found that companies' spending under the act was limited by: (1) EPA or corporate determinations that funds were not eligible to be diverted to modernization; (2) overestimated spending commitments; (3) proposed pollution control projects that were either ineligible under the act or were not necessary; and (4) poor economic conditions, which limited companies' willingness to divert pollution control funds to modernization.

Recommendations to Congress

Congress should, in considering any future legislation which extends pollution control or other regulatory compliance deadlines, specifically define the criteria that EPA or other agencies should use to determine program eligibility.

Status: Action not yet initiated.

ENVIRONMENTAL PROTECTION AGENCY

EPA Needs To Improve Its Oversight of Air Pollution Control Grant Expenditures
(RCED-84-163, 9-28-84)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Clean Air Act. 40 C.F.R. 35.501-8. 40 C.F.R. 30.635-3. 40 C.F.R. 35.415. OMB Circular A-102 Attach. P.

Background

Pursuant to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) air pollution control grant program authorized by the Clean Air Act.

Findings/Conclusions

Section 105 of the act authorizes EPA to award grants to state and local agencies to develop plans and implement programs to prevent and control air pollution or to address national air quality standards. GAO examined the EPA procedures for ensuring grantee compliance with section 105 provisions and EPA regulations and reviewed whether grantees are, in fact, meeting these requirements. GAO found that the three EPA regions reviewed were consulting with state officials and were satisfied that grantees were using the federal funds to supplement, not supplant, nonfederal funds for air pollution control. However, two of the regions had not ensured that all grantees complied with the level-of-effort requirement of the act or with EPA reporting requirements. GAO found numerous instances where unliquidated obligations were reported in final financial reports, in violation of reporting instructions. Of six grantees reviewed within the three EPA regions, four had submitted inaccurate or incomplete financial reports. Inspector General officials stated that they do not have the resources to audit the grantees' financial reports, and grant program officials stated that they lack the resources as well as the expertise to perform such audits.

Recommendations to Agencies

To ensure that all EPA regions determine whether grantees are complying with the level-of-effort requirement of the section 105 grant program, the Administrator, EPA, should establish procedures for regional administrators to follow in monitoring grantee expenditures. The procedures should emphasize that all obligations must be liquidated before financial reports can be accepted by EPA as final and should require the regions to examine grantees' past financial reports to ensure that levels of effort are maintained.
Status: Action not yet initiated. *EPA has not yet provided its comments to this recommendation.*

The Administrator, EPA, should ensure that the regional administrators in Regions IV and VI take appropriate action with respect to the grantees in Knox County and San Antonio, respectively, concerning their reductions in levels of effort.
Status: Action not yet initiated. *EPA has not yet provided its comments to this recommendation.*

To ensure that section 105 grant funds are properly spent and/or reported, the Administrator, EPA, should direct the regional administrators in Regions III and IV to work with the Office of General Counsel to resolve the underreporting of expenditures in Maryland and Louisiana.
Status: Action not yet initiated. *EPA has not yet provided its comments to this recommendation.*

The Inspector General, EPA, should reconsider the priority assigned to the section 105 grant program, based on the GAO review findings and, if appropriate, conduct audits of specific grants to determine whether grantees' financial reports to EPA contain accurate and reliable information.
Status: Action not yet initiated. *EPA has not yet provided its comments to this recommendation.*

To ensure that section 105 grant funds are properly spent and/or reported, the Administrator, EPA should direct the regional administrators in Regions III and VI to work with the District of Columbia and Texas, respectively, to resolve inappropriate spending or erroneous reporting of grant funds in fiscal year 1982.
Status: Action not yet initiated. *EPA has not yet provided its comments to this recommendation.*

ENVIRONMENTAL PROTECTION AGENCY

Status of Civilian Federal Agencies' Efforts To Address Hazardous Waste Problems on Their Lands
(RCED-84-188, 9-28-84)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Resource Conservation and Recovery Act of 1976. Comprehensive Environmental Response, Compensation, and Liability Act of 1980. Water Pollution Control Act. Clean Air Act. Executive Order 12088. Executive Order 12316. OMB Circular A-106.

Background

Pursuant to a congressional request, GAO determined: (1) what actions have been taken by federal civilian agencies to comply with provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) which require them to identify federal sites which potentially contain hazardous wastes; and (2) the status of ongoing and planned agency actions to assess and correct hazardous waste problems at federal sites.

Findings/Conclusions

GAO identified 16 federal agencies involved in hazardous waste activities. The agencies had identified 340 locations with potential hazardous waste problems. Some locations were identified in response to a CERCLA reporting requirement, although identification of sites was hampered because: (1) some agencies were unaware of the reporting requirement; (2) guidance issued by the Environmental Protection Agency (EPA) left agencies with broad discretion in meeting the requirement; and (3) there was no requirement for EPA to evaluate the adequacy of agency reporting actions. GAO found that about 30 percent of the 340 identified locations had not been assessed, but that for the remainder, some action had been taken. In 73 cases, EPA or the responsible agency determined that no further action was warranted. GAO also found that seven federal agencies have initiatives under way to identify hazardous waste sites. In addition, GAO found that an EPA inventory of potential hazardous waste sites is incomplete and contains errors, which could adversely affect a new EPA strategy for ensuring that agencies comply with CERCLA requirements.

Recommendations to Agencies

The Administrator, EPA, should instruct EPA regional offices on the importance and need for complete and accurate information on potential hazardous waste site locations on federal lands. The instructions should also require regional offices to update and correct the ERRIS data base to show which locations are on federal lands and clearly identify within the data base those locations on federal lands that have been shown to lack the potential for uncontrolled hazardous waste sites.
Status: Action not yet initiated. *No action has been initiated because the report has just recently been issued.*

The Administrator, EPA, should require EPA regional offices to update and correct the ERRIS data base to show the current status of site assessment, evaluation, and corrective actions that have been taken at federal agency locations.
Status: Action not yet initiated. *No action has been initiated because the report has just recently been issued.*

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Continuing Financial Management Problems at the Equal Employment Opportunity Commission
(AFMD-82-72, 5-17-82)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Accounting and Auditing Act (31 U.S.C. 66a). Antideficiency Act (31 U.S.C. 665). Civil Rights Act of 1964 (42 U.S.C. 2000e-4). Claims Collection Act. 4 C.F.R. 101. 4 C.F.R. 102. 4 C.F.R. 103. 4 C.F.R. 104. 2 GAO 8.8. 7 GAO 11.2. 7 GAO 13.2. 7 GAO 24.2. OMB Circular A-123. 31 U.S.C. 200. 31 U.S.C. 703(a). 18 U.S.C. 1018. 42 U.S.C. 2000e-5(f). 42 U.S.C. 2000e-5(k).

Background

GAO was asked to review the financial operations of the Equal Employment Opportunity Commission (EEOC) with emphasis on determining the extent of deficiencies in the EEOC controls over appropriated funds. GAO was requested to issue an interim report in October 1981 on the results of the review at that time.

Findings/Conclusions

GAO found that: (1) accounting records and reports were unreliable, due to problems such as the failure to keep general ledgers and subsidiary ledgers in agreement, to promptly input accounting transactions, and to reconcile obligation balance differences between the centralized accounting system and obligations records maintained by program and field offices; (2) receivables, payables, and advances were inaccurately reported, due to the agency's failure to validate obligations, collect receivables, accurately record outstanding loans, settle travel advances, and perform contract audits; and (3) internal controls were weak due to improper segregation of duties, insufficient training and supervision of key accounting and budget personnel, and inadequate internal audit coverage of financial operations. EEOC in recent years has committed a number of questionable acts, some of which violate federal statutes. Specifically EEOC has: (1) obligated funds in one fiscal year (FY) to cover goods and services that were clearly to satisfy needs in future years; (2) failed to review the validity of the unliquidated obligations as recorded; (3) certified yearend reports for FY's 1980 and 1981 as accurate under conditions clearly indicating that the reports contained erroneous data; and (4) entered, with questionable authority, into agreements whereby money was either loaned or granted to private persons.

Recommendations to Agencies

The Chairman, EEOC, should recover funds owed EEOC from the loan fund venture and, in the future, prohibit any similar program unless the agency obtains specific congressional authority.

Status: Action in process. Intended completion date: 02/86

EXECUTIVE OFFICE OF THE PRESIDENT

Conditions That Limit Using Barter and Exchange To Acquire National Defense Stockpile Materials *(RCED-84-24, 10-19-83)*

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). Agricultural Trade Development and Assistance Act of 1954. Commodity Credit Corporation Charter Act of 1954. Agriculture and Food Act of 1981. Property and Administrative Services Act.

Background

Pursuant to a congressional request, GAO reviewed alternative financing methods for acquiring materials for the National Defense Stockpile. Specifically, GAO analyzed barter and exchange as a means by which federal property would be traded for needed stockpile materials, how they have been used in the program, and how they are provided for in law.

Findings/Conclusions

Although federal agencies have legislative authority to use barter and exchange to acquire stockpiles, these methods are seldom used because of restrictive legislative requirements and competing national interests. GAO believes that the current potential for barter and exchange as alternatives to direct cash purchases is limited.

Recommendations to Agencies

The Assistant to the President for National Security Affairs, as Chairman of the Emergency Mobilization Preparedness Board, should assess the role barter and exchange can play in acquiring needed stockpile materials within the context of the Board's national mobilization preparedness policy and action plan. In making this determination, the legislative requirements and competing national interests and priorities related to their use should be considered, such as the requirement that the Commodity Credit Corporation be reimbursed for the agricultural commodities bartered for stockpile materials. The Board should propose legislative changes if necessary.

Status: Action in process. Intended completion date unknown.

FEDERAL COMMUNICATIONS COMMISSION

FCC Needs To Monitor a Changing International Telecommunications Market
(RCED-83-92, 3-14-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Communications Act of 1934 (47 U.S.C. 151 et seq.). Communications Satellite Act of 1962 (47 U.S.C. 701 et seq.). International Record Carrier Competition Act (P.L. 97-130).

Background

In response to a congressional request, GAO examined whether the Federal Communications Commission (FCC) can effectively monitor and gauge the impact of recent FCC and congressional actions designed to increase competition in the international telecommunications market by reducing the entry barriers for the U.S. portion of the market.

Findings/Conclusions

GAO found no general consensus that these actions would increase competition in the international market. Further, FCC does not monitor market development and cannot measure or gauge the competitive impact of its decisions on the market. The Common Carrier Bureau, responsible for implementing these decisions, recognizes the importance of monitoring the industry, but stated that its strained resources have made it difficult to track industry development. Therefore, GAO believes that, unless FCC develops an industry analysis capability, it cannot adequately measure market competitiveness to ensure that the its actions are having the desired market behavior effects.

Recommendations to Agencies

The Chairman, FCC, should direct the Common Carrier Bureau to use this same capability to ensure that intermodal competition is developing and to allow FCC to intervene in facilities authorization if necessary to correct any imbalance.

Status: Action in process. Intended completion date unknown.

FEDERAL COMMUNICATIONS COMMISSION

Federal Communications Commission Can Further Improve Its Licensing Activities
(RCED-83-90, 4-26-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Communications Act of 1934. Radio Act. P.L. 97-259.

Background

In response to a congressional request, GAO reviewed the Federal Communication Commission's (FCC) processing of applications for new common carrier, broadcast, and private radio licenses to identify changes to make these operations more efficient and productive.

Findings/Conclusions

As a result of continued technological improvements and an increasing demand for communications services, the FCC application processing workload has increased and is likely to continue to increase. Congress has noted that, while FCC has tried to improve license processing speeds, it still takes too long to get a license.

Recommendations to Congress

If Congress determines that competition in the telecommunications markets has developed to the extent that market forces eliminate the need for regulatory intervention, Congress should amend section 309(d) of the Communications Act of 1934 as it pertains to applications for new station licenses to require that FCC not accept petitions to deny based on allegations of economic injury to existing licensees as well as other allegations unrelated to technical interference issues.
Status: Action not yet initiated.

If Congress determines that competition in telecommunications markets has developed to the extent that market forces eliminate the need for regulatory intervention, Congress should repeal the provisions of section 307(b) which require FCC to distribute licenses among states and communities so as to provide a fair, efficient, and equitable distribution of radio service but which may no longer be necessary in a competitive market.
Status: Action not yet initiated.

Congress, to overcome the delay caused by mutually exclusive applications, may want to consider authorizing FCC to use a licensing procedure in which a license would be granted to the first qualified applicant who applied.
Status: Action not yet initiated.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Requests for Federal Disaster Assistance Need Better Evaluation
(CED-82-4, 12-7-81)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Disaster Relief Act (P.L. 93-288). 44 C.F.R. 205.44. 42 U.S.C. 5121(b).

Background

The Federal Disaster Relief Program is intended to supplement the assistance which states, their political subdivision, private relief organizations, and citizens provide for disaster relief. The Federal Emergency Management Agency (FEMA) evaluates requests from states for assistance and recommends declarations or denials to the President. GAO reviewed the agency's activities to determine the type and amount of information FEMA obtains, the criteria it uses to evaluate the requests, and the bases for its recommendations.

Findings/Conclusions

GAO found problems which existed in determining the reasonableness of disaster assistance provided by state and local governments. FEMA uses a wide range of information in arriving at its decisions. The lack of consistency in the quality and method of assessments and the lack of knowledge by others as to the FEMA methods of evaluation can create doubt as to whether the federal government is only providing supplementary assistance and whether each request is judged in a fair and equitable manner. FEMA policies, procedures, and guidelines for evaluating requests are not widely known. Disclosing internal assessment processes would help state and local governments decide whether they had a valid request to make, enable them to provide more complete and uniform information, and minimize doubts as to whether their requests are treated in a fair and equitable manner. GAO also found that FEMA has adopted a controversial cost-sharing policy and has funded other than natural disasters. Although the FEMA cost sharing policy is consistent with the Disaster Relief Act, it has created controversy among the states. state officials contend that the policy forces them to pay for disaster relief costs which the states believe are beyond their capability to assume or which constitute more than a reasonable amount of state and local funds. The President has provided disaster assistance for such events as the Love Canal chemical contamination and the Cuban refugee crisis which raised questions as to whether other than natural catastrophes are within the purview of the existing law.

Recommendations to Congress

Congress should reevaluate the present law and clarify the extent to which supplemental Federal assistance should be given in major disasters and emergencies.
Status: Action in process.

Congress should clarify the Disaster Relief Act by spelling out as clearly as possible the type of incidents which may receive disaster assistance. It could define more precisely the intended coverage of the Act and specify that disaster assistance should be provided if there are no other Federal programs available and the state is unable to cope with the situation. FEMA and the Administration would then be better able to administer the Act as Congress intends.
Status: Action in process.

FEDERAL EMERGENCY MANAGEMENT AGENCY

National Defense-Related Silver Needs Should Be Reevaluated and Alternative Disposal Methods Explored *(EMD-82-24, 1-11-82)*

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Department of Defense Appropriations Act, 1982. Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). Bank Holding Company Act (84 Stat. 1768). National Materials and Minerals Policy, Research and Development Act of 1980 (30 U.S.C. 1604). Coinage Act of 1965 (P.L. 89-81). P.L. 90-29. P.L. 96-41.

Background

GAO was requested to evaluate the consequences of a sale of silver from the National Defense Stockpile, a supply of materials retained to prevent costly dependence upon foreign supply sources during national emergencies. Specifically, GAO was asked to address all aspects of the sale, including changes which have occurred since the sale was last justified and alternatives to disposing of any excess silver.

Findings/Conclusions

The Federal Emergency Management Agency determined that the supply of silver from domestic production and reliable imports exceeded the estimated quantity required to sustain the United States for periods of not less than 3 years in the event of a national emergency. Subsequent legislation has suspended a proposed disposal pending a redetermination that the silver to be disposed of is in excess of stockpile requirements. Several factors used to establish stockpile goals for all strategic materials, including a zero silver goal, have changed. These changes have (1) increased projected defense-related demand for silver during national emergencies, and (2) reduced the availability of silver from existing domestic mines and processors. Additionally, three major foreign suppliers have protested the disposal, alleging that a sale will depress the market price, resulting in decreased employment and foreign exchange earnings. To dispose of the silver, the General Services Administration held weekly auctions, but the sale did not assure that the disposal would be for domestic consumption nor did it assure that the short-term market price of silver would not be depressed relative to what it had been. GAO explored disposal alternatives, including coinage programs, small silver bars, transferring or selling the silver to the U.S. Treasury, and leaving the silver in the National Defense Stockpile. The bullion coinage program appears to be the most attractive alternative that should be considered.

Recommendations to Agencies

The Director of the Federal Emergency Management Agency, in evaluating various factors and information, should specifically consider: (1) the most recent war scenario hypothesized in terms of participants, war fronts, type of military action, and warning time; (2) defense-related uses of silver during past national emergencies; (3) reduced expansion from existing mines during wartime; (4) decreasing domestic smelting capacity; (5) the cost of silver from recycling, domestic stocks, and foreign suppliers; (6) the impact that selling the silver at auction may have on relations between the United States and its major foreign suppliers; and (7) long-term uncertainties relating to projected increased U.S. dependency on foreign silver sources and the possibility that a silver stockpile goal could be reestablished at some future date.
Status: Action in process. Intended completion date unknown.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Improved Administration of Federal Public Disaster Assistance Can Reduce Costs and Increase Effectiveness
(CED-82-98, 7-23-82)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Disaster Relief Act (P.L. 93-288). Flood Insurance Act of 1968. Flood Disaster Protection Act of 1973. Housing and Community Development Act of 1977. OMB Circular A-87. 88 Stat. 143.

Background
GAO reviewed the Federal Emergency Management Agency's (FEMA) administration of funds for public disaster assistance. The review was made to determine whether FEMA, which provided over $700 million in disaster assistance from 1979 through 1981, was consistently and effectively providing such assistance to state and local governments.

Findings/Conclusions
Under the Disaster Relief Act of 1974, public disaster assistance is intended to supplement resources available to state and local governments following major disasters. GAO found that FEMA provided public disaster assistance to state and local governments for certain expenditures which they had the capability of providing for themselves. Specifically, state and local governments were reimbursed for: (1) salaries of employees who were temporarily reassigned to assist in disaster relief efforts, (2) equipment temporarily diverted to disaster relief work, and (3) repair and reconstruction of uninsured public buildings. GAO does not believe that reimbursing these types of costs is consistent with the intent of supplemental assistance. GAO also found that state and local governments were not treated consistently in determining what expenses were eligible for reimbursement. This was largely due to the fact that FEMA relies on temporary staff to augment regional staff under the stressful conditions following a disaster. As a result, many immediate and subjective judgments regarding complicated cost eligibility situations are made. Many of these decisions have been subsequently reversed, creating dissatisfaction at the state and local levels with the way public disaster assistance is handled.

Recommendations to Congress
Congress should amend the Disaster Relief Act of 1974 to require that, as a condition of receiving federal public disaster assistance, state and local governments obtain and maintain appropriate hazard and flood insurance as is reasonably available, adequate, and necessary to protect against the loss of public buildings, facilities, and equipment.
Status: Action in process.

Recommendations to Agencies
The Director, FEMA, should establish a task force with representatives from the FEMA national and regional offices to minimize the problems associated with estimating eligible project costs. The task force should consult with state and local governments and interested outside organizations.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should revise the FEMA rules and regulations to implement the task force's suggestions for simplifying the estimating of eligible project costs.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should develop an education and training program that will better prepare all participants associated with disaster response and recovery activities.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should seek passage of the legislative proposal that FEMA submitted to Congress which would simplify its funding of projects up to $25,000. If successful, FEMA should consider seeking authorization to increase the project funding ceiling.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should make the results of the FEMA cost-effectiveness analyses available to Congress and to state and local government legislative bodies for their deliberation. These analyses should contain the FEMA recommendations for funding hazard mitigation projects.
Status: Action in process. Intended completion date unknown.

FEDERAL EMERGENCY MANAGEMENT AGENCY

National Flood Insurance: Marginal Impact on Flood Plain Development, Administrative Improvements Needed
(CED-82-105, 8-16-82)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Flood Insurance Act of 1968 (P.L. 90-448). Flood Disaster Protection Act of 1973 (P.L. 93-234). Housing and Community Development Act of 1977. Omnibus Budget Reconciliation Act of 1981. Executive Order 12291. S. Rept. 93-583.

Background

Pursuant to a congressional request, GAO examined whether: (1) the National Flood Insurance Program (NFIP) administered by the Federal Emergency Management Agency (FEMA) stimulated flood plain development, and (2) flood plain management regulations were being adequately enforced.

Findings/Conclusions

Coastal and barrier island communities are developing rapidly, because they offer many attractive features and opportunities for recreation and retirement. After studying six coastal communities and interviewing various federal, state, and local officials, GAO concluded that the availability of federal flood insurance is not the principal reason for flood plain development in these communities, but it does offer a marginal added incentive to development. GAO also found that the FEMA monitoring of local communities' enforcement of flood plain management regulations has been inadequate. Additionally, GAO noted errors in designations of flood zones on which insurance rates were based. GAO observed that providing flood insurance and other federal assistance in extremely hazardous coastal areas subject to wave damage may be an undesirable public policy because of the high potential for loss of life and destruction of property.

Recommendations to Agencies

The Director of FEMA should adjust current premiums on all policies found to be misrated.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should require the specific geographical location of insured property on all renewals.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should establish a centralized control system to direct and guide the monitoring and enforcement program. This system should include the systematic selection and periodic updating of information on those communities in each region whose compliance with flood plain requirements is considered critical. These communities should receive priority for monitoring visits. The system should also include continuing evaluations of community visits to measure individual and overall community compliance and to evaluate the effectiveness of the monitoring program in each region.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should, to improve the National Flood Insurance Program's credibility and financial soundness, establish appropriate management controls to detect and correct flood zone misratings.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should reallocate staff resources to increase monitoring activities in regions 4 (Atlanta) and 6 (Dallas).
Status: Action not yet initiated. *As of September 1984, FEMA established an agency working group to consider changes in its regional office locations and staffing structure.*

The Director of FEMA should issue a policy statement to regional offices and program participants setting out the agency's position on suspending communities for failure to enforce required flood plain management regulations.
Status: Action in process. Intended completion date unknown.

FEDERAL EMERGENCY MANAGEMENT AGENCY

National Flood Insurance Program: Major Changes Needed if It Is To Operate Without a Federal Subsidy
(RCED-83-53, 1-3-83)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Flood Insurance Act of 1968 (P.L. 90-448). Southeast Hurricanes Disaster Relief Act of 1965. Flood Disaster Protection Act of 1973 (P.L. 93-234). Housing and Community Development Act of 1977 (P.L. 95-128). Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

Background

Pursuant to a congressional request, GAO examined: (1) how the Federal Emergency Management Agency (FEMA) establishes rates for the National Flood Insurance Program; (2) whether it is possible to eliminate the federal subsidy and make the program self-sustaining; and (3) whether the flood insurance revolving fund is an appropriate mechanism for financing the program.

Findings/Conclusions

GAO found that the National Flood Insurance Program has not collected sufficient premiums to cover the cost of providing the insurance to about 1.9 million policyholders living in flood-prone areas. To compensate for the inadequate premium income, the agency's Federal Insurance Administration borrowed a total of $854 million from the Treasury between 1970 and 1980. Except where FEMA provides an intentional subsidy, flood insurance policyholders are required to pay insurance rates which are set in accordance with accepted actuarial principles. FEMA has relied on a combination of models and judgment to set the insurance rates, and methodological and data weaknesses in this approach have produced an overly complex rate structure that has not generated sufficient income to cover the costs of providing insurance or build up a reserve. FEMA is currently attempting to eliminate the federal subsidy by fiscal year 1988. When Congress established the flood insurance revolving fund, it expected the program to be run as a joint government-insurance industry operation. However, after a series of disagreements, in 1978 the government terminated the insurance industry's involvement and took over the program.

Recommendations to Congress

Congress needs to consider: (1) telling FEMA whether it agrees with the shift in direction toward as yet undetermined rate increases or coverage reductions; and (2) giving FEMA specific guidance on how the subsidy should be eliminated.
Status: Action in process.

Recommendations to Agencies

The Director of FEMA, to develop a risk premium rate structure which produces adequate premium income and is in line with accepted actuarial principles, should estimate and establish a catastrophic reserve.

Status: Action in process. Intended completion date: 01/88

The Director of FEMA, to develop a risk premium rate structure which produces adequate premium income and is in line with accepted actuarial principles, should increase reliance on recent loss experience in setting rates.

Status: Action in process. Intended completion date: 01/88

The Director of FEMA should state chargeable rates for the regular program so that the amount of intended federal subsidy can be accurately and readily determined.

Status: Action in process. Intended completion date unknown.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Review of FEMA Role in Assisting State and Local Governments To Develop Hurricane Preparedness Planning
(RCED-83-182, 7-7-83)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Disaster Relief Act.

Background

In response to a congressional request, GAO reviewed the principal federal programs relating to hurricane preparedness planning and the preparedness activities of a number of state and local governments.

Findings/Conclusions

GAO found that, although the Federal Emergency Management Agency (FEMA) is responsible for administering federal emergency management programs, FEMA involvement in hurricane preparedness assistance has been minimal. FEMA awarded study grants to states with only limited coordination with other federal agencies involved in providing funds and technical assistance. Further, FEMA was funding preparedness studies with little or no assurance that these studies were feasible or could lead to workable preparedness plans. GAO noted that only recently has FEMA become aware of these problems, and it has met with state and local officials to better coordinate ongoing studies. GAO concluded that, although FEMA has taken positive steps to improve program direction, the agency needs to take additional steps to better ensure that such results are achieved.

Recommendations to Agencies

The Director, FEMA, should have the proposals reviewed by the Corps of Engineers and relevant NOAA agencies.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, should carefully review state proposals to see that: (1) the proposals are technically feasible; (2) the proposed studies will be conducted by technically competent planners; (3) funding is generally available to complete the proposals; and (4) officials having ultimate responsibility for implementing emergency operating procedures during a hurricane are involved in the planning process.
Status: Action in process. Intended completion date unknown.

The Director, FEMA, to better ensure that the FEMA Hurricane Preparedness Program provides more effective assistance to states and local governments, should formally review current hurricane planning efforts to determine the best methods for developing and implementing a workable preparedness plan.
Status: Action in process. Intended completion date unknown.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Stronger Direction Needed for the National Earthquake Program
(RCED-83-103, 7-26-83)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7701 et seq.). Acid Precipitation Act of 1980. Ocean Pollution Planning Act. Executive Order 12148. Executive Order 12381. S. Rept. 97-336.

Background

Pursuant to a congressional request, GAO evaluated efforts by the Federal Emergency Management Agency (FEMA) to carry out the role assigned to it by statutory law, described federal activities to assist state and local governments with earthquake response planning, and discussed why a prediction system has not been developed.

Findings/Conclusions

GAO found that FEMA, the lead agency for the National Earthquake Hazards Reduction Program, needs to do more to fulfill the requirements of the Earthquake Hazards Reduction Act of 1977. GAO believes that the newly formed FEMA Earthquake Policy Review Group can provide needed direction to federal agencies in the program by improving interagency planning, budgeting, and evaluation. Progress has been slow in developing earthquake response plans at the state and local levels and in the private sector, and future progress will depend upon adequate FEMA direction and upon the resources available to those preparing the actual plans. GAO also found that an operational earthquake prediction system, an objective of the act, has not been developed, because necessary technological advances have not occurred. Although current monitoring systems can produce warnings, but not predictions, of an impending earthquake, further basic research is needed before reliable short-term predictions are feasible.

Recommendations to Agencies

The Director of FEMA should formalize and strengthen the role of the Earthquake Policy Review Group as the program's oversight and management body by: scheduling regular meetings; instituting a process that will bring important issues before it for decision, including establishing program goals, priorities, budgets, and target dates; and requesting, if necessary, specific congressional funding for its activities.
Status: Action in process. Intended completion date unknown.

The Director of FEMA, through the interagency body, should determine the level of priority that should be assigned to achieving advances in technology and knowledge necessary to make a prediction system feasible. This determination should weigh the costs and uncertainties of a prediction system against the potential benefits of reducing loss of life and injuries as well as reducing property damage and disruption. If it is decided that the development of an operational system is vital to the nation's disaster preparedness and scientific and other problems can be overcome, then FEMA and the Geological Survey, through the National Earthquake Hazards Reduction Program, should seek to arrange adequate funding for its development.
Status: Action in process. Intended completion date unknown.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Consolidation of Federal Assistance Resources Will Enhance the Federal/State Emergency Management Effort
(GGD-83-92, 8-30-83)

Budget Function: National Defense: Defense-Related Activities (054.0)
Legislative Authority: Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (P.L. 96-510). Executive Order 12148. Reorg. Plan No. 3 of 1978. OMB Circular A-87. 31 U.S.C. 1301.

Background

GAO discussed the Federal Emergency Management Agency's (FEMA) need for consolidation of federal assistance resources for emergency management and reviewed the agency's Comprehensive Cooperative Agreement (CCA) initiative.

Findings/Conclusions

A total of 15 separate FEMA categorical planning and preparedness programs were funded at $83 million in fiscal year 1982 and $90 million in 1983. GAO believes that the fragmentation spawned by most of these 15 programs frustrates states' full achievement of national emergency management or civil defense goals. The programs are too often narrowly defined and states cannot transfer funds between them. GAO stated that the categorical assistance structure promotes costly and inefficient program administration. Specifically, GAO found that categorical programs encourage states to perform overlapping planning and to duplicate emergency management activities. States sometimes overcame the categorical restrictions by undertaking a comprehensive and coordinated management effort. However, these practices could be curtailed if FEMA requirements were strictly enforced. In recognition of the constraints of the categorical structure, FEMA initiated the CCA, which gives states discretion in achieving program objectives. While the CCA limits the ability of FEMA to hold states accountable for categorical programs, FEMA is still held accountable by Congress for spending appropriated funds in the categorical manner. GAO believes that a consolidated assistance program that retains state accountability for achieving federal objectives would enhance the effectiveness and efficiency of the federal/state emergency management effort.

Recommendations to Agencies

The Director, FEMA, should prepare a legislative proposal to remove statutory restrictions which currently prevent or complicate the consolidation of related planning and preparedness programs.
Status: Action in process. Intended completion date unknown.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The Federal Emergency Management Agency's Plan for Revitalizing U.S. Civil Defense: A Review of Three Major Plan Components
(NSIAD-84-11, 4-16-84)

Budget Function: National Defense: Defense-Related Activities (054.0)
Legislative Authority: National Security Act. Civil Defense Act. Executive Order 12127. Executive Order 12148. Presidential Directive 41. Reorg. Plan No. 3 of 1978. FEMA Civil Preparedness Guide 1-30. FEMA Civil Preparedness Guide 1-5. FEMA Civil Preparedness Guide 1-5B. FEMA Civil Preparedness Guide 1-3.

Background

Pursuant to a congressional request, GAO reviewed the status, costs, and effectiveness of three major components of the Federal Emergency Management Agency's (FEMA) 7-year plan for revitalizing the National Civil Defense Program (NCDP). GAO evaluated the Nuclear Attack Civil Preparedness (NACP), Radiological Defense (RADEF), and Direction and Control components of NCDP, which together compose 74 percent of the estimated cost of NCDP.

Findings/Conclusions

NACP is concerned with relocating the population and providing fallout protection after an attack. The 7-year plan requires the development of crisis relocation plans (CRP's). GAO found that FEMA has emphasized the development of CRP's for areas located near strategic military bases, rather than for urban high risk areas. In addition, GAO found that: (1) several critical NACP segments are inactive and unfunded; and (2) industrial protection programs are not included in the 7-year plan. RADEF is designed to provide information, equipment, and technical advice to protect the population from radiation following a nuclear attack. GAO found that, while FEMA has made progress in the development of radiological instruments, problems remain regarding: (1) the number of instruments necessary; (2) instrument inventories and distribution plans; and (3) radiological defense officer staffing and training. The Direction and Control component of NCDP is concerned with providing information to the public before, during, and after an attack, allocating community resources, and directing evacuation and recovery activities. GAO found that many emergency operating centers (EOC's) do not meet FEMA standards and have deficiencies that might render them inoperative during an attack. In addition, GAO found that, under the Broadcast Station Protection Program (BSPP): (1) FEMA program analysis and cost estimates are questionable; and (2) many fully protected stations have facility, operational, and equipment deficiencies that could prevent them from operating effectively after an attack.

Recommendations to Agencies

The Director of FEMA should direct FEMA regional officials to review reported RADEF equipment stock levels for accuracy and shortages so that current stock levels can be determined and equipment needs more accurately identified.
Status: Action in process. Intended completion date: 09/85

The Director of FEMA should direct FEMA regional officials to review the adequacy of state RADEF equipment distribution plans and exercises so that the ability of the states to use federally funded RADEF equipment can be determined.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should update RADEF guidance and course material so that radiological defense officers can more readily obtain current FEMA policy guidance and receive training that more accurately depicts and prepares them for the conditions likely to be experienced in a nuclear attack.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should develop a central information system for determining the status, location, and training needs of individuals receiving training for RADEF program implementation. Such a system is needed so that FEMA can evaluate the ability of the United States to implement RADEF training and support that would be needed in the event of a nuclear attack, and develop more accurate RADEF program cost estimates and plans.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should reevaluate current estimates regarding the number, location, and types of EOC's needed for a national network that more closely reflects CRP requirements, population, existing state and local resources and capabilities, and local participation in civil defense. EOC program cost estimates in the 7-year plan should be revised accordingly and closely coordinated with state and local EOC cost estimates.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should update principal civil defense policy guidance, such as the National Plan, the Emergency Operating Center Development Manual, the Emergency Communications Manual, and BSPP guidance, so that state and local governments can better plan to meet national civil defense objectives. The availability of updated program guidance would also help convince state and local governments of federal commitment to a

revitalized civil defense and might encourage more state and local participation in civil defense programs.
Status: Action in process. Intended completion date unknown.

The Director of FEMA should emphasize the completion of detailed state EOC development plans so that the degree of probable local participation and funding of direction and control programs can be more accurately estimated.
Status: Action in process. Intended completion date: 06/85

The Director of FEMA should direct the establishment of an adequate system for collecting data and monitoring the status of civil defense programs and facilities at state and local levels that will ensure program compliance, identify deficiencies, and improve EOC and BSPP planning and cost estimates.
Status: Action in process. Intended completion date unknown.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Federal Financial Institutions Examination Council Has Made Limited Progress Toward Accomplishing Its Mission

(GGD-84-4, 2-3-84)

Budget Function: General Government: Other General Government (806.0)

Legislative Authority: Financial Institutions Regulatory and Interest Rate Control Act of 1978 (P.L. 95-630). Financial Institutions Examination Council Act (12 U.S.C. 3301 et seq.). Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.). Right to Financial Privacy Act of 1978 (12 U.S.C. 3401 et seq.). Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2601 et seq.). Flood Disaster Protection Act of 1973 (42 U.S.C. 4001 et seq.). Fair Credit Reporting Act (15 U.S.C. 1681 et seq.). Economic Recovery Tax Act of 1981 (26 U.S.C. 128). Bank Secrecy Act of 1970 (31 U.S.C. 5311 et seq.). Monetary Control Act of 1980 (12 U.S.C. 248(a)(2)). International Banking Act 1978 (12 U.S.C. 3101 et seq.). Bank Protection Act of 1968. Change in Bank Control Act of 1978. Change in Saving and Loan Control Act of 1978. Savings and Loan Holding Company Act. Banking Act. Bank Holding Company Act. Federal Reserve Act. Community Reinvestment Act of 1977. Equal Credit Opportunity Act. Fair Housing Act. Paperwork Reduction Act of 1980. Housing and Community Development Act of 1980 (P.L. 96-399). Truth in Lending Act. Fair Debt Collection Practices Act. Home Mortgage Disclosure Act of 1975. Glass-Steagall Act (Banking).

Background

GAO assessed the progress of the Federal Financial Institutions Examination Council in accomplishing its congressional mandates. The Council was established to: (1) prescribe uniform federal examination principles, standards, and report forms for examinations of financial institutions; (2) recommend uniformity in other supervisory matters; (3) develop uniform financial institution reporting systems; and (4) develop a comprehensive examiner education program. The Council is composed of the Comptroller of the Currency, the Chairman of the Board of the Federal Deposit Insurance Corporation, a member of the Board of Governors of the Federal Reserve System, the Chairman of the Federal Home Loan Bank Board, and the Chairman of the Board of the National Credit Union Administration.

Findings/Conclusions

GAO found that the Council has made little progress in establishing examination uniformity. A study to identify major examination differences among the participating agencies was terminated without accomplishing its objectives. GAO believes that actions taken by the Council did not eliminate major differences that the study did identify and that many actions taken were unrelated to the affected agencies' basic safety and soundness examinations. GAO found that the most significant action taken toward uniformity in other supervisory matters was the establishment of a uniform policy for assessment of civil money penalties. The Council approved 13 actions in the area of financial institution reporting systems, including a uniform bank report of condition and income. The Council has not provided basic training for examination efforts because it has not established uniform principles and standards for examinations. Training efforts have been directed towards the development of peripheral courses. GAO believes that the need for uniformity in federal examinations of financial institutions has not lessened since the Council's inception and discussed the need to reevaluate the current regulatory structure.

Recommendations to Congress

There are a number of proposals being considered to reorganize the federal structure for regulating financial institutions. In making its judgments on these proposals, Congress should consider that a coordinating mechanism such as the Council has not been effective in dealing with major policy differences in the examination process.

Status: Action not yet initiated.

FEDERAL RESERVE SYSTEM

BOARD OF GOVERNORS

Statutory Requirements for Examining International Banking Institutions Need Attention
(GGD-84-39, 7-11-84)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Edge Act (Foreign Banking) (12 U.S.C. 611 et seq.). International Banking Act of 1978 (12 U.S.C. 3102(b)). Federal Reserve Act. Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221). 12 U.S.C. 481. 12 U.S.C. 248(a). 12 U.S.C. 1820(b). 12 U.S.C. 3101(b)(1). 12 U.S.C. 625. 40 Stat. 232. 46 Stat. 814.

Background
GAO reviewed the Federal Reserve's supervision of Edge Act banking institutions and the Office of the Comptroller of the Currency's (OCC) supervision of federally licensed branches and agencies of foreign banks.

Findings/Conclusions
GAO found that the statutory requirements to examine annually Edge Act corporations and federally licensed branches and agencies of foreign banks are less flexible than the frequency standards set by the Federal Reserve and OCC for other institutions and limit the optimal use of scarce resources. In addition, GAO found that the Federal Reserve does not comply with its legal requirement to bill Edge Act corporations for examination costs.

Recommendations to Congress
Congress should repeal the legal requirements to conduct annual examinations of Edge Act corporations and federally licensed branches and agencies of foreign banks, thereby allowing the Federal Reserve and OCC to schedule these examinations on the basis of the soundness of the institution. Specifically, with regard to Edge Act corporations, Congress should further amend Section 25(a), paragraph 19, of the Federal Reserve Act, as amended (12 U.S.C. 625), to eliminate the annual examination requirement and require examinations at such times as may be deemed necessary by the Federal Reserve System. With regard to federally licensed branches and agencies of foreign banks, Congress should amend Section 4(b) of the International Banking Act of 1978 (12 U.S.C. 3102) to eliminate the annual examination requirement and thereby allow OCC more flexibility in scheduling examinations.
Status: Action not yet initiated.

Recommendations to Agencies
The Chairman of the Board of Governors of the Federal Reserve System should comply with the statutory requirements to bill Edge Act corporations for examination costs, including for the compensation of examiners, as provided in section 25(a) of the Federal Reserve Act.
Status: Action not yet initiated. *The Federal Reserve disagrees with the recommendation. The agency believes that the law provided the Board with the discretion to assess examination costs. The Board is actively reviewing its current practice not to assess any Edge corporations for examination costs. It appears that the Board does not intend to take any action in the near future.*

GENERAL SERVICES ADMINISTRATION

GSA's Management of Reimbursable Building Services Needs Improvement
(PLRD-81-46, 7-8-81)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: P.L. 92-313.

Background

The General Services Administration (GSA), through its Public Buildings Service, charges tenant agencies for space and related services in federal buildings and federally leased space. GSA also charges tenant agencies for special services which they request beyond the standard level of repairs and initial space alterations, building operations and maintenance, and physical protection and building security. These special services are commonly referred to as reimbursables.

Findings/Conclusions

Although reimbursable work is the second largest source for financing the Federal Buildings Fund of GSA, it has not received the status of a major agency program. GSA has not assigned anyone overall responsibility for managing these services. Management is fragmented and responsibility for monitoring quality, promptness, and cost varies among and within GSA regions because of inadequate control by both regional and headquarters management. Compounding the effect of fragmented management is the lack of clear guidance by the Public Buildings Service. Controls are weak and reports developed to monitor such services are inadequate or not used. Delivery of reimbursable services has been inconsistent and reimbursements are inconsistent among tenants because criteria for determining which services are reimbursable are unclear. GSA maintains that reimbursement is required only for services beyond the standard level provided in commercial practice. However, GSA has not adequately defined the standard level, and GSA reimbursables continue to rise. The agency has no criteria for determining whether agencies' requests for protective services above those it normally provides are really necessary. Although GSA management has been aware of the problems it is experiencing in providing reimbursable services, it has taken little corrective action.

Recommendations to Agencies

The Administrator of General Services should require the Commissioner, Public Buildings Service, to continually monitor and evaluate the program to improve management and ensure the quality of services, the reasonableness and consistency of charges, the soundness of controls, and the adequacy and uniformity of procedures.

Status: Action in process. Intended completion date: 12/84

GENERAL SERVICES ADMINISTRATION

GSA Could Do More To Improve Energy Conservation in New Federal Buildings
(PLRD-82-90, 7-12-82)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Executive Order 12003.

Background

GAO reviewed the General Services Administration's (GSA) ability to reduce energy consumption in newly designed federal buildings to meet the standards specified in Executive Order 12003.

Findings/Conclusions

Ineffective communications concerning energy conservation requirements between the GSA Central Office, its regional offices, and architect-engineer (A/E) firms is one reason the firms are submitting unsatisfactory designs. The condition exists even though GSA has issued guidelines and criteria for its energy conservation requirements and offers any assistance necessary to help A/E firms achieve the building energy usage goals. The Norris Cotton Federal Building is the GSA energy conservation demonstration project. The successes, failures, and problems experienced in this building are not made known by GSA to others for consideration in designing new federal buildings. Other factors which contribute to unsatisfactory designs and which need to be improved are: (1) the regional offices' not having adequate knowledge of energy conservation technology to ensure that design submissions comply with GSA requirements; (2) the Central Office's having no assurance that problems identified will be solved because the regions are not required to implement the corrective actions; (3) the failure to conduct all planned post-occupancy evaluations; (4) a delay in completing the instructions implementing the revised management for processing designs; and (5) the lack of a standard for evaluating energy conservation expertise when selecting A/E firms.

Recommendations to Agencies

The Administrator of General Services should direct the Commissioner, Public Buildings Service, to promptly implement the procedures for the revised policy to improve the quality of designs.
Status: Action in process. Intended completion date: 12/84

The Administrator of General Services should require the Commissioner, Public Buildings Service, to implement the post-occupancy evaluation program with specific attention to energy conservation matters.
Status: Action in process. Intended completion date: 12/84

GENERAL SERVICES ADMINISTRATION

Consolidation of GSA Depot Function Can Save Millions and Improve the Use of Depot Resources
(PLRD-82-109, 8-16-82)

Budget Function: General Government: General Property and Records Management (804.0)

Background

GAO reviewed the General Services Administration (GSA) depot system for storing and distributing commonly used supply items.

Findings/Conclusions

Over the past 10 years, the system has been reduced from 25 to 15 depots; however, GAO believes that the system can be further reduced to 8 depots which would save nearly $7 million annually in space costs. In addition, due to the high degree of commonality of supply items among the depots, inventory could be reduced by $25 million. GAO also believes that the consolidation could improve supply performance by using depot personnel more effectively. Since GSA uses an economic order quantity formula to manage common supply items, the number of receipts and the receipt processing workload would be reduced as well. Transportation costs could be increased by the proposed consolidation. However, the increases in transportation costs would be partially offset by savings resulting from fewer total shipments from suppliers. GAO estimates that the one-time personnel costs of consolidation would be about $3 million. Nonpersonnel costs would vary, depending on how the consolidation is accomplished. If consolidation is accomplished over an extended period, nonpersonnel costs could be minimized. As an alternative to consolidating the GSA depot system, GAO considered the potential benefits of transferring the depot function to the Defense Logistics Agency (DLA). However, due to higher staffing requirements at the DLA depots, GAO believes that greater savings could be achieved by retaining and consolidating the function within the GSA depot system.

Recommendations to Agencies

The Administrator of General Services should direct the Commissioner of the Federal Supply Service to immediately begin action to consolidate its depot system and assess the benefits of consolidating the inventory management and procurement functions along with the depot consolidation.

Status: Action in process. Intended completion date unknown.

GENERAL SERVICES ADMINISTRATION

GSA Should Strengthen Its Management and Cost Control Over ADP Revolving Fund Activities
(IMTEC-84-5, 10-25-83)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306; 79 Stat. 1127).

Background

GAO reviewed the General Services Administration's (GSA) method of recovering and reporting operating expenses of the Automated Data Processing (ADP) Revolving Fund. The fund is reimbursable and is authorized to recover approximate operating costs for services provided through established programs.

Findings/Conclusions

GAO found that, in fiscal year 1982, the fund financed about $144 million in program activity under established programs. To ensure the financial integrity of individual fund programs and to present a reasonable statement of programmatic operating expenses, GSA periodically reviews the rates to recover approximate costs and to adjust them to ensure that each program is financially self-sufficient. GAO also found that GSA has not properly allocated appropriated costs to the fund and has not established adequate measures to assess the reasonableness of some program costs. As a result, GSA is billing agencies for some costs that are unrelated to the programs they are using, and financial reports do not reflect the true performance of fund activities.

Recommendations to Agencies

The Administrator of General Services should identify the staff performing fund functions and ensure that the salary and benefit expenses for only those personnel are paid from fund revenues.
Status: Action in process. Intended completion date unknown.

The Administrator of General Services should strengthen performance measures for individual program results by reviewing meaningful performance criteria in addition to dollar volume of business.
Status: Action in process. Intended completion date unknown.

GENERAL SERVICES ADMINISTRATION

Internal Control Weaknesses at GSA
(AFMD-84-27, 6-1-84)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Accounting and Auditing Act. Federal Managers' Financial Integrity Act of 1982.

Background
GAO surveyed internal controls over financial and accounting operations at various General Services Administration (GSA) field offices.

Findings/Conclusions
GAO identified weaknesses in internal controls over collections, accounts receivable, disbursements, imprest funds, and obligations, including weaknesses in controls over the: (1) deposit and safeguarding of collections; (2) recording and collection of accounts receivable; (3) review of travel advances; (4) procedures and security for imprest funds; (5) protection of government transportation requests; (6) documentation of disbursement vouchers; and (7) recording and reconciliation of obligations. GAO found limited internal audit coverage, and some weaknesses identified by internal audit were not corrected. GAO believes that the weaknesses are not unique to the offices surveyed and that other locations probably have similar weaknesses.

Recommendations to Agencies
The Administrator, GSA, should ensure that adequate followup actions are taken to correct the weaknesses identified by GAO and that all established control procedures are followed.
Status: Action in process. Intended completion date: 02/85

The Administrator, GSA, should instruct the Office of the Inspector General to increase audit coverage of financial operations, with particular emphasis on internal controls.
Status: Action in process. Intended completion date: 02/85

The Administrator, GSA, should consider the internal control requirements discussed in this report in future reviews to comply with the Federal Managers' Financial Integrity Act. The Administrator should also discuss in the annual statements required by the act whether any identified weaknesses have been corrected.
Status: Action in process. Intended completion date: 02/85

GENERAL SERVICES ADMINISTRATION

GSA's Telecommunications Procurement Program Requires Comprehensive Planning and Management
(IMTEC-84-10, 6-11-84)

Budget Function: Multiple Functions: Telecommunications and Radio Frequency Spectrum Use (Civilian-Related) (999.1)
Legislative Authority: F.P.R. 1-26.4. United States v. American Telephone and Telegraph Co., 522 F. Supp. 131 (D.D.C. 1982). FCC 77-384. FCC 83-551. B-178442 (1974).

Background

GAO addressed the General Services Administration's (GSA) management and procurement of telecommunications equipment and services under the divestiture of the American Telephone and Telegraph Company (A.T.&T.) and the Federal Communications Commission's Second Computer Inquiry.

Findings/Conclusions

Traditionally, GSA has ordered telephone services and equipment from A.T.&T. Presently, under divestiture, GSA must estimate future telecommunications needs, design solicitations, and competitively procure large amounts of telecommunications equipment in a cost effective manner. GAO found that GSA has not yet adjusted to the new telecommunications environment. Decisions have resulted in actions that lack sound legal bases. Because GSA did not perform cost analyses of leasing versus purchasing, consider future service options, purchase customer premise equipment, or arrange for continued maintenance of leased customer premise equipment during the years before deregulation, it was forced to engage in questionable last-minute procurement practices. Further, GSA has neither given sufficient management attention to the implementation of a multifaceted program nor developed a comprehensive plan to coordinate its actions. GAO found that, as a result, the first of many large procurements is late.

Recommendations to Agencies

The GSA Administrator should take prompt action to issue a request for proposals to competitively procure the equipment that is currently leased under novation agreements with AT&T Information Systems.
Status: Action in process. Intended completion date: 05/85
The GSA Administrator should take prompt action to identify and define basic requirements to be met in both developing requests for proposals and in awarding contracts for future aggregated switch procurements.
Status: Action in process. Intended completion date: 11/85

GOVERNMENT PRINTING OFFICE

The Government Printing Office Can More Effectively Manage Its General Sales Program
(AFMD-84-20, 11-16-83)

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reporting (998.6)
Legislative Authority: 44 U.S.C. 1708.

Background

Pursuant to a congressional request, GAO reviewed the policies, procedures, and management of the Government Printing Office's (GPO) General Sales Program. The study examined selection, prices, and management of the documents inventory, cost accounting methods, and general operations of the program.

Findings/Conclusions

Overall, GAO found that: (1) the program was self-sustaining in 1982 after losses in the prior 3 years; and (2) there were significant improvements in selecting documents for sale, managing inventory, and promoting the program to the public. However, GAO concluded that: (1) more management attention is needed for the bookstore operation; (2) although GPO has improved the selection of documents for sale, better data and procedures are still needed; (3) improved cost data should be used to establish document sales prices; and (4) inventories can be better managed by increased use of the automated inventory system.

Recommendations to Agencies

The Public Printer, GPO, should direct the Superintendent of Documents to develop an improvement program. The program should involve efforts to simplify bookstore recordkeeping requirements and avoid duplication. The inventory records should be automated unless the current GPO review documents that it is not cost effective.
Status: Action in process. Intended completion date unknown.

The Public Printer, GPO, should direct the Superintendent of Documents to develop an improvement program. The program should involve efforts to evaluate the practice followed since February 1982 of making temporary appointments and promotions of bookstore personnel.
Status: Action in process. Intended completion date unknown.

The Public Printer, GPO, should direct the Superintendent of Documents to improve instructions for completing Forms 3868 and increase coordination with originating agencies to encourage them to submit completed Forms 3868. Consideration should be given to requesting the Joint Committee on Printing to issue a formal regulation regarding the submission of the forms in a more complete and timely manner by the agencies.
Status: Action in process. Intended completion date unknown.

The Public Printer, GPO, should direct the Superintendent of Documents to increase coordination with publishing agencies to identify planned or in-process publications and consider revising the required 1 week notice on the Form 3868 to a more realistic time period.
Status: Action in process. Intended completion date unknown.

The Public Printer, GPO, should direct the Superintendent of Documents to request additional periodic internal audits to ensure that procedures are followed effectively.
Status: Action in process. Intended completion date unknown.

The Public Printer, GPO, should consider requesting the Joint Committee on Printing to introduce legislation clarifying the 50-percent factor.
Status: Action not yet initiated. *GPO is presently studying this issue and should have a recommendation within the next six months for the Joint Committee on Printing to introduce legislation.*

The Public Printer, GPO, should direct the Superintendent of Documents to accelerate the current efforts to implement the automated inventory system for retail stock by October 1984, automate the bookstore inventory records unless the GPO current review provides documented support that it would not be cost effective, and consider including the data reported periodically by consigned agents and the Pueblo distribution center in the automated system.
Status: Action in process. Intended completion date unknown.

The Public Printer, GPO, should direct the Superintendent of Documents to improve reports from the system to reflect beginning and ending balances, transfers, purchases, sales, and destruction of each publication on a cumulative basis by quarter and by year. This would reduce the manual effort needed to maintain inventory records.
Status: Action in process. Intended completion date unknown.

The Public Printer, GPO, should direct the Superintendent of Documents to develop a new excess inventory policy by major type of publications based on relevant factors such as the nature of the documents and the economics

'of maintaining inventory. The Comptroller should be involved in this process and the factors should be revised periodically.

Status: Action in process. Intended completion date unknown.

JUDICIAL CONFERENCE OF THE UNITED STATES

Inconsistencies in Administration of the Criminal Justice Act
(GGD-83-18, 2-8-83)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: Criminal Justice Act (P.L. 88-455; 18 U.S.C. 3006A). Probation Act (18 U.S.C. 3651). Speedy Trial Act. Goldfarb v. Virginia State Bar, 421 U.S. 773 (1975). Treasury Circular 1075. 18 U.S.C. 1(3). 28 U.S.C. 1918(b).

Background

GAO reviewed the implementation of the Criminal Justice Act to determine the adequacy of the guidelines and directives provided to the district courts for implementing the act, the consistency with which the act is being implemented, and the adequacy of financial controls over funds provided by the act.

Findings/Conclusions

The act enables the government to provide legal representation for defendants in federal criminal cases who are not financially able to obtain representation. The government provides for this legal representation either through a federally employed public defender, a community defender organization, or a private court-appointed attorney. In the absence of clear guidance from the Judicial Conference, each judicial district and often individual judges have had to devise their own policies for administering the act. As a result, there is no assurance that defendants are receiving adequate representation, and determinations of defendants' financial ability to reimburse for attorney's fees are inconsistent. Further, GAO found a wide range of criteria used for selecting attorneys to represent criminal defendants. Many convicted defendants who were not required to reimburse the government for legal expenses were in a similar or better financial condition than those convicted defendants ordered to reimburse. To date, the Judicial Conference has not: provided the district courts with specific guidance concerning the reimbursement of panel attorneys fees by defendants; ensured that panel attorneys adhere to guidelines requiring them to submit well documented claims for compensation; or ensured that the most efficient system for disbursing grant funds to community defender organizations is used. The Judicial Conference has legislation pending in Congress that would increase the maximum attorney fee levels and provide it the authority to establish maximum hourly attorney fee rates.

Recommendations to Congress

To eliminate the inconsistent interpretation regarding the legality of making reimbursements a condition of probation and to enhance the collection of reimbursements from convicted defendants, Congress should amend the Probation Act to specifically allow reimbursements, when the court has determined that a defendant has the ability to repay court-appointed counsel, to be made a condition of probation.
Status: Action not yet initiated.

Recommendations to Agencies

The Judicial Conference, through the Administrative Office of the United States Courts and judicial councils, should improve the implementation of the Criminal Justice Act by encouraging district courts to establish specific criteria when reimbursement of act expenses should be ordered.
Status: Action in process. Intended completion date unknown.

The Judicial Conference, through the Administrative Office of the United States Courts, should improve the implementation of the act by requiring district courts to assure that financial information is obtained on defendants and resolve inconsistencies where the financial data provided by the defendant differs from that otherwise obtained by the court.
Status: Action in process. Intended completion date unknown.

The Judicial Conference, through the Administrative Office of the United States Courts, should improve the implementation of the act by instructing district courts to require probation officers and pretrial services agencies to include in their reports recommendations on a defendant's financial ability to reimburse the court's Criminal Justice Act expenses.
Status: Action in process. Intended completion date unknown.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Better Management Controls and ADP Requirements Analysis Can Help NASA Lewis Research Center
(IMTEC-84-25, 9-27-84)

Budget Function: General Science, Space, and Technology: Supporting Space Activities (255.0)
Legislative Authority: F.P.R. 1-4.1102-9. F.P.R. 1-4.1103-1. F.P.R. 1-4.1103-2. OMB Circular A-11.

Background

GAO reported on automatic data processing (ADP) equipment acquisition practices at the National Aeronautics and Space Administration (NASA), Lewis Research Center.

Findings/Conclusions

GAO found that a recent ADP solicitation reduced maximum practicable competition and removed competitive cost advantages potentially held by other vendors. Further, the Center could not determine the appropriate size and timing for future computer equipment upgrades. GAO believes that the solicitation could have had a detrimental impact on competition and price. GAO also believes that the Center's management cannot accurately predict future computer equipment needs because it has not developed the cost and performance information necessary for a comprehensive requirements analysis. GAO noted that, although management has taken steps to improve its management controls and its process for analyzing its requirements, it can do more to effectively acquire ADP resources.

Recommendations to Agencies

The Administrator, NASA, should direct the Director of the Lewis Research Center to implement a comprehensive requirements analysis process that will produce appropriate data for estimating future needs before upgrades or additional equipment is required. As part of this process, the Center should require top management to validate the comprehensive requirements analysis process based on mission needs and available funds.
Status: Action in process. Intended completion date unknown.

The Administrator, NASA, should direct the Director of the Lewis Research Center to implement a comprehensive requirements analysis process that will produce appropriate data for estimating future needs before upgrades or additional equipment is required. As part of this process the Center should report ADP costs to all computer users so they are aware of the value of ADP resources consumed and can use this data when estimating new requirements.
Status: Action in process. Intended completion date unknown.

The Administrator, NASA, should direct the Director of the Lewis Research Center to implement a comprehensive requirements analysis process that will produce appropriate data for estimating future needs before upgrades or additional equipment is required. As part of the process the Center should structure costs of computer operations by time of day if Center officials determine that this control would be cost effective.
Status: Action in process. Intended completion date unknown.

The Administrator, NASA, should direct the Director of the Lewis Research Center to implement a comprehensive requirements analysis process that will produce appropriate data for estimating future needs before upgrades or additional equipment is required. As part of this process the Center should regularly analyze performance on the newly acquired IBM-compatible computers using the acquired hardware monitor and the software tools that will be available with the new operating system software.
Status: Action in process. Intended completion date unknown.

NATIONAL SCIENCE FOUNDATION

NSF Experiment in Research Grant Administration Promising
(PAD-82-7, 9-10-82)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251.0)
Legislative Authority: Science Foundation Act (42 U.S.C. 1861 et seq.). Antideficiency Act (31 U.S.C. 665). 56 Comp. Gen. 31. OMB Circular A-21. OMB Circular A-110.

Background

GAO reported on the Association of American Universities and the National Science Foundation (NSF) experiment in research grant administration which focuses on the needs of universities for flexibility in allocating funds while assuring appropriate financial accountability.

Findings/Conclusions

The experiment redirects the focus of research grant administration from NSF to individual universities and researchers, reduces NSF involvement in grant administration, and recognizes the scientific relatedness of researchers' grants. In its initial phase, the experiment reduces NSF involvement by shifting its authority to review and approve administrative and budget changes to the individual university's organizational prior approval system (OPAS). The second phase of the experiment provides universities and researchers more flexibility in the use of grant funds. GAO found that the NSF monitoring of its experiment raised a number of concerns, and it did not always adequately inform universities of changes and modifications to the experiment. However, GAO concluded that, despite some operational problems which could adversely affect the experiment's success, with the changes recommended in this report, the new approach to research grant administration will have a beneficial effect on the future administration of federal research grant funds.

Recommendations to Agencies

The Director of NSF should require that NSF review each university's OPAS to ensure that the university has established a system that can act responsibly before any delegations of prior approval authorities are made.
Status: Action in process. Intended completion date unknown.

The Director of NSF should closely monitor the universities' use of the experiment's authorities and provide those responsible for managing the experiment at the universities with information on changes or modifications to the experiment in a timely manner.
Status: Action in process. Intended completion date unknown.

The Director of NSF should require that each university's OPAS have an official independent of the participating departments who can assure that each department is exercising the delegated authorities properly, and who has or has available the scientific expertise necessary to review and approve actions.
Status: Action in process. Intended completion date unknown.

The Director of NSF should require that: (1) each university report to the cognizant NSF official all OPAS actions on any grant whenever the cumulative OPAS actions, excluding preaward costs, exceed 25 percent of the grant's direct costs; and (2) NSF assure that each participating university is aware that its OPAS is responsible for monitoring all actions on grants with special grant conditions.
Status: Action in process. Intended completion date unknown.

NUCLEAR REGULATORY COMMISSION

NRC Needs Alternative to Mandatory Relocation for Maintaining Objectivity of Resident Inspectors
(RCED-84-37, 11-2-83)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)

Background

GAO evaluated the Nuclear Regulatory Commission's (NRC) policy of relocating its resident inspectors at least every 5 years.

Findings/Conclusions

Because NRC has estimated that resident inspectors will incur financial losses due to relocation, it has requested legislative authority to pay them higher relocation allowances than federal employees are generally provided. Since some residents are approaching the end of their 5-year duty tours, NRC has authorized the heads of five regional offices to recommend extensions of duty tours beyond 5 years pending resolution of the financial hardship issue. GAO believes that periodic movement of the inspectors enhances their objectivity by providing a diversity of experience. However, implementation of the mandatory relocation policy may impair the overall quality of the NRC inspection program by causing experienced residents to resign rather than accept periodic relocation. Moreover, since residents require from 1 to 2 years to fully acquaint themselves with a nuclear powerplant, relocation every 5 years means that in the short run residents will spend a significant portion of their assignments at less than full proficiency. Although NRC presently has only limited means to measure the objectivity of resident inspectors, it has concluded that loss of objectivity has generally not occurred. GAO believes that there is a better way than mandatory relocation for NRC to help ensure objectivity in view of the uncertainty that NRC will obtain legislative authority to pay higher relocation allowances and the risk that many residents may resign.

Recommendations to Agencies

The Chairman, NRC, should use alternative measures, such as those now being selectively used by some regional offices, to assess inspector objectivity.

Status: Action in process. Intended completion date unknown.

NUCLEAR REGULATORY COMMISSION

Management Weaknesses Affect Nuclear Regulatory Commission Efforts To Address Safety Issues Common to Nuclear Power Plants
(RCED-84-149, 9-19-84)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Energy Reorganization Act of 1974 (42 U.S.C. 5801). Atomic Energy Act of 1954. P.L. 96-295.

Background

GAO examined the Nuclear Regulatory Commission's (NRC) efforts to address safety issues common to nuclear power plants and determined if NRC has corrected earlier management weaknesses highlighted in investigation reports of the March 1979 accident at the Three Mile Island (TMI) power plant.

Findings/Conclusions

GAO found that NRC, as a result of the earlier identified safety issues, has increased the rate at which it develops regulatory solutions for these issues. This more vigorous pace, however, has been overshadowed by the identification of new issues from the TMI accident and other sources. As a result, a larger backlog of unresolved issues exists now than before the accident. GAO also found that NRC has improved its methods for identifying safety issues and determining their importance to safety. NRC does not, however, have sufficient management controls in place to ensure resolution of issues and implementation of appropriate changes to affected nuclear plants and to the NRC regulatory procedures in a timely manner.

Recommendations to Congress

Congress may wish to amend the Energy Reorganization Act of 1974 to expand current reporting requirements to include all safety-related generic issues assigned a high-priority ranking.
Status: Action not yet initiated.

Congress may wish to amend the Energy Reorganization Act of 1974 to require that the NRC annual report summarize the total number of generic issues identified, resolved, implemented, and fixed.
Status: Action not yet initiated.

Recommendations to Agencies

The Chairman, NRC, should revise the current priority ranking system to increase its reliability as improvements are made in the probabilistic risk assessment methodology.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should review all high-priority generic issues to determine if they warrant designation as unresolved safety issues.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should analyze overlapping generic issues to define issue priority better.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should establish timeframes to prevent delays in peer reviews of the ranking efforts.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should assess ways to eliminate the backlog of unresolved generic issues sooner than is currently planned. The Chairman should also determine whether adequate resources are available within the agency for this purpose. If adequate resources are not available, the Chairman should consult with the NRC congressional oversight committees to work out a mutually agreeable timetable and the necessary resources.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should change the generic issue management information system to maintain issue identity through resolution to ensure that these efforts correlate with issue priority.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should change the generic issue management information system to include information such as resource needs, expenditures, identification dates,

issue priority, prioritization dates, constant original milestones dates, and actual milestone dates.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should maintain summary information on the resolution outcome of the resolved issues, continually update this information as new issues are resolved, and use this information to evaluate the generic issue identification and prioritization processes.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should identify those resolved issues requiring changes to the Standard Review Plan and monitor and maintain summary information on their progress.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should identify those resolved issues requiring changes to operating plants, correlate these issues with multiplant actions and track them until all of the plants have made the required modifications.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

The Chairman, NRC, should develop a multiplant action priority system to ensure that NRC give priority attention to those actions most important to safety.
Status: Action not yet initiated. *The Nuclear Regulatory Commission comments on the draft report did not take a position on individual report recommendations. The agency has not yet responded to the final report.*

OFFICE OF FEDERAL PROCUREMENT POLICY

Congress Should Consider Repeal of the Service Contract Act
(HRD-83-4, 1-31-83)

Budget Function: Education, Training, Employment, and Social Services: Other Labor Services (505.0)
Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Davis-Bacon Act (Wage Rates). Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.). Walsh-Healey Act (Government Contracts). 29 C.F.R. 4. 29 C.F.R. 4.163. Executive Order 12291. P.L. 92-473. Descomp Inc. v. Sampson, 377 F. Supp. 254 (D. Del. 1974).

Background

GAO reported on the problems and impacts of the Service Contract Act of 1965, as amended, and its implementing regulations and procedures as administered and enforced by the Department of Labor.

Findings/Conclusions

GAO found that Labor has been unable to administer the Service Contract Act efficiently and effectively because: (1) inherent problems exist in its administration; (2) wage rates and fringe benefits set under the act are generally inflationary; (3) accurate determinations of prevailing wage rates and fringe benefits cannot be made using existing data sources and the data needed to accurately determine prevailing wage rates and fringe benefits would be very costly to develop; and (4) the Fair Labor Standards Act and administrative procedures implemented through the federal procurement process could provide a measure of wage and benefit protection the act now covers. Pending proposed regulations would limit Labor's application of the act while leaving unresolved the major underlying problems in accurately developing prevailing wage rates and fringe benefits. In addition, ambiguities in the language of the act have hampered Labor's ability to develop accurate wage rates and fringe benefits for employees. Amendments to the act further complicated Labor's task by requiring Labor to issue collectively bargained wages and benefits in specific successor contractor situations and give due consideration to federal employee wages and benefits in making determinations of the prevailing wages and benefits in a locality.

Recommendations to Congress

Congress should consider repealing the Service Contract Act of 1965.
Status: Action in process.

Congress should consider amending section 6(e) of the Fair Labor Standards Act to ensure continued federal minimum wage coverage for all employees of employers providing contract services to the United States or the District of Columbia.
Status: Action not yet initiated.

Recommendations to Agencies

The Administrator for Federal Procurement Policy should, if the Service Contract Act is repealed, encourage federal agencies to include provisions in their procurement regulations and service contracts, similar to those already required for professional employees, to discourage wage busting of all service employees on federal service contracts. The Administrator should monitor the impact of the repeal on service contract employees. If he determines that repeal of the Service Contract Act has an adverse impact on the employees, the Administrator should develop administrative policies or legislative recommendations to deal with the problem.
Status: Action not yet initiated. *No action has been taken because implementation of this recommendation is dependent on the repeal of the Service Contract Act.*

OFFICE OF MANAGEMENT AND BUDGET

Small Computers in the Federal Government: Management Is Needed To Realize Potential and Prevent Problems
(AFMD-83-36, 3-8-83)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Privacy Act of 1974.

Background

GAO identified a rapidly evolving problem relating to the acquisition and use of small computers by federal agencies. GAO based its report on earlier findings and on current monitoring efforts of the automatic data processing performance at several agencies.

Findings/Conclusions

GAO found that the use of small computers in the government has advanced much faster than agency efforts to manage these resources. Existing guidance, directed toward large computers and centralized data processing, does not cover some of the unique aspects of the small computer environment. Present conditions allow waste and inefficiency in the short run and adversely affect broad policies and goals in the long run. GAO stated that lack of planning and guidance at all levels has allowed uncoordinated and uncontrolled proliferation of small computers. GAO concluded that, collectively, small computers constitute a large block of resources that need increased attention from data processing management.

Recommendations to Agencies

The Director of OMB should ask the Reform 88 staff to: (1) specifically address the impact and implications of small low-cost computers; (2) report to him on how much and what kind of guidance is needed; and (3) make recommendations to him on the guidance to be issued on small computers.

Status: Action not yet initiated. *OMB indicated that control action would be premature but that Reform 88 is looking at low-cost computing.*

OFFICE OF MANAGEMENT AND BUDGET

Improved Standards Needed for Managing and Reporting Income Generated Under Federal Assistance Programs
(GGD-83-55, 7-22-83)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: OMB Circular A-102. OMB Circular A-110.

Background

GAO reviewed federal agencies' and grantees' policies and practices for managing and reporting income generated under federally assisted programs.

Findings/Conclusions

GAO found that a number of federal agencies have not established regulations conforming to the Office of Management and Budget's (OMB) grant-related income standards or are not adequately implementing their grant-related income regulations. GAO also found that the OMB standards do not address all grant-related income issues and that the income reporting requirements are not clear. As a result, the objectives which the income standards sought to attain, such as using the income to increase the size of federally assisted programs or to reduce the federal government's and grantees' share of program costs, are not always being attained.

Recommendations to Agencies

The Director, OMB, should revise Circulars A-102 and A-110 to expand the definition of program income and the financial reporting requirements to ensure that all income generated under federally assisted projects, including interest and sales proceeds, is accounted for and reported by assistance recipients.
Status: Action in process. Intended completion date unknown.

The Director, OMB, should revise Circulars A-102 and A-110 to establish standards for the disposition of interest earned on (1) program income; (2) funds not pending disbursement because of completed projects, audit exceptions, or contract settlements; and (3) sales proceeds.
Status: Action in process. Intended completion date unknown.

The Director, OMB, should revise Circulars A-102 and A-110 to establish standards addressing the timing and allowability of program income expenditures and the classification of income derived from products of the land such as oil, gas, minerals, gravel, and standing timber.

Status: Action in process. Intended completion date unknown.

The Director, OMB, should revise Circulars A-102 and A-110 to expand the description of the deductive option to note that its objective of reduced costs to the government will not be achieved unless total grantee expenditures are limited to the budgeted amount approved in the grant award.

Status: Action in process. Intended completion date unknown.

The Director, OMB, should revise Circulars A-102 and A-110 to incorporate in the standards a statement that federal agencies should specify in their regulations which program income option is to be used by grantees when grant agreements fail to specify an option.

Status: Action in process. Intended completion date unknown.

The Director, OMB, should revise Circulars A-102 and A-110 to clarify in the instructions for Standard Forms 270 and 272 that all income retained by grantees is to be subtracted on their requests for drawdowns.

Status: Action in process. Intended completion date unknown.

OFFICE OF MANAGEMENT AND BUDGET

Assuring Reasonableness of Rising Indirect Costs on NIH Research Grants--A Difficult Problem
(HRD-84-3, 3-16-84)

Budget Function: Health: Health Research (552.0)
Legislative Authority: OMB Circular A-21. OMB Circular A-88. OMB Circular A-110. H. Rept. 98-357. S. Rept. 98-247.

Background

In response to a congressional request, GAO reviewed the process followed by the Department of Health and Human Services (HHS) in establishing indirect cost rates for health research and development activities to: (1) identify HHS efforts to contain the growth of indirect costs; (2) assess HHS accountability over indirect costs; and (3) determine how often indirect cost audits are made and how the audit reports are used by HHS indirect cost negotiators.

Findings/Conclusions

HHS has proposed several policy options to simplify the indirect cost reimbursement process and reduce indirect cost payments made on National Institutes of Health (NIH) grants. However, GAO found that the process followed by HHS in negotiating indirect cost reimbursements does not ensure that negotiated indirect cost rates are reasonable. This is particularly true for administrative expenses, which constitute about 35 percent of the indirect cost rates at large institutions. Office of Management and Budget (OMB) Circular A-21 permits large institutions to be reimbursed on the basis of personnel activity reporting systems which are subjective and difficult to verify. However, small institutions may compute their allowable administrative costs on the basis of 20 percent of the salaries and expenses of deans and department heads. GAO found that few indirect cost audits have been performed by HHS auditors. However, in cases where indirect cost audits have been made, significant amounts of grantee-proposed indirect costs have been questioned and HHS negotiators sustained $13.9 million of $16.7 million questioned by HHS auditors over a 4.5 year period and have reduced indirect cost rates accordingly. Finally, GAO found that 49 of 69 NIH grantee negotiation files contained no written explanation of the reasons for significant increases in indirect costs from the previous years.

Recommendations to Agencies

The Director of OMB should revise Circular A-21 to establish a fixed allowance for large institutions' departmental administration expenses to replace the cost reimbursement method now used. Such an allowance could be computed in a manner similar to that permitted by OMB Circular A-21 for small institutions. The allowance could vary, if necessary, on an institution-by-institution basis, depending on individual circumstances. Such an allowance should represent a reasonable amount needed for effective research administration at the departmental level and, to the extent possible, be both relatively simple to compute and not result in disproportionate annual fluctuations compared to the direct costs of research.

Status: Action in process. Intended completion date unknown.

OFFICE OF MANAGEMENT AND BUDGET

Implementation of the Federal Managers' Financial Integrity Act: First Year
(OCG-84-3, 8-24-84)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Federal Managers' Financial Integrity Act of 1982. Accounting and Auditing Act. Employees' Compensation Act (Injuries). Prompt Payment Act.

Background

GAO summarized the results of its governmentwide review of agencies' efforts to implement the Federal Managers' Financial Integrity Act which is aimed at strengthening internal control and accounting systems.

Findings/Conclusions

GAO found that the agencies made a good start in the first year in assessing their internal control and accounting systems, and have demonstrated management commitment to implementing the act. In addition, agencies are establishing a systematic process to evaluate, improve, and report on their systems, and federal managers are more aware of the need for good internal control systems and improved accounting systems. The Office of Management and Budget (OMB) provided guidance and central direction to the program. Further, most inspectors general played a major role in the program. However, the agencies' reports disclosed material internal control and accounting system problems, many of which have been long standing and the subject of prior GAO and inspector general reports. GAO found that: (1) 16 agencies reported material weaknesses in accounting and financial management systems; (2) 8 agencies reported material weaknesses in eligibility and entitlement determinations; (3) 12 agencies reported weaknesses in grant, loan, and debt collection management; (4) 14 agencies reported procurement weaknesses; (5) 13 agencies reported material weaknesses in property management; (6) 10 agencies reported weaknesses in automatic data processing; (7) 12 agencies reported weaknesses in cash management; and (8) 9 agencies reported problems in personnel and organizational management.

Recommendations to Agencies

The Director, OMB, should provide additional guidance to agencies to evaluate their ADP resources and systems by defining general and application controls and suggesting factors to be considered in evaluating them.
Status: Action not yet initiated. *OMB is presently considering this recommendation.*

The Director, OMB, should strengthen year end reporting by: (1) further defining what constitutes a material weakness using factors specified in this report; and (2) providing more detail for agencies to use in arriving at judgments on the seriousness of their internal control problems.
Status: Action not yet initiated. *OMB is presently considering this recommendation.*

The Director, OMB, should provide additional guidance to agencies to evaluate their ADP resources and systems by establishing responsibility for making ADP control evaluations.
Status: Action not yet initiated. *OMB is presently considering this recommendation.*

The Director, OMB, should provide additional guidance to agencies to evaluate their ADP resources and systems by identifying sources of more detailed guidance.
Status: Action not yet initiated. *OMB is presently considering this recommendation.*

The Director, OMB, should strengthen year-end reporting by improving sample report language provided to the agencies to disclose more clearly the basis for the overall opinion on reasonable assurance.
Status: Action not yet initiated. *OMB is presently considering this recommendation.*

OFFICE OF MANAGEMENT AND BUDGET

OMB Needs To More Fully Consider Government-Wide Implications in Its Telecommunications Initiatives
(IMTEC-84-21, 9-7-84)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Bull. 84-9. OMB Bull. 84-14.

Background

Pursuant to a congressional request, GAO determined whether the Office of Management and Budget (OMB): (1) has developed an overall telecommunications plan and policy; and (2) has conducted studies, including cost/benefit analyses, on the impact of the American Telephone and Telegraph divestiture on government telecommunications operations. OMB is planning to permit agencies to acquire long-distance telecommunications service independently instead of using the centralized Federal Telecommunications System (FTS). GAO also ascertained the effect that the OMB initiative would have on H.R. 2718 and S. 2433, proposals to create an Information Technology (IT) fund.

Findings/Conclusions

GAO found that, although OMB has made progress in carrying out its telecommunications responsibilities under the Paperwork Reduction Act, it is not placing enough emphasis on the government-wide implications of its actions and the government-wide issues arising from the new telecommunications environment. Regarding the proposed FTS initiative, GAO believes that OMB may not be sufficiently considering: (1) the costs and benefits of the current FTS compared to a decentralized system; (2) the initiative's effect on the proposed IT fund; and (3) the national security and staffing implications of a decentralized system. GAO also noted that the initiative's effect on the proposed legislation would make additional funds available to cover the cost of equipment and services for the FTS by increasing the General Services Administration's flexibility in raising capital. GAO concluded that the FTS initiative could result in reduced funding for the proposed IT fund.

Recommendations to Agencies

The Director, OMB, should direct the Office of Information and Regulatory Affairs to delay implementation of the FTS initiative until guidance and methodologies are developed to examine such issues as the cost benefits of a centralized versus a decentralized system, various strategies for maximizing federal response to national emergencies, and staffing implications of agency-by-agency telecommunications management versus a consolidated management system.
Status: Action not yet initiated. *The agency has not officially responded to this recommendation.*

The Director, OMB should direct the Office of Information and Regulatory Affairs to design the OMB telecommunications initiatives so that uniform information needed for identifying government-wide telecommunications issues is collected and analyzed and used as the basis for government-wide policies.
Status: Action not yet initiated. *The agency has not officially responded to this recommendation.*

OFFICE OF PERSONNEL MANAGEMENT

OPM Needs To Provide Better Guidance to Agencies for Approving Government-Funded College Courses for Employees
(FPCD-82-61, 9-20-82)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Government Employees Training Act. 5 U.S.C. 5946.

Background

In response to a congressional request, GAO reviewed government expenditures for its employees to attend college courses as well as expenditures on organizational dues which are a part of training expenses.

Findings/Conclusions

Federal agencies pay for a wide range of college courses. Agencies vary in their judgments of the types of training-related costs they will pay, whether college courses can be taken during duty time, and restrictions on the number and types of courses which employees may take. In the four activities which GAO visited, most employees and supervisors interviewed believed that the college courses which the employees took were necessary for performing agency functions; however, GAO did not see how some of the courses taken by employees related to their official duties. Although the Government Employees Training Act requires government-financed college courses to be related to employees' official duties, the Office of Personnel Management (OPM) definition of official duties is not specific. Additional guidance is needed, particularly as the act relates to future duties. None of the activities visited had systematic procedures to determine whether the agencies are benefiting from paying for employees to attend courses. At the four activities, employees' leaving their agencies soon after completing courses did not appear to be a problem. Three of the four activities visited had also paid organizational dues during fiscal year (FY) 1980. Although most of the memberships were purchased in the names of the activities, one activity purchased two memberships for individuals. At the four activities, memberships in the Toastmasters clubs were not purchased during FY 1980.

Recommendations to Agencies

The Director of OPM should develop more specific guidance for federal agencies to use in determining the kinds of college courses they may approve and pay for, particularly those courses that relate to future duties employees may assume. Agencies should be required to have an established target position for trainees which can be reached within a specific time. The Director should emphasize to agencies the importance of establishing and implementing a system to evaluate and assess the effect that college training has on participants' performance and to assure that skills acquired from college training are being used. OPM should assist agencies in developing their evaluation methodology.

Status: Action in process. Intended completion date: 12/84

OFFICE OF PERSONNEL MANAGEMENT

Inadequate Internal Controls Affect Quality and Reliability of the Civil Service Retirement System's Annual Report
(AFMD-83-3, 10-22-82)

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reporting (998.6)
Legislative Authority: Employee Retirement Income Security Act of 1974. P.L. 95-595. 31 U.S.C. 68. 5 U.S.C. 8347.

Background

GAO reported on the quality and reliability of the financial and actuarial information presented by the Office of Personnel Management (OPM) in its 1980 report on the Civil Service Retirement System. GAO also reviewed the plan's internal control procedures to determine their effectiveness in ensuring the reliability of the information used.

Findings/Conclusions

GAO found that OPM did not establish adequate internal control procedures to ensure reliable data. The inadequacies resulted because OPM did not properly control the design, development, and maintenance of the computer programs used in performing actuarial valuations. OPM also did not establish accounting and review procedures sufficient to prevent inaccurate financial data from being reported. OPM also failed to ensure that the annual report was prepared in complete accordance with reporting guidelines which encompass generally accepted accounting principles and the reporting requirements of statutory law.

Recommendations to Agencies

The Director of OPM should require the plan administrator to establish procedures to properly account for overpayments of annuities and refunds. The procedures should require subsidiary records that can be accurately maintained and summarized in a reasonable amount of time.

Status: Action in process. Intended completion date: 09/86

OFFICE OF PERSONNEL MANAGEMENT

Most Civil Service Disability Retirement Claims Are Decided Fairly, but Improvements Can Be Made
(FPCD-83-1, 4-13-83)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: 5 U.S.C. 8337.

Background

In response to a congressional request, GAO reviewed the Office of Personnel Management's (OPM) civil service disability retirement program to determine whether OPM has been consistent in applying its eligibility criteria and to assess the reasons for the increase in the number of OPM claims decisions that have been reversed by the Merit Systems Protection Board (MSPB).

Findings/Conclusions

Although GAO estimated that at least 90 percent of the OPM decisions reviewed were based on standard evaluation criteria, GAO identified problems within the review system that could cause inconsistencies in claims decisionmaking. GAO found that those OPM decisions which denied claims because of a belief that the involved agencies could have retained the disabled persons were improper and inconsistent with OPM criteria. In addition, GAO found that OPM needs to develop better criteria for determining psychiatric disability and to expand its psychiatric assessment capabilities. GAO felt that a recently started internal review of the claims process should help, if it is continued on a regular basis. In addition, OPM has proposed new forms and instructions which will address problems which GAO found. GAO stated that OPM had not been telling applicants why their initial claims were denied. Consequently, applicants did not know whether they could appeal their claims with additional evidence. Further, claims are often approved during reconsideration if they contain additional information. OPM has not yet implemented a process to alleviate this problem because of clerical-staff shortages. Case files showed that OPM made virtually no effort to defend its decisions which were reversed by an appeal to MSPB, although many of these cases had arguable deficiencies or inconsistencies. OPM is considering a strategy to reduce the number of cases which it loses through appeals but this strategy has been delayed due to the claims backlog.

Recommendations to Agencies

The Director of OPM should carry out the OPM proposed strategy for evaluating and defending disability decisions appealed to MSPB.

Status: Action in process. Intended completion date unknown.

OFFICE OF PERSONNEL MANAGEMENT

Classification and Qualification Standards for the GS-1410 Library-Information Service Series
(GGD-83-97, 8-12-83)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: 5 U.S.C. 5105.

Background

In response to a congressional request, GAO reviewed the Office of Personnel Management's (OPM) development of proposed classification and qualification standards for the Library-Information Service occupational series.

Findings/Conclusions

GAO determined that OPM did not exceed its legal authority to develop classification and qualification standards and that its actions were generally consistent with those affecting other recently developed standards. However, OPM has not fully addressed the criticisms made by librarians regarding proposed changes that would: (1) reduce the entry grade for persons hired with a Master of Library Science degree earned in less than 2 full academic years; and (2) redefine the GS-5 entry level requirements. GAO also believes that librarians' concerns about documentation and sampling aspects of OPM methodology deserve further consideration. GAO suggests that, to further enhance the credibility of its surveys, OPM may wish to research the feasibility of conducting statistically reliable occupational surveys and providing for a documentation process that shows more clearly how conclusions are supported.

Recommendations to Agencies

OPM should consider determining whether: (1) federal librarians hired at GS-9 with less than a 2-year Master of Library Science degree and no experience have typically performed all of the duties and responsibilities of the GS-9 position successfully; (2) federal librarians hired without the Master of Library Science degree typically performed all duties and responsibilities successfully and were able to progress through the career ladder.

Status: Action not yet initiated. *OPM classification actions remain suspended pending the results of its evaluation of the entire standards process.*

OFFICE OF PERSONNEL MANAGEMENT

New Performance Appraisals Beneficial but Refinements Needed
(GGD-83-72, 9-15-83)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Civil Service Reform Act of 1978 (5 U.S.C. 4304). 5 U.S.C. 75. 5 U.S.C. 4303. 5 U.S.C. 7701. H. Conf. Rept. 98-993.

Background

GAO reviewed, on a selected basis, performance appraisal systems for General Schedule employees established by federal agencies under the Civil Service Reform Act of 1978. The act directed agencies to develop objective criteria for supervisors to use in rating employees' performance and determining appropriate personnel actions.

Findings/Conclusions

GAO found that, although there appears to be better communication between employees and supervisors since implementation of the performance appraisal systems, many important aspects require improvements before performance appraisal systems can be used as credible bases for personnel actions. A GAO examination of the standard-setting and appraisal evaluation processes at three agencies revealed that: (1) many employees did not actively participate in setting their performance standards; (2) not all employees were advised of the standards by which their performance would be evaluated at the beginning of their appraisal periods; (3) performance levels and measurable performance standards were not clearly defined; (4) some appraisals were not completed on a timely basis; (5) some agencies' procedures for determining summary ratings were ambiguous or unnecessarily complicated; (6) higher level officials' reviews of ratings were often perfunctory; and (7) procedures for linking performance appraisal results with personnel decisions were often vague. GAO concluded that the Office of Personnel Management (OPM) needs to ensure that agencies take appropriate actions to make the necessary refinements to their appraisal systems.

Recommendations to Agencies

The Director, OPM, should develop and propose an amendment to the Civil Service Reform Act clearly stating that denying a within-grade increase is a performance-related action covered under section 4303.
Status: Action in process. Intended completion date: 07/85

The Director, OPM, should research the potential value of generic standards for large occupational groups that agencies could use as a basis for developing specific standards for employees in those occupations.
Status: Action in process. Intended completion date unknown.

The Director, OPM, should require a second level review of employees' performance standards at the beginning of appraisal periods to ensure that those standards contain the desired characteristics of objectivity and measurability.
Status: Action in process. Intended completion date: 07/85

OFFICE OF PERSONNEL MANAGEMENT

A 2-Year Appraisal of Merit Pay in Three Agencies
(GGD-84-1, 3-26-84)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Civil Service Reform Act of 1978. Civil Service Retirement Spouse Equity Act of 1984 (P.L. 98-615). F.P.M. Bull. 540-25. F.P.M. Bull. 540-26. F.P.M. Bull. 540-27. F.P.M. ch. 430.

Background

In response to a congressional request, GAO assessed the merit pay system at the Departments of Agriculture, Housing and Urban Development, and the Navy during 1981 and 1982.

Findings/Conclusions

In fiscal year 1982, about 108,000 federal employees were covered by the merit pay system, which was established by the Civil Service Reform Act of 1978. About half the merit pay employees that GAO surveyed were dissatisfied with the system because they were not guaranteed the full annual adjustment and within-grade increases granted to other federal employees. GAO found that non-performance-related factors adversely affected merit pay practices and employees' perceptions of the system. Although the act requires that the Office of Personnel Management (OPM) analyze the system's cost and effectiveness and annually publish the results, OPM evaluations have not met the act's requirements. GAO noted that the objectivity of the performance standards and their appropriateness to the job being evaluated improved slightly over the 2-year period. OPM regulations which sought to correct flaws in the merit pay system were declared null and void by a U.S. district court and OPM was enjoined from implementing them. However, GAO stated that the court decision does not preclude OPM from sponsoring legislation or drafting new regulations to address merit pay system problems.

Recommendations to Agencies

The Director, OPM, should improve performance standards and the standard-setting process, to the extent that it is legally permissible, by requiring pool managers or their delegates to review standards at the beginning of each appraisal period. This review should ensure that, to the maximum extent feasible, standards contain the desired characteristics of objectivity and measurability and that they are of comparable difficulty for similar jobs. The Director, OPM, should also require that, to the extent that it is legally permissible, employees be given the opportunity to consult with their supervisors in setting their performance standards and that performance standards be communicated to the employee within a specified time after the beginning of the appraisal period.
Status: Action in process. Intended completion date unknown.

In order to improve the evaluation and administration of the merit pay system and the cash award program, the Director, OPM, should, to the extent that it is legally permissible: (1) provide adequate resources to maintain planned merit pay evaluation efforts; (2) publish annual reports which analyze the cost and effectiveness of the merit pay system and the cash award program; and (3) clarify the intended role of the cash award program for merit pay employees and provide guidance and oversight that will ensure that it is used as an integral part of merit pay.
Status: Action in process. Intended completion date unknown.

The Director, OPM, should require that merit pay pool managers or their delegates review performance standards at the beginning of the appraisal period to ensure that, to the maximum extent feasible, they contain the desired characteristics of objectivity and measurability and that they are comparable difficulty for similar jobs.
Status: Action in process. Intended completion date unknown.

The Director, OPM, should require that standards be communicated to employees within a reasonable and specified time from the beginning of the appraisal period.
Status: Action in process. Intended completion date unknown.

The Director, OPM, should clarify the intended role of the cash award program for merit pay employees and provide guidance and oversight that will ensure that it is used as an integral part of merit pay.
Status: Action in process. Intended completion date unknown.

OFFICE OF PERSONNEL MANAGEMENT

An Assessment of SES Performance Appraisal Systems
(GGD-84-16, 5-16-84)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Civil Service Reform Act of 1978 (P.L. 95-454). Performance Rating Act of 1950. F.P.M. ch. 430.

Background

GAO reviewed Senior Executive Service (SES) performance appraisal systems at various federal agencies to determine the extent to which such systems are meeting the requirements of the Civil Service Reform Act. GAO sent questionnaires to SES personnel and reviewed individual SES performance plans and appraisals.

Findings/Conclusions

GAO found that most agencies have implemented SES performance appraisal systems that meet the requirements of the act, but some systems need refinements to more fully meet the objectives of the act. GAO believes that this is not unusual because agencies had less than 1 year after the enactment of the act to implement appraisal systems. GAO found that: (1) less than 30 percent of the performance plans reviewed contained qualitative performance standards and less than 60 percent contained quantitative standards; (2) performance requirements were not always established before the beginning of each rating period; and (3) many performance plans had not been updated in response to changes in job responsibilities. In addition, GAO found that: (1) 71 percent of the executives sampled believed that their performance plans met the act's objectives; (2) at least 57 percent of those surveyed believed that their agency's SES performance appraisal system had no effect on performance and was not worth its cost; and (3) none of the agencies surveyed had established a system to evaluate its SES performance appraisal system.

Recommendations to Agencies

The Director of the Office of Personnel Management (OPM) should focus OPM guidance and oversight activities on improving agencies' SES performance appraisal systems by reviewing agency efforts to improve SES performance appraisal system quality and effectiveness in meeting the act's objectives for permitting accurate evaluations of performance, providing systematic appraisals of performance, encouraging excellence in performance, and providing a basis for making eligibility determinations for retentions and performance awards.
Status: Action in process. Intended completion date: 07/85

The Director of OPM should focus OPM guidance and oversight efforts on improving agencies' SES performance systems by providing agencies with technical guidance and assistance in developing performance standards that more specifically define expected results and that address the act's performance appraisal criteria and improvement goals when they are relevant to the position.
Status: Action in process. Intended completion date unknown.

The Director of OPM should focus OPM guidance and oversight activities on improving agencies' SES performance appraisal systems by ensuring that agencies establish performance requirements for all senior executives, including noncareerists.
Status: Action in process. Intended completion date: 07/85

The Director of OPM should focus OPM guidance and oversight activities on improving agencies' SES performance appraisal systems by determining the problems that agencies have in complying with the act's requirements for preparing performance plans on or before the beginning of the rating period and, if necessary, propose legislative changes.
Status: Action in process. Intended completion date unknown.

The Director of OPM should focus OPM guidance and oversight activities on improving agencies' SES performance appraisal systems by requiring that agencies update performance requirements when executives' responsibilities change.
Status: Action in process. Intended completion date unknown.

The Director of OPM should require agencies to establish and implement procedures for the comprehensive evaluation and monitoring of their SES performance appraisal systems.
Status: Action in process. Intended completion date: 07/85

The Director of OPM should provide guidelines to agencies on how to establish and implement effective evaluation procedures.
Status: Action in process. Intended completion date unknown.

The Director of OPM should issue minimum standards and requirements for all evaluation systems implemented by agencies.
Status: Action in process. Intended completion date unknown.

The Director of OPM should follow up with agencies to ensure proper and effective implementation of evaluation systems.
Status: Action in process. Intended completion date unknown.

OFFICE OF PERSONNEL MANAGEMENT

ACTION's Hiring and Use of Certain Noncareer Employees and Other Personnel Matters
(HRD-84-57, 9-7-84)

Budget Function: Education, Training, Employment, and Social Services: Social Services (506.0)
Legislative Authority: Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act, 1983 (P.L. 97-377). P.L. 98-288. H. Rept. 98-2655. S. Rept. 98-1129.

Background

In response to a congressional request, GAO reviewed the ACTION hiring and use of certain noncareer employees to determine whether: (1) noncareer employee hiring, particularly Schedule B's and C's, was proper; (2) Schedule B noncareer employees were performing duties similar to those performed by career employees; (3) ACTION had complied with P.L. 97-377 that prohibited its use of funds for reducing state office personnel; and (4) ACTION had abused its authorities in proposing to reassign a number of career employees and terminating those who refused to relocate.

Findings/Conclusions

GAO found that, although not required to use the competitive examination process under its Schedule B hiring authorities, ACTION filled positions which were appropriate for consideration under the bilingual and cultural certification process. In addition, these Schedule B employees were performing duties normally performed by career employees. The largest ACTION noncareer employee group, Schedule C political appointees, were appointed in compliance with Office of Personnel Management (OPM) and separate executive order authorizations. Furthermore, ACTION complied with the continuing resolution prohibiting its use of funds to reduce state office personnel. Finally, ACTION did not abuse its authorities in proposing to reassign a number of career employees and terminating those who refused to relocate. Although congressional appropriations committees were concerned about the percentage of noncareer employees at ACTION, P.L. 97-377 does not restrict the percentage of noncareer personnel that ACTION can employ.

Recommendations to Agencies

The Director of OPM should require the Associate Director for Staffing to reexamine the ACTION November 19, 1971, and May 12, 1978, Schedule B hiring authorities to determine the current need for such authorities. If the authorities are necessary, the Director, OPM, should require ACTION to consult on a case-by-case basis with OPM competitive examiners before initiating Schedule B hiring, to determine the feasibility of filling the positions through the competitive Civil Service System.

Status: Action not yet initiated. *In commenting on the final report, OPM disagreed with the recommendations.*

OFFICE OF SCIENCE AND TECHNOLOGY POLICY

The Office of Science and Technology Policy: Adaptation to a President's Operating Style May Conflict With Congressionally Mandated Assignments
(PAD-80-79, 9-3-80)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251.0)
Legislative Authority: Science and Technology Policy, Organization, and Priorities Act (P.L. 94-282). Executive Order 12039.

Background

GAO studied the Office of Science and Technology Policy (OSTP) to examine the extent to which OSTP has studied the 13 issues on federal organization and management of science and technology policy, and to determine the extent to which OSTP is involved in strategic planning for science and technology. Top officials of OSTP believe that the broad legislative mandate for OSTP cannot be fully met under present conditions and operating styles within the Executive Office of the President. OSTP management and staff also believe that all their work must be tied to the existing policymaking process in the Executive Office of the President, because they have no independent control over any portion of the U.S. policymaking system. OSTP interprets its environment as requiring it to be continually active in initiating its own work and then fostering implementation of its recommendations, many of which demonstrate a strategic perspective. OSTP is most active in its extensive collaboration with the Office of Management and Budget in the research and development budget process.

Findings/Conclusions

GAO found that OSTP does not intend to prepare the mandated comprehensive survey report. This assignment to OSTP placed a large burden on OSTP and significantly increased its responsibilities without increasing its resources. The small and active OSTP has produced no comprehensive report but a list of its many activities, categorized according to the 13 issue areas. The OSTP staff attempts to give a strategic perspective to considerations of topical or mission issues, such as energy and space. OSTP believes that it is not feasible to do more comprehensive strategic planning and remain effective in the Executive Office of the President. It seldom studies the relationships of issues in the whole context of science and technology in society; instead, it usually focuses on a particular mission issue in isolation from its interactions with other national concerns. The small size of OSTP and its perceptions of the operating style of the President and the President's senior advisors inhibit its further involvement in comprehensive strategic planning. GAO believes that, within existing constraints, OSTP can establish a systematic and formal mechanism for identifying long-range emerging issues and for providing a detached perspective in screening outside proposals for the OSTP agenda. Both OSTP and the National Science Foundation are taking steps to improve communication in planning and preparing the Annual Report and the Five-Year Outlook.

Recommendations to Congress

Congress should consider if some other mechanism should be established to identify and rank emerging issues in science and technology. Perhaps alternative mechanisms could help Congress critically examine OSTP selection of items for its agenda and its analysis of issues in the Five-Year Outlook.
Status: Action not yet initiated.

Congress should consider: (1) how it and the OSTP Director can best identify and resolve concerns about the Director's choice of operating style; (2) if the OSTP legislative mandate is too comprehensive; and (3) what other means might fulfill congressional needs for information and analysis not provided by OSTP.
Status: Action in process.

PENSION BENEFIT GUARANTY CORPORATION

Disclaimer of Opinion on the Financial Statements of the Pension Benefit Guaranty Corporation for FY 1980 *(AFMD-82-42, 6-23-82)*

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reporting (998.6)
Legislative Authority: Government Corporation Control Act (31 U.S.C. 850).

Background

GAO examined the combined statement of the financial condition of the Pension Benefit Guaranty Corporation as of September 30, 1980, the related combined statements of operations and changes in the deficiency in net assets, and the changes in financial condition for the year then ended.

Findings/Conclusions

The examination disclosed material accounting and estimating problems, internal control weaknesses, and major uncertainties that significantly reduce the reliability of important account balances. Because of the matters discussed in the report, GAO was not able to express an opinion on whether the Corporation's statements presented fairly its financial condition and the results of its operations and changes in financial condition for fiscal year 1980.

Recommendations to Agencies

The Executive Director of the Pension Benefit Guaranty Corporation should: (1) develop a system for financial statement reporting that values benefits on a current, individual participant basis; (2) substantiate the reasonableness of actuarial assumptions, estimation techniques, and models; (3) determine reasons for changes in the pension plan inventory and establish allowances in the financial statements for expected variances; (4) establish accounting controls and procedures to reconcile financial data maintained by separate computer systems; and (5) develop policies and procedures for substantiating information provided by external organizations.
Status: Action in process. Intended completion date: 09/85

PENSION BENEFIT GUARANTY CORPORATION

Legislative Changes Needed To Financially Strengthen Single Employer Pension Plan Insurance Program (HRD-84-5, 11-14-83)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Employee Retirement Income Security Act of 1974. Internal Revenue Code (IRC). Multiemployer Pension Plan Amendments Act of 1980. 11 U.S.C. 726.

Background

In connection with the Pension Benefit Guaranty Corporation's (PBGC) self-financing insurance program to protect the benefits of private pension plan participants, GAO examined information on pension plans which were terminated as of September 30, 1981.

Findings/Conclusions

Since its inception, the PBGC insurance program has been operating at an increasing deficit. The deficit has risen because net claims for benefits owed by terminating plans accumulated in greater amounts than could be financed by premiums. The liquidity of the insurance program has not been jeopardized thus far; however, if the premium rate is not raised, the program's ability to pay guaranteed benefits in the long term could be threatened. GAO believes that a proposed premium rate increase is reasonable and necessary to reduce the deficit.

Recommendations to Congress

Congress may wish to amend the Employee Retirement Income Security Act of 1974 (ERISA) to provide for more timely adjustment of premium rates for the single employer pension plan insurance program by: (1) requiring the Executive Director of PBGC to provide information in its annual report to Congress on the adequacy of the existing premium rate and recommend changes to the premium rate when warranted; and (2) provide an automatic annual adjustment to the premium rate using the PBGC May 1982 premium rate methodology.
Status: Action in process.

Congress may wish to consider minimizing premium increases needed to fund the insurance program's increasing deficit by amending ERISA to: (1) reduce the period over which sponsors of pension plans can amortize unfunded actuarial liabilities; and (2) extend the 5-year phase-in period for providing full insurance coverage of past service benefits and eliminate coverage during the phase-in period.
Status: Action not yet initiated.

Congress should amend ERISA to make all unpaid waiver amounts due upon plan termination and to either exclude coverage of benefits accrued during the plan year for which the waiver was granted or authorize PBGC to place conditions on minimum funding waivers granted by the Internal Revenue Service (IRS). Congress could also amend ERISA to authorize PBGC to place conditions on benefit increases granted by IRS.
Status: Action in process.

Congress should amend ERISA to provide that sponsors that remain in business and terminate pension plans continue to be liable for payment of the plans' asset insufficiencies. In addition, Congress should authorize PBGC to: (1) claim, as an unsecured creditor in lieu of a claim limited to a portion of the sponsor's net worth, the full amount of plan asset insufficiency from sponsors discontinuing businesses that terminate pension plans; and (2) hold, for a limited time, all prior contributing sponsors secondarily liable for plan asset insufficiencies they create when the plan terminates within a specified time after its transfer to a new sponsor.
Status: Action in process.

PENSION BENEFIT GUARANTY CORPORATION

Improved Processes Needed To Insure Timely Benefit Payments to Participants of Single Employer Pension Plans
(HRD-84-58, 5-31-84)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.).

Background

In response to a congressional request, GAO reviewed the effectiveness of the Pension Benefit Guaranty Corporation (PBGC) processes for ensuring that participants in private pension plans receive guaranteed benefits when plans terminate.

Findings/Conclusions

GAO evaluated the PBGC processing of numerous insufficient pension plans to: (1) determine why eligible participants were not receiving benefit payments; (2) assess the PBGC efforts to adjust benefit payments to guaranteed levels; and (3) assess the effectiveness of these processes for providing timely benefit distributions. In addition, GAO analyzed PBGC efforts to locate participants who were not receiving benefits because they could not be located from plan records. GAO found that the processing of terminated plans can be strengthened to provide for more timely restoration of monthly benefit payments and compensation for missed benefit payments. In addition, GAO reviewed a random sample of sufficient pension plan terminations which showed that asset distributions were not timely. Further, GAO found that PBGC processing of sufficient plans can be strengthened and streamlined. Finally, GAO determined that opportunities are available to locate missing individuals entitled to benefits.

Recommendations to Agencies

To provide for more timely payment of benefits to participants of terminating insufficient pension plans, the Executive Director of PBGC should establish a tracking system that focuses management attention and actions on restoring suspended participant benefits and procedures for reimbursing participants for missed benefit payments on an estimated basis when PBGC starts making estimated monthly payments.
Status: Action in process. Intended completion date unknown.

Because PBGC may be precluded from restoring benefits in plans that may be subject to lengthy court action, the Executive Director of PBGC should assess experience in dealing with these cases and, if warranted, seek legislative authority that would permit PBGC to appoint a receiver to assume control of plans where participants' benefits are jeopardized.
Status: Action in process. Intended completion date unknown.

To augment new PBGC procedures for collection and review of sufficient pension plan data, the Executive Director of PBGC should provide guidelines for PBGC officials to periodically test enrolled actuary certifications to ensure that they are accurate and comply with PBGC regulatory requirements.
Status: Action in process. Intended completion date: 01/85

The Executive Director of PBGC should require consistent application of procedures for confirming that participants of sampled plans are receiving payment of benefits approved by PBGC and revise confirmation procedures to require that key data, such as age, years of employment, and salary, also be confirmed with participants.
Status: Action in process. Intended completion date unknown.

The Executive Director of PBGC should: (1) analyze insurance program records to identify individuals in plans trusteed by PBGC from 1974 through 1980 who have become eligible for but are not receiving guaranteed benefits; (2) submit the names of individuals who cannot be located from PBGC records for current address searches to the Internal Revenue Service and to the Social Security Administration (SSA) upon completion of arrangements to use SSA data; and (3) provide benefits to individuals located through this process.
Status: Action in process. Intended completion date unknown.

SMALL BUSINESS ADMINISTRATION

SBA's 7(a) Loan Guarantee Program: An Assessment of Its Role in the Financial Market
(RCED-83-96, 4-25-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Small Business Act (15 U.S.C. 636(a)).

Background

GAO reviewed the role of the Small Business Administration's (SBA) 7(a) Loan Guarantee Program in assisting small businesses.

Findings/Conclusions

GAO sent questionnaires to lenders participating in the program to determine what role the SBA guarantee plays in their small business lending practices. GAO found that the SBA guarantee is an important factor in a bank's decision to lend to new businesses and businesses with less equity than usually required. The guarantee increases a bank's ability and willingness to make larger loans because the guaranteed portion of the loan does not count against federally required lending limits. Although banks are using the program to make larger loans, only 28 percent of those interviewed believe that the guarantee limit should be raised. Losses on 7(a) guaranteed loans have been steadily increasing. SBA has not collected program demand data needed to estimate the impact of the administration's proposed budgetary reductions on small businesses' ability to obtain long-term loans. Lenders can sell the guaranteed portion of SBA loans to investors in the secondary market and thus rapidly recover 90 percent of the funds. Concerns over inconsistencies in the way interest payments are calculated on SBA guaranteed loans, lack of timely payments, and other administrative problems have caused some investors to discontinue purchases.

Recommendations to Agencies

The Administrator, SBA, should direct the Associate Administrator for Finance and Investment and the Director, Office of Secondary Market Operations, to develop procedures to clearly state SBA goals and objectives in promoting the secondary market.
Status: Action in process. Intended completion date: 04/85

The Administrator, SBA, should direct the Associate Administrator for Finance and Investment and the Director, Office of Secondary Market Operations, to develop a strategy for using the secondary market to offer small businesses the option of fixed-rate financing. This strategy should address the desirability of actions such as the Minnesota Plan, the use of loan pooling, and the advantages and disadvantages of setting interest rates on fixed-rate loans at the time of loan disbursement.
Status: Action in process. Intended completion date: 04/85

If the Administrator, SBA, should decide to control servicing fees, as recommended by the Capital Access Committee, he should take certain steps to ensure that the Committee's intent of lowering borrower interest rates is achieved.
Status: Action in process. Intended completion date unknown.

The Administrator, SBA, should change the current regulatory policy either by continuing to regulate interest rates through a national ceiling but with different benchmarks for fixed variable rate loans or by eliminating the national maximum allowable interest rate and relying on procedures and guidance to field offices for determining the reasonableness of interest rates in their local areas.
Status: Action in process. Intended completion date unknown.

The Administrator, SBA, should provide additional guidance in detailing what should be done when proposed rates on loan applications exceed local prevailing rates.
Status: Action in process. Intended completion date unknown.

SMALL BUSINESS ADMINISTRATION

SBA's Certified Lenders Program Falls Short of Expectations
(RCED-83-99, 6-7-83)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: P.L. 96-302.

Background

GAO evaluated the effectiveness of the Small Business Administration's (SBA) efforts to streamline its loan delivery system by involving private lenders in the credit check process through the Certified Lenders Program (CLP). GAO also commented on whether SBA experience under the CLP warranted further delegation of authority to lenders under the Preferred Lenders Program (PLP).

Findings/Conclusions

GAO stated that SBA is not achieving CLP goals to speed up the credit decision process. GAO found that: (1) lenders often submitted incomplete loan application packages that contributed to substantial processing delays; (2) lenders frequently prepared inaccurate or unreliable credit analyses, forcing SBA to perform its own analyses; (3) when SBA made faster decisions on CLP applications, it was primarily due to priority processing rather than a reduced involvement on its part or better use of lender expertise; and (4) SBA had not realized any material resource savings as a result of the CLP. GAO concluded that, unless CLP achievements are significantly increased and become more effective, further consideration of the PLP would be wasteful.

Recommendations to Agencies

SBA in its assessment of benefits, should compare any personnel time savings it expects from an expanded PLP against any additional efforts required in training lenders and monitoring their performance.

Status: Action in process. Intended completion date: 10/85

TENNESSEE VALLEY AUTHORITY

TVA's Computer Needs Are Valid and ADP Management Is Improving
(AFMD-82-24, 6-9-82)

Budget Function: Automatic Data Processing (990.1)

Background

In response to a congressional request, GAO reviewed the Tennessee Valley Authority's (TVA) efforts in the area of computer acquisition planning and requirements analysis and validation, specifically with regard to ongoing general purpose equipment procurement and proposed acquisition of scientific processing support and minicomputers.

Findings/Conclusions

Overall, GAO found that TVA had made substantial progress toward achieving improved management of its automatic data processing resources; however, some problems still remained. TVA still needs to complete its cost accounting and reporting system and application inventory system and to provide for a direct relationship between corporate business planning activities.

Recommendations to Agencies

TVA should develop a policy that will balance the opportunities for using low cost computers with the need for maintaining control of them.

Status: Action in process. Intended completion date unknown.

TENNESSEE VALLEY AUTHORITY

Triennial Assessment of TVA, FY's 1980-1982
(RCED-83-123, 4-15-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Government Corporation Control Act (31 U.S.C. 9105; 31 U.S.C. 9106). Tennessee Valley Authority Act of 1933 (16 U.S.C. 831h). Inspector General Act of 1978.

Background

GAO reported on its work at the Tennessee Valley Authority (TVA) during fiscal years 1980 through 1982 and evaluated TVA compliance with prior GAO recommendations.

Findings/Conclusions

GAO found that TVA implemented several rate increases during this period due primarily to the financing of its construction program. Although TVA had planned to build 14 nuclear generating units to meet projected electricity needs, consumption actually declined and only two of these units are currently operational. GAO had initiated several reports on the way TVA projects future demand for electricity and made recommendations for improving the process. GAO found that, despite the high cost of coal and nuclear fuel, TVA has taken actions which have saved or avoided costs totaling over $770 million. GAO believes that congressional oversight authority over TVA power program operations needs to be strengthened, and it provided optional oversight methods which do not require congressional legislation. GAO found that recent TVA actions have satisfactorily implemented prior GAO recommendations to increase internal audits as a viable option to the establishment of an inspector general. Finally, GAO noted that administration cutbacks in funding research and development projects have adversely affected the ability of TVA to demonstrate the commercial feasibility of several emerging technologies.

Recommendations to Congress

If Congress wants to maintain its historical periodic oversight every 4 to 7 years of raising the TVA debt ceiling, it will need to reduce the current borrowing authority.
Status: Action not yet initiated.

Recommendations to Agencies

The Board of Directors of TVA should take necessary actions to: (1) ensure that the procedures and controls for safeguarding tagged equipment and materials be brought under proper management controls; and (2) ensure the completion and issuance of agencywide procedures and guidelines to be used in deciding whether the design and construction should be done in-house or by private contractors along the lines GAO suggested in its March 15, 1982, report.
Status: Action in process. Intended completion date unknown.

UNITED STATES
ARMS CONTROL AND DISARMAMENT AGENCY

Need To Improve Management of ACDA's Automatic Data Processing and Operations Analysis Functions
(NSIAD-83-66, 9-30-83)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: OMB Circular A-121. OMB Circular A-71.

Background

In response to a congressional request, GAO examined the management of computer-based support functions at the Arms Control and Disarmament Agency (ACDA).

Findings/Conclusions

GAO found that, at the end of fiscal year (FY) 1982, ACDA abolished its Office of Operations Analysis (OA), transferred its analysts to other parts of ACDA and gave them new titles, cancelled its contract for a DEC-20 computer, and kept its small Wang computer and purchased timesharing services from other agencies. ACDA stated that OA was abolished, in part, to help cope with a FY 1983 budget reduction and claimed that over $1.3 million was saved in FY 1983 by relocating the facility. However, GAO estimated that only about $683,000 in savings can properly be attributed to ACDA actions regarding OA and computer support. GAO found that, currently, ACDA does not adequately plan for or evaluate the use of automatic data processing (ADP) systems. Moreover, ACDA is not complying with Office of Management and Budget (OMB) guidance on computer security, although GAO is unaware of any loss of data. Within ACDA there is disagreement concerning the adequacy of operations analysis capabilities to meet future needs. Further, ACDA has limited access to Department of Defense operations analysis resources.

Recommendations to Agencies

The Director, ACDA, should develop a comprehensive ADP planning process, which requires top management involvement, well supported justification of stated needs, and periodic feedback from users.
Status: Action in process. Intended completion date unknown.

The Director, ACDA, should implement an ADP cost accounting system which complies with OMB Circular A-121.
Status: Action in process. Intended completion date unknown.

The Director, ACDA, should establish a computer security program which complies with Transmittal Memorandum Number 1 to OMB Circular A-71.
Status: Action in process. Intended completion date unknown.

UNITED STATES
ARMS CONTROL AND DISARMAMENT AGENCY

ACDA's Coordination of Federal Arms Control Research and Management of its External Research Program Still Need Improvement
(NSIAD-83-67, 9-30-83)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Arms Control and Disarmament Act (22 U.S.C. 2551 et seq.). Executive Order 11044.

Background
GAO reported on the adequacy of the administration of the Arms Control and Disarmament Agency's (ACDA) research program and its coordination of arms control research throughout the federal government.

Findings/Conclusions
GAO found that ACDA needs to improve the operation of its external research program and to fulfill its responsibilities for coordinating all federal arms control and disarmament research or seek relief from them. GAO found that the same problems which it reported were hindering the research program's efficient operation more than 3 years ago are still present. The external research program has no formal project selection criteria, little internal coordination, no routine review of available research listings to help avoid project duplication, and inadequate use of contractor evaluations. In addition, ACDA is not meeting its legislated responsibilities for: (1) planning a program of arms control research; (2) advising other agencies of their research roles; (3) maintaining a continuing inventory of federal activities related to research; or (4) submitting periodic schedules of activities to the Office of Management and Budget.

Recommendations to Agencies
The Director of ACDA should define the scope of arms control research being conducted by or for the federal government, after consulting with the Secretaries of State, Defense, Energy, and Commerce, and the Directors of the Central Intelligence Agency and other affected agencies.
Status: Action in process. Intended completion date unknown.

The Director of ACDA should estimate the resources ACDA needs to effectively coordinate federal arms control research, based on the defined scope.
Status: Action in process. Intended completion date unknown.

The Director of ACDA should determine whether ACDA will carry out its federal coordination role or seek relief from the requirements, after defining scope and estimating resources.
Status: Action in process. Intended completion date unknown.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

AID Needs To Strengthen Management of Commodity Import Programs
(NSIAD-84-47, 2-29-84)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1961. Foreign Assistance Act of 1971 (22 U.S.C. 2346). 22 C.F.R. 201. P.L. 80-480. OMB Circular A-123.

Background

GAO evaluated the extent of the Agency for International Development's (AID) program and financial controls over the Commodity Import Program.

Findings/Conclusions

GAO found that AID has not always adequately planned procurements or commodity deliveries. In some instances, commodities arrive too late and at increased cost. Although regulations prescribe that AID-financed commodities must meet eligibility and price requirements, AID has not always used adequate internal controls to ensure compliance, and insufficient reviews of commodity transactions have contributed to waste and improper expenditures that could amount to millions of dollars annually. In addition, GAO found that AID does not adequately monitor the implementation of commodity import programs and local currency generation and use. AID missions have not conducted or documented required evaluations of the host-government commodity arrival accounting systems nor systematically followed up on the distribution and end-use of commodities. As a result, AID cannot adequately account for the arrival and disposition of commodities. This occurs because missions do not have sufficient staff and guidance on monitoring the program implementation. Furthermore, GAO found that AID missions are not effectively monitoring the proceeds from commodity sales. Finally, despite a legislative mandate to improve the assessment of AID programs, AID has not developed procedures for evaluation of the program which would provide information to design future programs.

Recommendations to Agencies

The Administrator of AID should increase audit coverage of commodity transactions financed under bank letters of commitment.
Status: Action in process. Intended completion date unknown.

The Administrator of AID should strengthen established procedures for financing commodities under the direct reimbursement method by determining that personnel authorized to perform eligibility reviews are qualified.
Status: Action in process. Intended completion date unknown.

The Administrator of AID should require responsible officials to issue letters of commitment in appropriate standard language which would clearly inform and bind suppliers to AID requirements.
Status: Action in process. Intended completion date unknown.

The Administrator of AID should direct the Office of Evaluation to establish a requirement for evaluating Commodity Import Program assistance and develop specific guidance for those performing such evaluations.
Status: Action in process. Intended completion date unknown.

UNITED STATES
ARMS CONTROL AND DISARMAMENT AGENCY

Efforts To Improve Management Practices and Increase Resources at the Arms Control and Disarmament Agency
(NSIAD-84-19, 4-11-84)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Arms Control and Disarmament Act (22 U.S.C. 2577(a)(1)). Federal Managers' Financial Integrity Act of 1982 (32 U.S.C. 3512). Executive Order 11044. OMB Circular A-123. OMB Circular A-121. OMB Circular A-73. OMB Circular A-71. OMB Transmittal Memo No. 1. 31 U.S.C. 3512.

Background
Pursuant to a congressional request, GAO reviewed the ability of the Arms Control and Disarmament Agency to fulfill its legislative mandates, focusing on: (1) ACDA internal controls; (2) management of ACDA research programs; and (3) computer support for ACDA activities. This report summarizes the findings and conclusions contained in three previous GAO reports.

Findings/Conclusions
GAO found that ACDA should improve its current management practices. ACDA only recently began to implement key internal control requirements and does not have necessary internal audit coverage. ACDA is acting on recommendations made by GAO concerning internal audit coverage. GAO also found problems in the ACDA external research program, including: (1) the absence of criteria for selecting research projects; (2) the lack of a mechanism for identifying related research done by other organizations; and (3) inadequate preparation and use of research contractor evaluations. ACDA is not meeting legislative and executive requirements to: (1) develop and maintain a government-wide arms control research program; (2) oversee research done by other agencies; or (3) maintain an inventory of arms control research activities. In addition, GAO found that ACDA does not adequately plan for, or evaluate the use of, data processing systems. ACDA does not have a comprehensive data processing plan and GAO believes that the informal planning used currently is inadequate. ACDA has deemphasized and reduced its operations analysis capabilities without evaluating the capabilities necessary to carry out its mission. ACDA is in the process of acting upon GAO recommendations in the data processing and operations analysis areas.

Recommendations to Congress
To ensure that the ACDA external arms control research program is adequately supported in the future, Congress may want to consider specifically designating a portion of ACDA funds for the external research program.
Status: Action not yet initiated.

UNITED STATES INFORMATION AGENCY

The Audit and Inspection Functions at the United States Information Agency Need Management Attention
(NSIAD-84-14, 4-4-84)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: OMB Circular A-73. OMB Circular A-50.

Background

GAO reviewed the audit and inspection functions at the United States Information Agency (USIA).

Findings/Conclusions

GAO found that the effectiveness of audit activity at USIA was impaired because: (1) there was a lack of timely compliance with audit recommendations; (2) the audit function was not properly located within the organizational structure of USIA; (3) there was insufficient funding and staffing of audit activities; and (4) the scope of audit activities was inadequate. USIA has not implemented an audit recommendation resolution system, and GAO identified numerous recurring management problems in such areas as personnel, payroll, travel, and cash, property, contract, and grant management. In addition, GAO found perceptions throughout the agency that the inspection function was ineffective because: (1) inspectors did not use adequate criteria, standards, and methods; (2) inspectors had preconceived ideas about programs that hindered their ability to apply objective inspection criteria; and (3) inspectors recommended actions which would not be effective. GAO was unable to independently assess the inspection function at USIA because of a lack of sufficient documentation.

Recommendations to Agencies

The Director of USIA should develop and implement an effective audit recommendation and followup compliance system adhering to OMB Circular A-50 and the Comptroller General's resolution standards and have the Inspector General monitor the effectiveness of the system.
Status: Action in process. Intended completion date unknown.

The Director of USIA should direct the audit staff to prepare and maintain complete and proper workpapers and supporting evidence and index (cross-reference) the facts to a completed report to ensure accuracy and supportability.
Status: Action in process. Intended completion date unknown.

The Director of USIA should establish a permanent professional inspection staff trained in management analysis.
Status: Action in process. Intended completion date unknown.

The Director of USIA should direct the Chief Inspector to develop standards and criteria for the inspection process, after consulting with the Director and area offices to satisfy their inspection objectives, and to provide an uniform inspection approach.
Status: Action in process. Intended completion date unknown.

The Director of USIA should develop and implement an effective inspection follow-up and compliance system.
Status: Action in process. Intended completion date unknown.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

OVERSEAS PRIVATE INVESTMENT CORPORATION

Examination of Fiscal Year 1981 Overseas Private Investment Corporation Financial Statements and Related Issues
(ID-82-33, 8-16-82)

Budget Function: International Affairs: International Financial Programs (155.0)
Legislative Authority: Government Corporation Control Act (31 U.S.C. 841 et seq.). Foreign Assistance Act of 1969 (P.L. 91-175). Foreign Assistance Act of 1961. Overseas Private Investment Corporation Amendments Act of 1981 (P.L. 97-65). Overseas Private Investment Corporation Amendments Act of 1974. Civil Service Reform Act of 1978. H. Rept. 97-195.

Background

GAO examined the Overseas Private Investment Corporation's (OPIC) fiscal year 1981 financial statements.

Findings/Conclusions

GAO found that the statements disclosed no exception, weakness of internal control, or departure from law and regulation having a material impact on its financial position at September 30, 1981, and its operating results for the year then ended. However, the report also noted that: (1) although OPIC is experiencing significant losses on its loans, its insurance and guaranty reserves appear to be adequate to cover existing commitments; (2) OPIC did not fully disclose the effects of delinquent project financing in its statement; and (3) tighter control and monitoring of OPIC administrative expenditures are needed.

Recommendations to Agencies

The President of OPIC should require that future years' financial statements disclose the outstanding balance of delinquent, nonearning assets held for investment and the related amounts of principal and interest that are due from them.
Status: Action in process. Intended completion date unknown.

The President of OPIC, to preclude a possible misunderstanding of how Congress intended additional authorized resources to be made available for Direct Investment Fund (DIF) lending, should seek clarification from Congress regarding how the funds are to be transferred to the DIF.
Status: Action in process. Intended completion date unknown.

The President of OPIC, to enable a determination on whether OPIC is adhering to the congressional spending limitation on entertainment, should obtain clarification from Congress regarding what costs constitute entertainment versus business meeting expenses and thus are chargeable to the limited annual entertainment allowance.
Status: Action in process. Intended completion date unknown.

The President of OPIC should require operating policies having significant financial or internal control implications to be in writing and subject to review by the Board of Directors and independent auditors.
Status: Action in process. Intended completion date unknown.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

AID Assistance to the Eastern Caribbean: Program Changes and Possible Consequences
(ID-83-50, 7-22-83)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1974.

Background

GAO reported on the methods the Agency for International Development (AID) uses to administer the U.S. assistance program to the Eastern Caribbean.

Findings/Conclusions

GAO found that, while AID has greatly increased its assistance to the Eastern Caribbean, it has made strategy changes which will place additional burdens on its staff. In the last several years, AID has decreased assistance channeled through the Caribbean Development Bank (CDB). Although AID has generally been satisfied with CDB performance, a conflict has arisen because U.S. policy seeks to deny assistance to the Government of Grenada and CDB prohibits the exclusion of potential assistance recipients based on political grounds. GAO believes that there are several solutions to this problem, including the use of CDB to administer trust funds for specific activities on a particular island. In addition, AID has recently initiated projects to provide assistance directly to Eastern Caribbean governments. However, these bilateral assistance projects will require more staff time and will increase management costs. Because these bilateral programs are recent, AID has not yet developed the strategy documents for individual islands. Finally, GAO found that AID is aggressively promoting private business investment and expansion in the islands. Because the private sector program is in the early stage of implementation, there are few documented results.

Recommendations to Agencies

The Administrator, AID, should ensure that strategy documents are developed for each Eastern Caribbean island which describe: (1) AID present and future bilateral projects on each island; (2) their relationship to AID assistance provided to the islands through regional institutions and other donors' activities; and (3) how these activities respond to each island's development needs, priorities, and objectives.
Status: Action in process. Intended completion date: 12/85

The Administrator, AID, should undertake a comprehensive evaluation of its private sector program in the Eastern Caribbean by the end of fiscal year 1984 to measure: (1) types of business activity resulting from AID projects, their impact on the local economy, and persons benefited, including secondary beneficiaries; (2) if private investment caused jobs to be relocated from elsewhere; and (3) if results achieved justify the costs.
Status: Action in process. Intended completion date: 06/85

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Irrigation Assistance to Developing Countries Should Require Stronger Commitments to Operation and Maintenance
(NSIAD-83-31, 8-29-83)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1974. P.L. 80-480.

Background

GAO reviewed the operation and maintenance of U.S.-financed irrigation systems in Indonesia, Sri Lanka, and Thailand to determine how the Agency for International Development (AID) can: (1) improve operation and maintenance practices of developing countries and extend the economic life of the irrigation systems; and (2) design irrigation systems that adequately consider operation and maintenance requirements.

Findings/Conclusions

GAO found that donors have demonstrated their concern with developing country food problems by investing in irrigation systems and other facilities. At the same time, they have not given sufficient attention to the complementary institutional and financial costs of operating and maintaining the facilities. Donors have assumed that recipient countries would provide recurrent budget support to effectively operate and maintain projects, but this has not happened. AID has prepared a policy on recurrent cost financing, but the World Bank and Asian Development Bank have not. GAO believes that institutional as well as financial weaknesses affect the recipient countries' ability to effectively use and maintain irrigation systems and found that many systems do not provide reliable water sources and have not become self-sustaining. GAO found that AID project designs have assumed that water user associations would be established to provide on-farm maintenance, ensure equitable water distribution, and maintain discipline among users. Generally, these assumptions have not been realized. Consequently, systems have been vandalized, water wasted or stolen, and routine maintenance ignored.

Recommendations to Agencies

The Administrator of AID should: (1) as an integral part of project planning and as a condition for project approval, require that recurrent cost plans be developed in conjunction with recipient governments and other donors to recognize the principle of cost recovery from all beneficiaries, project the annual life-of-system operation and maintenance costs, identify the source of operation and maintenance funds and the funding options available to the country and the donors, include specific plans to strengthen each recipient country's capability to budget for operation and maintenance funding and to account for operation and maintenance expenditures on a project basis, and institutionalize management monitoring and evaluation of plan implementation; and (2) encourage other donors to define their recurrent cost financing options. In addition, the Administrator should encourage the multilateral development banks to further define their recurrent cost financing options as they relate to future financing of irrigation project development.
Status: Action in process. Intended completion date unknown.

The Administrator of AID should adopt stronger design and construction criteria for improving operation and maintenance performance as standard prerequisites of approval for new irrigation and rehabilitation projects. The criteria should include: (1) quality assurance measures in design and construction to ensure that local engineers and contractors take heed of technical advisors and require site visits during the design process; (2) the involvement of farmers in the planning, design, implementation, monitoring, and evaluation process; (3) priority consideration of operation and maintenance requirements during project design; and (4) appropriate transition between construction and operation and maintenance.
Status: Action in process. Intended completion date unknown.

The Administrator of AID should require from the host governments, before the construction of irrigation systems begin, written certifications that: (1) active, viable water user associations have been established; (2) designers have met with association members, discussed their needs and system benefits, elicited their input into on-farm system design, and stressed that the on-farm system will be theirs and that they must operate and maintain it; (3) each association has submitted a written request for the system and has agreed to the on-farm operation and maintenance; and (4) local users, to the extent possible, will be used to help construct the on-farm portions of each project.
Status: Action in process. Intended completion date unknown.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Improved Management of Productive Credit Guaranty Program Can Minimize U.S. Risk Exposure and Costs *(NSIAD-84-3, 11-28-83)*

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1974.

Background

GAO reviewed the Productive Credit Guaranty Program (PCGP) through which the Agency for International Development (AID) provides partial guarantees to private credit institutions in recipient countries to encourage lending to organized groups and individuals in carrying out credit and self-help community development projects.

Findings/Conclusions

Since 1981, PCGP has been at a virtual standstill in Paraguay, Bolivia, and Costa Rica due to economic recessions and problems with in-country banks and AID management. PCGP was terminated in Paraguay in 1983 and in Nicaragua in 1982, and the Costa Rica PCGP is being incorporated into a new program. Severe economic recessions contributed to declines in loan activity, high interest rates, greater arrearages, and restrictions on the money supply. Because the primary function of the central banks is currency regulation, they had little time or interest in PCGP's which contributed to poor program monitoring, control, evaluations, recordkeeping, and reporting. Because of poor reports management, AID financial liability is unclear. In 1982, all new program authority shifted from the Bureau of Latin America and the Caribbean (LAC) to the Bureau for Private Enterprise (PRE) and, in 1983, PRE signed its first project agreement with Jamaica. In addition, PRE eliminated participation by central banks and technical assistants and will deal directly with the lender.

Recommendations to Agencies

The AID Administrator should direct that PRE establish quantifiable indicators to measure success.
Status: Action in process. Intended completion date: 11/85

The AID Administrator should direct that the Jamaica project be evaluated after 1 year of issuing guarantees to determine whether AID should continue the program or terminate it.
Status: Action in process. Intended completion date: 11/85

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Meeting a Basic Human Need: AID's Rural Potable Water and Sanitation Program
(NSIAD-84-34, 2-21-84)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)

Background

GAO reviewed the Agency for International Development's (AID) potable water and sanitation activities in Ecuador, Indonesia, Malawi, Peru, and Tanzania.

Findings/Conclusions

Between fiscal years 1978 and 1982, AID provided over $161 million in development assistance for water supply and sanitation improvements, mostly in rural areas. In each country, GAO specifically examined the extent to which: (1) assistance is reaching the intended users; (2) problems are being overcome; and (3) improvements in water quality and quantity are being measured. GAO found that low project priority in the host country, inadequate financial support, and cumbersome logistics contribute to slow progress. In Ecuador and Malawi, where there has been hosting country committment and community participation, projects are being implemented nearly in accordance with plans. However, in Indonesia, Peru, and Tanzania, the development or improvement of basic water supply systems has been significantly delayed. GAO expressed concern that there was little information regarding improvements in water quality and quantity which have been made through U.S. assistance. GAO noted that studies by the World Bank concur with GAO observations.

Recommendations to Agencies

The Administrator, AID, should direct that project proposals objectively assess the resolve and capacity of the host country to implement and manage the projects and of communities to participate in installation activities.
Status: Action in process. Intended completion date unknown.

The Administrator, AID, should direct that implementation schedules objectively anticipate the common impediments to the timely installation of the facilities and the range of activities and services which can be accomplished and delivered during the life of the project.
Status: Action in process. Intended completion date unknown.

The Administrator, AID, should direct that operation and maintenance be given the same priority as construction of water supply and sanitation systems by implementing upkeep activities in tandem with the installation of the facilities. The operation and maintenance component should provide for: (1) adequate resources to meet recurring costs; (2) trained personnel to ensure that continued delivery of the intended level of service; and (3) user health education to promote continued upkeep. Inherent in such a program is the need to develop the institutional support necessary to carry these activities forward.
Status: Action in process. Intended completion date unknown.

The Administrator, AID, should direct that changes in the quality, quantity, reliability, and convenience of the water be identified at least when the systems are inaugurated. This could be accomplished through the use of portable test equipment to measure improved sanitary quality and sanitary surveys to also identify improvements in the quantity, reliability, and convenience of the water over the traditional sources of supply. The format of the surveys should be standardized throughout the agency to emphasize the importance of this activity and promote the pursuit of this type of surveillance.
Status: Action in process. Intended completion date unknown.

The Administrator, AID, should direct that project goals and periodic evaluations stress the importance of providing a clean, adequate, continuous, and accessible supply of water as a means to improved health. Achieving these improvements could be an objective and identifiable measure of successful projects. The agency should pursue the health impact of water and sanitation projects on a case-by-case basis where the circumstances particularly merit the expenditure of resources for this purpose.
Status: Action in process. Intended completion date unknown.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

AID Needs To Strengthen Management of Commodity Import Programs
(NSIAD-84-47, 2-29-84)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1961. Foreign Assistance Act of 1971 (22 U.S.C. 2346). 22 C.F.R. 201. P.L. 80-480. OMB Circular A-123.

Background

GAO evaluated the extent of the Agency for International Development's (AID) program and financial controls over the Commodity Import Program.

Findings/Conclusions

GAO found that AID has not always adequately planned procurements or commodity deliveries. In some instances, commodities arrive too late and at increased cost. Although regulations prescribe that AID-financed commodities must meet eligibility and price requirements, AID has not always used adequate internal controls to ensure compliance, and insufficient reviews of commodity transactions have contributed to waste and improper expenditures that could amount to millions of dollars annually. In addition, GAO found that AID does not adequately monitor the implementation of commodity import programs and local currency generation and use. AID missions have not conducted or documented required evaluations of the host-government commodity arrival accounting systems nor systematically followed up on the distribution and end-use of commodities. As a result, AID cannot adequately account for the arrival and disposition of commodities. This occurs because missions do not have sufficient staff and guidance on monitoring the program implementation. Furthermore, GAO found that AID missions are not effectively monitoring the proceeds from commodity sales. Finally, despite a legislative mandate to improve the assessment of AID programs, AID has not developed procedures for evaluation of the program which would provide information to design future programs.

Recommendations to Agencies

The Administrator of AID should increase audit coverage of commodity transactions financed under bank letters of commitment.
Status: Action in process. Intended completion date unknown.

The Administrator of AID should strengthen established procedures for financing commodities under the direct reimbursement method by determining that personnel authorized to perform eligibility reviews are qualified.
Status: Action in process. Intended completion date unknown.

The Administrator of AID should require responsible officials to issue letters of commitment in appropriate standard language which would clearly inform and bind suppliers to AID requirements.
Status: Action in process. Intended completion date unknown.

The Administrator of AID should direct the Office of Evaluation to establish a requirement for evaluating Commodity Import Program assistance and develop specific guidance for those performing such evaluations.
Status: Action in process. Intended completion date unknown.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

AID's Management of the Housing Guaranty Program
(NSIAD-84-75, 4-25-84)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1961 (22 U.S.C. 2181 et seq.).

Background

GAO reviewed the Agency for International Development's (AID) Housing Guaranty (HG) program to assess the use of the program in an environment of high external debt, balance-of-payment difficulties, and other economic problems in recipient countries. The HG program is the U.S. government's principal means of providing shelter assistance to developing countries and offers full repayment guaranty of principal and interest to private U.S. lenders for commercial rate loans.

Findings/Conclusions

Worldwide economic conditions have adversely affected the HG program. Some countries' loan repayments have consistently been in arrears, and some countries have stopped participating in the program because of high interest rates and economic problems. GAO found that: (1) AID has had difficulty validating host-country income statistics; (2) shelter programs in the countries reviewed depend heavily on subsidies making self-sufficiency elusive; and (3) local currency devaluations in relation to the U.S. dollar and inflation have made cost recovery difficult. Current AID efforts to promote new lending include offering loans for their foreign exchange value, developing creative financial packages, and modifying the requirement for a country to obtain a government-guaranteed loan. GAO also found that debt rescheduling is threatening the liquidity of the program's reserve fund and the U.S. government's contingent liability for program loans has increased to over $1 billion. However, GAO believes that exempting the HG program from reschedulings is not the solution, stating that exemption would undermine the overall effectiveness of the process, establish an undesirable precedent, and would shift costs to the Department of the Treasury.

Recommendations to Agencies

The Administrator of AID should direct the Office of Housing and Urban Programs to define "equivalent" guaranty and establish criteria under which such a guaranty may be substituted for a host-country government guaranty, and exercise caution in extending HG loans which do not have host-country government guarantees. Loans should be programmed with more care to protect the U.S. government from contingent liability claims, and GAO recommends that a thorough risk analysis be made for each proposed loan, no loans be extended to any country where U.S. government contingent liability exceeds the reserve fund, and loans not be exempted from host-country debt reschedulings.

Status: Action in process. Intended completion date: 11/84

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Direct Contracting by the Agency for International Development Can Be Better Managed
(NSIAD-84-108, 7-9-84)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1961. 41 C.F.R. 1-3.108(a). 41 C.F.R. 7-7.5001-10(b). 41 Fed. Reg. 7. AID Handbook 3. OMB Circular A-21. OMB Circular A-88.

Background

In response to a congressional request, GAO examined certain aspects of the Agency for International Development's (AID) management of direct contracting including: (1) the extent of competition; (2) the adequacy and clarity of scopes of work issued by AID; (3) the extent to which overhead rates and other indirect costs are validated and efforts made to minimize them; (4) the extent to which the numbers and technical proficiency of contractor personnel and associated costs are held at the minimum levels necessary to get the job done; and (5) the adequacy of AID monitoring and reporting of contractor progress.

Findings/Conclusions

For fiscal year 1982, AID reported $16.8 million in noncompetitive contract awards exceeding $100,000, not including amendments to existing contracts. GAO found that the total original awards increased by 61 percent through amendments. Amendments generally do not require competition; however, the circumstances that prompt the issuance of an amendment may provide an opportunity for competitive procurement instead. GAO also found that the statements of work in 21 of 37 active contracts were vague, which delayed contract implementation and caused poor accountability. GAO review of selected audits of overhead costs in AID direct contracts indicated that overhead rates were being validated regularly and total questioned costs were not unreasonably high. GAO found that key personnel, promised at the time contracts were awarded, were not available for contract performance which also resulted in project delays and other detrimental effects. Finally, most contracts which GAO reviewed lacked performance indicators, and contractor progress reports tended to be generalized descriptions of project activities rather than assessments of actual versus planned performance.

Recommendations to Agencies

The AID Administrator should take action to better quantify, report, and monitor over time the amount of, and reasons for, amendments and other noncompetitive actions. Actions should include: (1) using computer capabilities to better quantify competitive and noncompetitive procurement actions by bureaus, missions, and offices; (2) using the information so developed to identify trends and monitor changes in competitive and noncompetitive performance and establish goals for improving competitiveness in AID contracting; and (3) identifying the factors that contribute to noncompetition, such as inadequate lead time, and formulating actions to increase competition such as requiring project officers to plan adequate time for competition during project design and implementation and modifying personnel performance standards of project and contracting officers to reduce or eliminate pressures that lead to noncompetitive procurements.
Status: Action in process. Intended completion date unknown.

The AID Administrator should: (1) develop and issue specific guidance on essential elements of adequate statements of work; (2) place greater emphasis on how to prepare scopes during training for project officers and others who prepare and negotiate contracts and monitor contractor performance; and (3) improve the availability of technical assistance, in-house or through qualified contractors, and lead time to permit the design of well defined scopes.
Status: Action in process. Intended completion date unknown.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Use of a Capital Saving Technology Approach in AID's Development Assistance Program
(NSIAD-84-142, 7-26-84)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: International Development and Food Assistance Act of 1975.

Background

GAO reviewed the Agency for International Development's (AID) capital saving technology (CST) activities.

Findings/Conclusions

Recognizing a need for more labor intensive, capital saving tools and methods in developing countries, Congress enacted legislation which authorized AID to support greater CST efforts. AID created Appropriate Technology International as a private, nonprofit organization to carry out CST activities. AID also uses its automated Development Information System and the National Technical Information Service as tools. CST projects are found in all development sectors and, in fiscal year 1984, CST projects accounted for about $158 million of $1.3 billion in development assistance obligations. GAO found that staff may be unfamiliar with CST efforts because AID has not reinforced its endorsement of the CST concept. Although an AID key initiative is technology transfer, staff are unfamiliar with the role of CST in it.

Recommendations to Agencies

To better communicate and reinforce agency emphasis on the capital saving technology approach to development, the Administrator of AID should: (1) reemphasize the role of CST, perhaps through more explicit inclusion in the technology transfer and private enterprise policy papers; (2) define the role and priority of capital saving activities in annual program guidance to missions and through existing training programs, especially relative to new initiatives and priorities that arise; (3) coordinate CST activities and more explicitly consider potential CST applications in the project design process; and (4) complement AID efforts to make greater use of private volunteer organizations and U.S. universities by encouraging missions to give more consideration to using these organizations as vehicles for implementing CST activities.

Status: Action not yet initiated. *The recommendations will be implemented through future AID policy paper revisions and guidance cables to missions.*

To ensure that AID implements changes to improve these projects, the Administrator of AID should: (1) follow through on proposals to actively market and improve access to Development Information System services; (2) promote increased Appropriate Technology International (ATI) cooperation with AID by ensuring that the new AID/ATI agreement is effectively implemented; and (3) closely monitor AID agreements with the National Technical Information Service to ensure that distributors are actively marketing CST information.

Status: Action in process. Intended completion date unknown.

UNITED STATES POSTAL SERVICE

Conversion to Automated Mail Processing Should Continue: Nine-Digit Zip Code Should Be Adopted
(GGD-83-24, 1-6-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Postal Reorganization Act.

Background

In response to a congressional request, GAO assessed the automatic mail processing equipment which the U.S. Postal Service is buying and the nine-digit ZIP Code system (ZIP Plus-4) which the Postal Service plans to implement. GAO reviewed the accuracy of the Postal Service's financial projections, the likelihood that the new equipment will perform as intended, and the potential impact of ZIP Plus-4 mailers.

Findings/Conclusions

Because the cost effectiveness of ZIP Plus-4 would hinge heavily on voluntary participation by business mailers and such participation is not certain, GAO could not without qualification advise the Postal Service to move forward with ZIP Plus-4. However, GAO believes that the incremental gain in moving to ZIP Plus-4 will be so great that the move would be more than justified. Householders' use of ZIP Plus-4 would help reduce mail processing costs but would not be critical to the cost effectiveness of ZIP Plus-4. However, GAO endorsed the acquisition of the new equipment and its use to automate the processing of five-digit ZIP Code mail, provided that it will perform adequately. Even if the equipment performs adequately, there will still be risks associated with its use. Performance assumptions which the Postal Service used in its economic analysis to justify the automation program were based on assumed future improvements. Furthermore, testing and evaluation procedures used during the analysis were not adequate to measure the performance of the equipment or determine the need for design changes, and the Postal Service may have initial problems maintaining its new equipment. However, given the Postal Service's labor intensive operations and the opportunity that automation offers to reduce labor costs, GAO considered these risks acceptable.

Recommendations to Agencies

The Postal Service should, for future optical character reader (OCR) and other equipment procurements, conduct a comprehensive first article test of a representative machine, where the production machine is significantly different from: (1) machines currently in use; or (2) machines which were tested in a release-loan program. These first article tests should be conducted under expected environmental conditions and cover all operating parameters, to include processing of nine-digit mail.
Status: Action not yet initiated. *The Postal Service agrees with this recommendation. It cannot be acted on until a scheduled new phase of equipment acquisition occurs at a later date. The estimated date that the first OCR machines will be manufactured and ready for first article testing is October 1985.*

The Postal Service should, for future OCR and other equipment procurements, perform a thorough engineering analysis of any changes proposed to the design of the machine after the initial first article test, and retest a first article if these changes are deemed significant.
Status: Action not yet initiated. *The Postal Service agrees with this recommendation. It cannot be acted on until a scheduled new phase of equipment purchase occurs at a later date. The estimated date for first article testing of new equipment is October 1985.*

UNITED STATES POSTAL SERVICE

Conversion to Automated Mail Processing and Nine-Digit ZIP Code--A Status Report
(GGD-83-84, 9-28-83)

Budget Function: General Government: Other General Government (806.0)

Background

GAO reported on the current status of Postal Service plans to implement automated mail processing and the nine-digit ZIP code.

Findings/Conclusions

GAO found that the Postal Service will be in a position to implement the automated mail processing system as scheduled. Although there are several recommended program improvements and some uncertainties about equipment performance, GAO believes that none of these concerns warrants a delay in implementation. One concern is that the performance of the optical character reading equipment is uncertain. Results of recently completed tests of this equipment were not reviewed by GAO, but the Postal Service claimed that these tests indicated that the equipment will perform up to expectations. Performance of the bar code sorting equipment was also uncertain, but GAO found no catastrophic or uncorrectable problems with the design or performance of the sorters. GAO found that improvements are needed in Postal Service programs to improve the optical character readability of mail and administer the postage rate incentive proposed for large-volume mailings of ZIP-plus-4 mail. GAO also believes that the Postal Service estimate of potential usage of ZIP-plus-4 is questionable because of deficiencies in study methodology for a market study commissioned by the Postal Service. GAO further found that the National ZIP-plus-4 Directory is substantially complete and reasonably correct, although some improvements are attainable.

Recommendations to Agencies

The Postal Service should ensure that Phase II equipment test results accurately reflect anticipated operating results by (1) staffing Phase II optical character reader/channel sorter (OCR/CS) and BCS release-loan and acceptance tests at levels consistent with normal operating conditions, and (2) using Postal Service, not contractor, personnel to operate BCS's during testing.
Status: Action in process. Intended completion date unknown.

The Postmaster General should provide technical support to large-volume mailers by providing training for Customer Service Representatives (CSR's) and associate office postmasters to enable them to effectively communicate OCR readability problems to mailers.
Status: Action in process. Intended completion date unknown.

UNITED STATES
SYNTHETIC FUELS CORPORATION

Procedures Need Strengthening in the U.S. Synthetic Fuels Corporation's Conflict of Interest Program
(RCED-84-98, 9-20-84)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Freedom of Information Act. Trade Secrets Act (18 U.S.C. 1905). Energy Security Act (42 U.S.C. 8717).

Background

In response to a congressional request, GAO reviewed: (1) the appropriateness of the U.S. Synthetic Fuels Corporation's criteria for identifying confidential information and the consistency with which these criteria have been applied; (2) whether First Colony Project (FCP) information initially withheld from the Subcommittee on Oversight and Investigations of the House Committee on Energy and Commerce and subsequently provided to a public interest group had been properly classified as confidential; (3) the existing legislative criteria governing the Corporation's conflict-of-interest program; (4) its procedures for preventing conflicts of interest and how these procedures are followed.

Findings/Conclusions

GAO found that the Corporation's criteria for identifying confidential information were consistent with Freedom of Information Act provisions and, for the most part, the Corporation consistently applied its criteria for identifying confidential information on the project reviewed. In addition, GAO found that in 17 incidences the Corporation initially withheld information from the Subcommittee because it misclassified general information as confidential. GAO also found that the amount of misclassified FCP information deleted was small compared to the total volume of material provided. The Subcommittee was eventually provided the full text of the material with the confidential information highlighted. GAO identified four weaknesses in the Corporation's conflict-of-interest program: (1) some Corporation employees with key responsibilities not submitting reports on their financial interests; (2) some Corporation contractors not providing complete information needed to determine their financial interests in, and affiliations with, companies conducting business with the Corporation prior to contract agreement time; (3) insufficient Corporation monitoring of officers' and employees' financial interests for potential conflicts of interest; and (4) some conflict-of-interest determinations have been inconsistently made or inadequately documented.

Recommendations to Agencies

The Chairman of the U.S. Synthetic Fuels Corporation should expand the Corporation's criteria on which employees should be submitting reports of their financial interests by specifying, in the criteria, that they are also applicable to those employees with key responsibilities, not necessarily project-specific.
Status: Action not yet initiated. *The Synthetic Fuels Corporation has not yet advised GAO of its position on this recommendation.*

The Chairman of the U.S. Synthetic Fuels Corporation should enforce the Corporation's requirement that all independent contractors under service to the Corporation either report their financial interests in, and affiliations with, companies on the Corporation's list of participating organizations, or report that they have none.
Status: Action not yet initiated. *The Synthetic Fuels Corporation has not yet advised GAO of its position on this recommendation.*

The Chairman of the U.S. Synthetic Fuels Corporation should direct the ethics officer to increase the frequency of his monitoring of officers' and employees' financial interests to better identify and resolve conflict-of-interest situations.
Status: Action not yet initiated. *The Synthetic Fuels Corporation has not yet advised GAO of its position on this recommendation.*

The Chairman of the U.S. Synthetic Fuels Corporation should require the ethics officer to ensure that conflict-of-interest decisions are consistent and the reasons for the decisions are documented in the Corporation's files.
Status: Action not yet initiated. *The Synthetic Fuels Corporation has not yet advised GAO of its position on this recommendation.*

VETERANS ADMINISTRATION

Legislation Plus Aggressive Action Needed To Strengthen VA's Debt Collection
(HRD-81-5, 2-13-81)

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (702.0)
Legislative Authority: P.L. 96-466. 5 U.S.C. 5514(a). 28 U.S.C. 2415. 31 U.S.C. 952.

Background

GAO was asked to study the feasibility of resuming collection action on education assistance overpayments written off as uncollectable by the Veterans Administration (VA) through the use of generally accepted private-sector debt collection practices. Special attention was given to the reporting of delinquent and terminated accounts to commercial credit bureaus as a means of motivating veterans to repay their debts to the government.

Findings/Conclusions

GAO obtained a random sample of commercial credit reports on veterans whose accounts had been terminated as uncollectable and found that most of the veterans were employed, had an established history of paying their private-sector creditors, and had private-sector lines of credit equal to or greater than the amounts owed to VA. Several factors have hampered the VA debt collection efforts and contributed to a large volume of educational assistance overpayment accounts terminated in recent years. GAO believes that the most significant problem is that veterans have been able to ignore the demands of VA for repayment with little or no fear of the adverse actions which would normally result from failure to pay debts owed to private-sector creditors.

Recommendations to Agencies

The Administrator of VA should implement immediately the debt collection provisions of Public Law 96-466 which (1) permit VA to report delinquent and terminated accounts to commercial credit bureaus, (2) give VA attorneys the authority to litigate debt collection cases, and (3) require VA to charge interest and recover administrative collection costs on debts owed to VA.

Status: Action in process. Intended completion date: 10/85

VETERANS ADMINISTRATION

Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms
(HRD-81-54, 3-3-81)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

Background

The Veterans Administration (VA) is planning to spend more than $1 billion to replace 10 of its medical centers. Each replacement center will have a surgical suite, which is among the most costly hospital departments to construct and operate.

Findings/Conclusions

In reviewing operating room utilization at centers that VA intends to replace, GAO found that, on the average, the 74 operating rooms at these centers were idle about 50 percent of the time that they were available for scheduled surgery. The current planning criterion used by VA calls for 1 operating room for every 28 surgical beds. The continued use of this criterion could result in overconstruction of operating rooms with resulting low utilization. In developing its criterion, VA did not recognize that all patients admitted to surgical beds do not undergo surgery. VA did not fully recognize the significant variation among medical centers in the type of surgical procedures performed and the length of time different surgical procedures take. Average operating times varied significantly among VA medical centers. Surgical procedures generally performed by medical school residents at affiliated centers took longer than similar procedures performed by VA staff at nonaffiliated centers. GAO developed a model for planning operating rooms which focused on the unique surgical workload characteristics of each VA center. It showed that VA could handle the surgical workload with 22 fewer operating rooms than planned using the present criterion, a potential $3.5 million saving. VA assigned more operating room nurses than needed to handle the surgical workload due to this criterion, and savings could be realized if VA made use of less skilled personnel to do many of the nonprofessional tasks now handled by operating room nurses.

Recommendations to Congress

Congress should not approve any funding requests for new or replacement surgical suites in VA centers based solely on room-to-bed ratios, unless the planning is so far along that adjusting the surgical suite(s) planned would not be economically feasible.
Status: Action not yet initiated.

Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to develop staffing guidelines for operating room nurses based on the number of operating rooms needed to handle the surgical workload.
Status: Action in process. Intended completion date: 09/85

VETERANS ADMINISTRATION

State Veterans' Homes--Opportunities To Reduce VA and State Costs and Improve Program Management
(HRD-82-7, 10-22-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Veterans Omnibus Health Care Act of 1976 (P.L. 94-581). 38 C.F.R. 17.166d. 38 C.F.R. 17.47. P.L. 95-588. 38 U.S.C. 610(a). 38 U.S.C. 641(b). 38 U.S.C. 3203.

Background

State homes provide hospital, nursing home, and domiciliary care to needy, disabled veterans. The Veterans Administration (VA) helps states defray the costs of operating and constructing state homes through per diem payments and construction grants. GAO reviewed the state home program to find out if VA was effectively administering the program, if the method used to help states pay for the care provided should be changed, and if the homes were capable of providing quality care.

Findings/Conclusions

Because VA was generally not properly certifying the levels of care needed by veterans admitted to state homes, hospitals and nursing homes' per diem rates were paid unnecessarily for many veterans requiring lower levels of care. The improper certifications occurred because VA physicians were not independently verifying the patients' need for the levels of care requested by the homes. Changes in the method of reimbursing states for the care provided to veterans in state homes are not needed. The homes have been able to maintain or expand the services provided to veterans under the current method. Alternatives to increased VA funding exist. State homes could obtain more revenues from veterans receiving VA pensions, and part of the cost of care provided to some veterans could be recovered from Medicare or private health insurance. Because VA has not effectively planned and coordinated the construction or use of VA hospitals, state homes, and contract community nursing homes, VA and state home facilities may be constructed in areas having too many community or state nursing home beds while not enough beds may be available in other areas. State homes are capable of providing quality nursing home and domiciliary care to their patients, but they have only limited acute hospital care capabilities. VA inspections may not identify deficiencies because inspectors were not evaluating the surgical care provided by state home hospitals and were limiting the scope of their assessments because of a lack of guidance on how to assess compliance.

Recommendations to Congress

Congress should consider amending 38 U.S.C. 3203 to extend the pension reduction criteria to cover care being furnished in state homes and to authorize VA to transfer the money withheld to the states to help pay for the veterans' care.

Status: Action not yet initiated.

Recommendations to Agencies

The VA Administrator, through the chief medical director, should revise state home standards to provide specificity and guidance such as that provided in the Joint Commission on Accreditation of Hospitals and Department of Health and Human Services standards.

Status: Action in process. Intended completion date: 04/85

VETERANS ADMINISTRATION

Legislation Needed To Prevent Loss of Millions From Mentally Incompetent Veterans' Estates
(HRD-82-1, 2-10-82)

Budget Function: Veterans Benefits and Services: Income Security for Veterans (701.0)
Legislative Authority: 38 U.S.C. 3202. 38 U.S.C. 3202(e). 38 U.S.C. 3202(d).

Background

Congressional concern was expressed that mentally incompetent veterans' estates accumulated from Veterans Administration (VA) benefits are being inherited by relatives other than the veterans' immediate families. GAO reviewed active and closed cases of veteran beneficiaries with court-appointed guardians, legal custodians, and institutional award arrangements at 4 of the 58 VA regional offices to determine the extent to which such situations have occurred and could occur in the future.

Findings/Conclusions

GAO estimated that about 3,000 estates of living incompetent veterans comprising about $56 million in veterans' benefits are unprotected from future claims by relatives other than spouses, children, and dependent parents. If the results are representative of the situation nationwide, an estimated 29,000 such estates comprised of about $500 million accumulated from veterans' benefits are currently unprotected from claims by such relatives. Under current law, VA will be unable to recover this money. In 1959, Congress passed legislation limiting the inheritance of incompetent veterans' estates to spouses, children, and dependent parents. This legislation provides that, in the absence of such relatives, VA benefits accumulated in these estates will revert to the federal government. However, because the restrictions do not apply to the estates of most mentally incompetent veterans, other relatives have made successful claims totaling millions. In reviewing VA estate accounting procedures, GAO found that many regional offices apply all veterans' expenses first to VA benefits rather than allocating the expenses to each revenue source in proportion to its contributions to the veterans' estates. This method underestimates the VA contribution to the estates.

Recommendations to Congress

Congress should amend 38 U.S.C. 3202 by adding a new subsection (f) as follows: any funds hereafter deposited in the hands of a fiduciary appointed by a state court or the Veterans Administration derived from benefits payable to mentally incompetent or insane veterans under laws administered by the Veterans Administration, which under the law of the state wherein the beneficiary had his last legal residence would descend and be distributed to persons other than the surviving spouse, children, or dependent parents of the beneficiary, there being no such survivors, shall not be paid to such persons but instead shall revert to the United States and shall be returned by such fiduciary, or by the personal representative of the deceased beneficiary, less legal expenses of any administration necessary to determine that a reverter is in order, to the Veterans Administration, and shall be deposited to the credit of the applicable revolving fund, trust fund, or appropriation.

Status: Action in process.

VETERANS ADMINISTRATION

VA's Agent Orange Examination Program: Actions Needed To More Effectively Address Veterans' Health Concerns
(HRD-83-6, 10-25-82)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)
Legislative Authority: Veterans' Health Care, Training and Small Business Loan Act of 1981 (P.L. 97-92). Veterans' Health Programs Extension and Improvement Act of 1979 (P.L. 96-151). 38 U.S.C. 3010(g).

Background

In response to a congressional request, GAO reviewed Vietnam veterans' complaints regarding the Veterans Administration's (VA) Agent Orange program and related issues.

Findings/Conclusions

GAO found that, since 1978, more than 89,000 Vietnam veterans have been examined through VA services. Although the GAO veteran participant survey and investigation showed that the VA examinations were more thorough than the veterans perceived them to be, GAO believes that VA could reduce dissatisfaction and health concerns by providing more timely and thorough examinations and by better dissemination of Agent Orange, health-related information to veterans. GAO reviewed disability compensation claim issues and noted that the unreliability of medical service records and the legal requirement for epidemiological studies of veterans exposed to Agent Orange suggest that the retroactive compensation period for claims should be changed.

Recommendations to Agencies

The Administrator of Veterans Affairs, through the chief medical director, should require VA medical facilities to include the Agent Orange examination program in the facilities' systematic internal review process.
Status: Action in process. Intended completion date: 06/85

The Administrator of Veterans Affairs, through the chief medical director, should develop a monograph on Agent Orange's potential for causing birth defects.
Status: Action in process. Intended completion date: 06/85

VETERANS ADMINISTRATION

Opportunities To Reduce Fee-Basis Pharmacy Costs
(HRD-83-83, 9-27-83)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

Background

GAO reviewed Veterans Administration (VA) efforts to reduce the number and cost of prescriptions filled by private pharmacies on a VA-reimbursable fee-for-service basis.

Findings/Conclusions

GAO found that, in fiscal year 1982, VA paid private pharmacies about $10.5 million in prescriptions for veterans with service-connected disabilities. VA determined that only about 5 percent of the fee-basis prescriptions needed to be filled by private pharmacies. Such prescriptions cost VA about twice as much as prescriptions filled through VA pharmacies. GAO noted that, although VA is making progress in reducing the percentage of fee-basis prescriptions filled by private pharmacies, over 20 percent of those prescriptions were filled by private pharmacies at six facilities contacted by GAO.

Recommendations to Agencies

The Administrator of Veterans Affairs, through the Chief Medical Director, should direct VA clinics of jurisdiction to have pharmacists review fee pharmacy prescriptions to identify duplicate prescriptions, excessive quantities of drugs, and prescriptions that should have been filled by the VA pharmacy.

Status: Action in process. Intended completion date: 12/85

The Administrator of Veterans Affairs, through the Chief Medical Director, should revise the fee-basis manual to direct VA clinics of jurisdiction to instruct veterans to send prescriptions for nonemergencies to VA for filling and to deny payment for subsequent prescriptions of veterans disregarding the request.

Status: Action in process. Intended completion date: 12/85

VETERANS ADMINISTRATION

VA's Program To Authorize Courses for Veterans Needs Improved Management
(IMTEC-84-6, 10-20-83)

Budget Function: Veterans Benefits and Services: Income Security for Veterans (701.0)
Legislative Authority: Paperwork Reduction Act of 1980. 38 U.S.C. 1774. 38 U.S.C. 1789.

Background

GAO reviewed the Veterans Administration's (VA) and state approval agencies' (SAA's) collection and use of information about the education of veterans to determine how well VA and SAA's coordinate their efforts to minimize their reporting and recordkeeping requirements and how effectively they manage the program. In addition, GAO evaluated how VA collects and uses SAA-related information in accordance with the policies and procedures established by the Paperwork Reduction Act.

Findings/Conclusions

For the past 5 years, VA has been paying SAA's about $13.4 million annually while program activity, national enrollment, the number of schools involved, and the annual VA payments to veterans have declined more than 40 percent. Program activities will continue to decline through 1989 when a major portion of the program will be terminated. To help VA streamline program activities in response to this trend, GAO identified several areas where VA can maintain or improve services while reducing the amount spent on approval activities each year.

Recommendations to Agencies

The Administrator of Veterans Affairs should revise VA contracts with SAA's to ensure that SAA's: (1) are not paid for preliminary visits to schools that have been in operation for less than 2 years unless the SAA's provide documentation fully justifying the need for each such visit; (2) make supervisory visits only to active schools and training establishments with enrolled veterans; (3) are limited to one annual supervisory visit to individual schools and training establishments unless VA directs otherwise; and (4) are required not to visit the same schools and training establishments being visited by VA during its compliance surveys.
Status: Action in process. Intended completion date: 01/85

The Administrator of Veterans Affairs should establish necessary controls to effectively monitor SAA contractual performance so that the SAA's comply with contract provisions and visit only appropriate schools.
Status: Action in process. Intended completion date: 01/85

The Administrator of Veterans Affairs should revise the disposition requirements for the three education-related files GAO identified in the VA records control schedule to ensure that they are clear, consistent, and realistic. Once revised, VA should follow the revised records control schedule.
Status: Action in process. Intended completion date: 01/85

VETERANS ADMINISTRATION

VA Can Reduce Disability Payments by Ensuring That Veterans Receive Scheduled Reexaminations
(HRD-84-14, 12-8-83)

Budget Function: Veterans Benefits and Services: Income Security for Veterans (701.0)

Background
GAO reviewed Veteran Administration (VA) controls for ensuring that scheduled medical examinations for reevaluating veterans' disabilities are being held.

Findings/Conclusions
GAO found that many scheduled reexaminations are not being held because regional office staff do not always place reexamination dates in the master record file. Consequently, VA is not always able to identify those veterans whose disabilities are considered likely to improve. Many of these veterans continue receiving higher disability payments than they should be receiving. GAO estimated that VA could reduce disability benefits by $31 million annually by identifying veterans that should be scheduled for reexamination.

Recommendations to Agencies
The Administrator of Veterans Affairs should direct the Chief Benefits Director to: (1) ensure that the planned review to identify future examination date errors provides for sufficient reporting to enable VA to determine the extent of further case review that might be warranted to identify additional errors occurring on lower rated disability cases or on cases with released-from-active-duty dates before 1972; (2) require that future examination dates for confirmed ratings be entered into the system through video display terminals; and (3) include future examination dates as part of the headquarters and regional office statistical quality control reviews.

Status: Action in process. Intended completion date: 04/85

VETERANS ADMINISTRATION

Opportunities To Increase VA Medical Care Cost Recoveries
(HRD-84-31, 2-13-84)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)
Legislative Authority: Medical Care Recovery Act (42 U.S.C. 2651). Veterans' Health Care, Training and Small Business Loan Act of 1981 (38 U.S.C. 629). Veterans Omnibus Health Care Act of 1976 (38 U.S.C. 611). Executive Order 11060. P.L. 98-21. VA Manual MP-4, part V. OMB Circular A-76. 38 U.S.C. 5051 et seq.

Background

The Veterans Administration (VA) generally provides free medical care to eligible veterans. However, when a veteran requires treatment of injuries suffered on the job or as the result of another person's negligent actions, VA can recover the cost of the medical care provided from the responsible third party. VA can also recover the cost of care provided to nonveterans in an emergency and to patients later found to be ineligible for VA care. GAO reviewed VA methods for establishing medical care cost recovery rates. Specifically, GAO sought to determine whether: (1) the VA medical/surgical per diem rate was adequate to recover the cost of care provided to acute care patients; (2) the national average per diem rate generated the same total charges as would individual facility rates; and (3) the rates were revised in a timely manner.

Findings/Conclusions

GAO found that VA use of two national average per diem rates for billing purposes resulted in: (1) an undercharging of acute medical/surgical patients and those treated at high-cost facilities; and (2) an overcharging of patients treated at low-cost facilities. GAO also determined that: (1) revised VA per diem rates did not go into effect until after the start of the fiscal year, which reduced VA billing amounts; (2) VA medical centers used various methods to develop sharing agreement rates, some of which appeared to measure costs better than others; (3) some standard indirect costs included in VA national per diem rates were not included in any of the sharing agreement rates; and (4) sharing agreements were not always renewed in a timely manner.

Recommendations to Agencies

The Administrator of Veterans Affairs should, through the Chief Medical Director, provide more specific guidance on costs to be included in private sector sharing agreement rates to ensure that they are consistent with factors used in developing per diem rates.
Status: Action in process. Intended completion date unknown.

The Administrator of Veterans Affairs should, through the Chief Medical Director, direct VA medical centers to renegotiate sharing agreements before they expire.
Status: Action in process. Intended completion date unknown.

VETERANS ADMINISTRATION

Improvements Needed in Quality Assurance for Open Heart Surgery
(HRD-84-22, 2-24-84)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

Background

GAO reviewed the policies, procedures, and practices of the Veterans Administration's (VA) Department of Medicine and Surgery (DM&S) for assessing and ensuring the quality of open heart surgery programs at VA medical centers.

Findings/Conclusions

DM&S relies on an expert committee of VA and non-VA physicians to assess the quality of open heart surgery programs and to identify problem open heart surgery programs. However, GAO found that DM&S has not required this committee to follow its guidelines regarding when it would assess a program's quality and how it would communicate the results to the medical centers. GAO believes that, since the guidelines are not always followed, the committee's conclusions on the quality of certain programs may be questionable and inaccurate. DM&S also relies on the medical centers to ensure that quality care is provided in their open heart surgery programs by using problem-oriented, systematic internal reviews, among other techniques.

Recommendations to Agencies

The Chief Medical Director of DM&S should require the Director of the Surgical Service to issue specific directives stating when the Cardiac Surgery Consultants Committee is to conduct paper audits, what the audits are to include, and how the results are to be communicated to DM&S and the individual open heart surgery programs.

Status: Action in process. Intended completion date: 12/84

VETERANS ADMINISTRATION

VA Central Office Needs To Exercise Better Oversight of Cardiac Pacemaker Recalls
(HRD-84-33, 4-16-84)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)
Legislative Authority: VA Circular 10-82-72. VA Manual MP-2.

Background

GAO reviewed the actions taken by the Veterans Administration (VA) in response to recalls of defective pacemakers.

Findings/Conclusions

The Food and Drug Administration (FDA) has the authority to ban or recall medical devices, including pacemakers, that present "unreasonable risks or substantial harm," and it informs VA when pacemakers have been recalled. GAO found that, at the VA centers it visited, pacemaker recalls were not effectively managed. GAO learned that the VA computerized pacemaker registry indicated that some recalled pacemakers are still implanted in VA patients. VA guidance regarding pacemakers deals primarily with the removal of recalled pacemakers from stock and has not defined when a recalled pacemaker should be considered critically unreliable. GAO also questioned the accuracy, completeness, and reliability of the computerized pacemaker registry and, therefore, its current usefulness.

Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish criteria, as part of program guidance, to define when a recalled pacemaker should be considered critically unreliable.
Status: Action in process. Intended completion date: 02/85

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise program guidance to require that medical centers: (1) inform patients of pacemaker recalls unless the reasons for not informing the patient are documented in the medical record; and (2) document the actions taken in response to the recall in the patients' medical records.
Status: Action in process. Intended completion date: 02/85

The Administrator of Veterans Affairs should direct the Chief Medical Director to identify all VA patients using recalled pacemakers and ensure that: (1) they have been informed of the recall or that the reasons for not informing the patient are documented in the patients' medical records; and (2) all actions taken in response to the recalls are documented in affected patients' medical records.
Status: Action in process. Intended completion date: 02/85

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish a timetable for development of the clinical pacemaker registry and, in the interim, take steps to improve the completeness and reliability of data contained in the existing registry.
Status: Action in process. Intended completion date unknown.

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish a program to monitor the actions taken by medical centers in response to pacemaker recalls.
Status: Action in process. Intended completion date: 02/85

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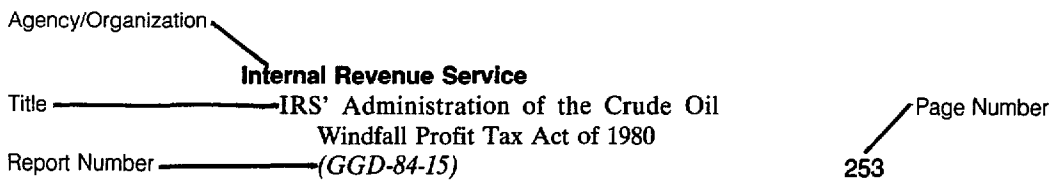
SAMPLE ENTRY



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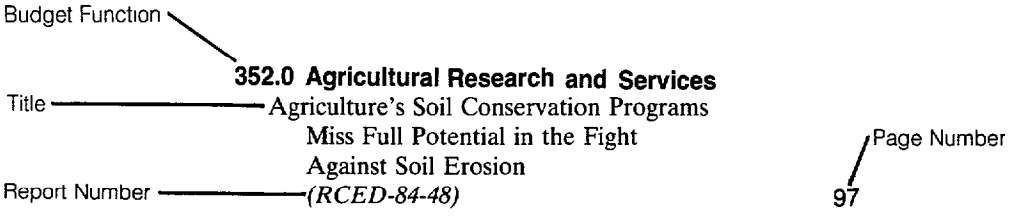

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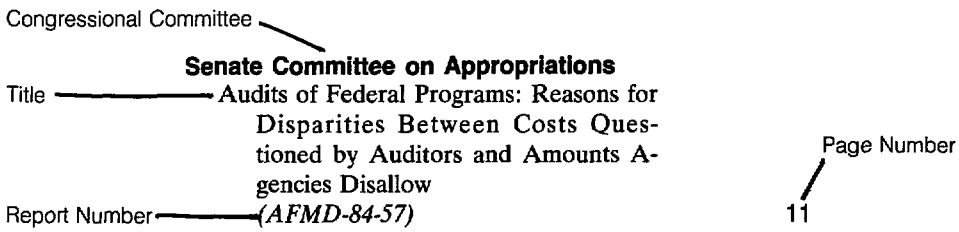

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